TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

ALL Districts

Pursuant to Minute Order 110081, dated May 4, 2005 (authorizing minute order), the Texas Transportation Commission (commission) has approved a Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program, as subsequently amended (Master Resolution), to establish a revenue financing program (Mobility Fund Revenue Financing Program) pursuant to which the commission may issue obligations including bonds, notes and other public securities and execute credit agreements secured by and payable from a pledge of and lien on all or part of the moneys in the Mobility Fund. Under such Master Resolution, the commission has approved eight supplemental resolutions to the Master Resolution which authorized the issuance of eight series of Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds.

The commission has previously issued its $100 million "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)" (Series 2005-B Bonds) pursuant to the Second Supplemental Resolution of the Master Resolution (Second Supplement). There is currently $82,315,000 aggregate principal amount of the Series 2005-B Bonds currently outstanding.

Under the Second Supplement, Series 2005-B Bonds are authorized to be tendered for purchase from time to time by the purchasers pursuant to the provisions of the Second Supplement and the commission must maintain a liquidity agreement with a liquidity provider to pay the purchase price of tendered bonds in the event the Series 2005-B Bonds are not remarketed by the remarketing agent.

As part of the ongoing management of the Mobility Fund Revenue Financing Program, the commission has been requested to consider several actions with respect to the Series 2005-B Bonds.

The Series 2005-B Bonds current liquidity agreement with DEPFA Bank, plc, acting through its New York Branch (DEPFA) expires April 6, 2012 and the commission must take action to replace DEPFA prior to the expiration date.

The Texas Department of Transportation (department) has solicited requests for proposal from various banks relating to providing liquidity services to the commission for the Series 2005-B Bonds and has determined that Royal Bank of Canada meets the requirements of the Second Supplement to act as the liquidity provider and should be selected, on the basis of its qualifications and proposed cost structure, as the liquidity provider for the Series 2005-B Bonds pursuant to the terms of the Second Supplement and a standby bond purchase agreement (Liquidity Agreement) between the commission and Royal Bank of Canada, substantially in the form attached hereto with such changes as approved by the Chief Financial Officer.

In the event the department cannot reach an agreement with Royal Bank of Canada, the department is authorized to proceed with execution of a Liquidity Agreement with any other liquidity provider proposer that meets the qualifications and cost structure that provides the next best value and terms for the Mobility Fund Revenue Financing Program as determined by the Chief Financial Officer.

In connection with the replacement of the liquidity provider the department must effectuate a mandatory tender and remarketing of the Series 2005-B Bonds and the attached remarketing memorandum has been prepared for distribution by the remarketing agent in connection with the remarketing.

The Securities and Exchange Commission (SEC) has adopted certain changes to Rule 15c2-12 regarding continuing disclosure for municipal securities which are applicable to the remarketing of the Series 2005-B Bonds as set forth in the Continuing Disclosure Undertaking attached hereto.

IT IS THEREFORE ORDERED by the commission that the Chief Financial Officer, on behalf of the commission, is authorized and directed to take such action necessary to replace the liquidity provider with respect to the Series 2005-B Bonds, including obtaining rating confirmations, giving any notices and other actions as may be required and the Chief Financial Officer is an Authorized Representative for purposes of the Master Resolution and the Second Supplemental Resolution.

IT IS FURTHER ORDERED by the commission that the Chief Financial Officer, on behalf of the commission, is authorized and directed to execute and deliver the Liquidity Agreement and the Continuing Disclosure Undertaking with such changes as the Chief Financial Officer executing the same may approve, such approval to be conclusively evidenced by execution of the documents.

IF IS FURTHER ORDERED by the commission that the remarketing memorandum is hereby approved with such changes as the Chief Financial Officer executing the same may approve, such approval to be conclusively evidenced by execution of the document.

IT IS FURTHER ORDERED by the commission that the amendment to the Remarketing Agreement and the Tender Agent Agreement are hereby approved with such changes as the Chief Financial Officer executing the same may approve, such approval to be conclusively evidenced by execution of the documents.

IT IF FURTHER ORDERED by the commission that any necessary auxiliary documents in connection with the replacement of DEPFA as liquidity provider for the Series 2005-B Bonds are hereby approved including any amendments or additional amendments, as applicable, to the Second Supplement, the Tender Agent Agreement with The Bank of New York Mellon Trust Company, N.A. as successor in interest to JPMorgan Chase Bank, N.A. the original Tender Agent and the Remarketing Agreement with Jefferies & Company, Inc., the current remarketing agent as successor in interest to UBS Financial Services Inc., the original remarketing agent and the Chief Financial Officer is authorized and directed to execute and deliver such documents.

IF IS FURTHER ORDERED by the commission that the Chief Financial Officer, on behalf of the commission, is authorized and directed to perform all such acts and execute such documents, including execution of certifications to the remarketing agent and liquidity and other providers, the Attorney General, the Comptroller of Public Accounts and other parties, as may be necessary to carry out the intent of this order and other orders of the commission relating to the Mobility Fund Revenue Financing Program and the related documents.

Submitted and reviewed by:

James M Bass

Chief Financial Officer

Recommended by:

Executive Director

112975 JAN 26 12

Minute Number | Date Passed

KUTAK ROCK LLP
DRAFT 01/11/12

STANDBY BOND PURCHASE AGREEMENT

dated as of March 1, 2012

between

TEXAS TRANSPORTATION COMMISSION

and

ROYAL BANK OF CANADA

$82,315,000
Texas Transportation Commission State of Texas General Obligation
Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)

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STANDBY BOND PURCHASE AGREEMENT

This **STANDBY BOND PURCHASE AGREEMENT,** dated as of March 1, 2012, is entered into by and between the **TEXAS TRANSPORTATION COMMISSION** (together with its successors and assigns, the "***Commission***") and **ROYAL BANK OF CANADA** (together with its successors and assigns, the "***Bank***"), acting through a branch located at Three World Financial Center, 200 Vesey Street, New York, NY. Capitalized terms used herein and not otherwise defined shall have the meaning assigned in Sections 1.01 and 1.02.

RECITALS

A. The Commission is the governing body of the Texas Department of Transportation (the "***Department***"), is a public body politic and corporate and an agency of the State of Texas (the "***State***"), organized and existing under the laws of the State.

B. The Commission is authorized to issue obligations of the State and enter into related credit agreements that are payable from and secured by a pledge of and lien on all or part of the money on deposit in the Texas Mobility Fund (the "***Mobility Fund***") pursuant to the authority granted to the Commission, acting on behalf of the Department, by Article III, Section 49-k of the Texas Constitution, Subchapter M, Chapter 201, Texas Transportation Code, as amended, and Chapter 1371, Texas Government Code, as amended (the ***"Acts"***).

C. A Master Resolution adopted by minute order of the Commission on May 4, 2005 and as amended by minute order of the Commission and a First Amendment on September 27, 2007 (the "***Master Resolution***") establishes the Texas Mobility Fund Revenue Financing Program (the "***Program***") to provide a financing structure for the issuance of obligations payable in whole or in part from revenues dedicated to and on deposit in the Mobility Fund.

D. The Commission has issued eight separate series of Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, including the Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds) currently outstanding in the aggregate principal amount of $82,315,000 (the "***Bonds***") and originally issued on June 8, 2005 pursuant to the Second Supplemental Resolution to the Master Resolution establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program adopted by minute order of the Commission on May 4, 2005 (the "***Second Supplemental Resolution***").

E. In connection with the original issuance of the Bonds, the Commission executed a Standby Bond Purchase Agreement dated as of May 1, 2005 (the "***Prior Liquidity Facility***") with DEPFA Bank plc, acting through its New York Branch, to provide liquidity for the Bonds while in the Daily Mode or Weekly Mode. The Prior Liquidity Facility expires April 6, 2012 and pursuant to the Commission minute order adopted on January 26, 2012 the Commission is replacing the Prior Liquidity Facility with this Agreement to continue providing liquidity for the Bonds while they are bearing interest at the Weekly Rate or, with the prior written consent of the Bank, the Daily Rate or Commercial Paper Rate by providing for the purchase of such Bonds which are not remarketed upon an optional or mandatory tender by the holders thereof on or

prior to the last day of the Purchase Period as provided herein through purchases of such Bonds by the Bank. This Agreement replaces and supersedes the Prior Liquidity Agreement.

F. Pursuant to the Commission's exercise of such authority in the Second Supplemental Resolution, the Bonds and the reimbursement obligations under this Agreement are additionally secured by the State's full faith and credit pledge as authorized by the Acts.

G. The Bank is willing, upon the occurrence of certain events, to purchase Bonds tendered by the holders thereof, upon the terms and conditions set forth in this Agreement.

H. In reliance upon the provisions hereof, the Bank is willing to enter into this Agreement with the Commission.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms, as used herein, have the following meanings:

"*Accounting Standards*" has the meaning assigned to that term in Section 1.03.

"*Accrued Interest*" means that portion of the Purchase Price paid by the Bank for Eligible Bonds constituting accrued but unpaid interest on such Eligible Bonds.

"*Acts*" has the meaning given to that term in the Recitals of this Agreement.

"*Agreement*" means this Standby Bond Purchase Agreement.

"*Alternate Liquidity Facility Provider*" means the issuer of an Alternate Liquidity Facility (other than the Bank).

"*Available Commitment*" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

"*Available Interest Commitment*" initially means $947,187, representing 35 days' interest on the Available Principal Commitment based upon an assumed per annum rate of interest equal to 12.00% (based on the actual days elapsed in a year of 365/66 days, as applicable) as such amount shall be adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to the Available Interest Component amount prior to such reduction as the amount of any reduction in the Available Principal Commitment pursuant to the definition of "Available Principal Commitment" bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to the Available Interest Component amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment; provided that after giving effect to such adjustment the

Available Interest Commitment shall never exceed $947,187. Any adjustments to the Available Interest Commitment pursuant to clauses (a) and (b) above shall occur simultaneously with the event requiring such adjustment.

"*Available Principal Commitment*" initially means $82,315,000 and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to Section 2.03; (b) downward by the principal amount of any Eligible Bonds purchased by the Bank pursuant to Section 2.01; and (c) upward by the principal amount of any Eligible Bonds, theretofore purchased by the Bank pursuant to Section 2.01, which are sold or deemed sold by the Bankholder pursuant to Section 2.04(b) (regardless of the Purchase Price received for such Bonds) or which the Bankholder declines, pursuant to Section 2.04(c), to sell.

"*Bank*" has the meaning assigned to that term in the opening paragraph of this Agreement. The Bank shall constitute the Liquidity Facility Issuer under the Second Supplemental Resolution.

"*Bank Agreement*" means any credit agreement, bond purchase agreement, liquidity agreement, direct securities purchase agreement or other agreement or instrument (or any amendment, supplemental or modification thereto) entered into by the Commission with any Person, directly or indirectly, or otherwise consented to by the Commission, under which any Person or Persons undertakes to make loans, extend credit or liquidity to the Commission with respect to any Debt secured by or payable from any of the Security.

"*Bankholder*" means the Bank (but only in its capacity as owner (which as used herein shall mean beneficial owner if at the relevant time Purchased Bonds are held in book-entry form) of Purchased Bonds pursuant to this Agreement) and any other Person to whom a Bankholder has sold Purchased Bonds pursuant to Section 2.04(a).

"*Bank Rate*" means, for each date of determination with respect to amounts owing hereunder or under the Purchased Bonds, the rate per annum equal to: (i) from the date such amounts are advanced or become due and owing hereunder (which period, in the case of a Purchased Bond, shall begin on the Purchase Date on which such Purchased Bond was purchased with amounts advanced hereunder) to and including the thirtieth (30th) day after the date such amounts are advanced or become due and owing hereunder, a variable rate of interest equal to the highest of (A) the sum of the Prime Rate plus one and one-half percent (1.50%), (B) the sum of the Federal Funds Rate plus two percent (2.00%) and (C) five percent (5.00%); (ii) from the thirty-first (31st) day after the date such amounts are advanced or become owing hereunder to and including the ninetieth (90th) day after the date such amounts are advanced or become due and owing hereunder, a variable rate of interest equal to the Base Rate; (iii) from the ninety-first (91st) day after the date such amounts are advanced or become due and owing hereunder, a variable rate of interest equal to the Term Loan Rate.

Notwithstanding the foregoing, (a) from and after the earlier of (i) the date amounts are owed hereunder and are not paid when due, but only so long as not paid when due, and (ii) during the occurrence and continuance of an Event of Default, the Bank Rate shall equal the Default Rate, and (b) at no time shall the Bank Rate exceed the Maximum Rate.

"*Base Rate*" means, for any day, a per annum rate equal to the highest of (i) the sum of the Prime Rate for such day plus one and one-half percent (1.50%), (ii) the sum of the Federal Funds Rate for such day plus two percent (2.00%) and (iii) eight percent (8.00%). The Base Rate shall be subject to change at the time of any change in the Prime Rate or the Federal Funds Rate, as applicable, effective on the date of such change; provided however at no time shall the Base Rate exceed the Maximum Rate.

"*Bonds*" has the meaning assigned to that term in the Recitals to this Agreement.

"*Book Entry Bonds*" means the Bonds so long as the book entry system with DTC is used for determining beneficial ownership of the Bonds.

"*Business Day*" means any day except (i) a Saturday, Sunday or legal holiday, (ii) any other day which commercial banks and trust companies in the City of New York, New York, or any City in which the principal office of the Commission, the Paying Agent, the Tender Agent, the Remarketing Agent or the Bank is authorized or required to remain closed, or is closed for any other reason and (iii) a day on which the New York Stock Exchange is closed. For purposes of this definition, the principal office of the Bank shall be that office at which any Notice of Bank Purchase is to be presented.

"*Code*" means the United States Internal Revenue Code of 1986, as amended, or any successor provision or provisions in that Code or any successor Federal tax code and any regulations (including final, temporary and proposed regulations) thereunder.

"*Commission*" has the meaning assigned to that term in the opening paragraph of this Agreement.

"*Conversion Date*" means the date on which none of the Bonds shall bear interest at the Weekly Rate, or, if the Bank shall have given its prior written consent to the inclusion of Bonds bearing interest at the Daily Rate or the Commercial Paper Rate in the category of Eligible Bonds, with the prior written consent of the Bank, the Daily Rate or Commercial Paper Rate, whichever is included in the category of Eligible Bonds.

"*Debt*" of any Person means at any date (without duplication) all of the following: (a) all obligations of, or issued by, such Person for borrowed money; (b) all obligations of, or issued by, such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations of, or issued by, such Person to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (d) all obligations of, or issued by, such Person as lessee under capitalized leases; and (e) all Debt of, or issued by, other Persons Guaranteed by, or secured by any of the revenues or assets of, such Person.

"*Default Rate*" means a fluctuating rate per annum equal to the Base Rate plus three percent (3.00%); provided, however, at no time shall the Default Rate exceed the Maximum Rate.

"*Default*" means any condition or event that constitutes an Event of Default or that, with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"*Defaulted Interest*" means accrued interest with respect to the Bonds which was not paid when due under the terms of the Resolutions or any amounts accruing on amounts owed with respect to the Bonds by reason of such amounts being not paid when due.

"*Department*" has the meaning assigned to that term in the Recitals of this Agreement.

"*Differential Interest Amount*" means an amount equal to (a) interest which has accrued and is unpaid on Purchased Bonds at the Bank Rate up to but excluding the Sale Date, minus (b) the interest accrued on such Bonds which is received by the Bankholders as part of the Sale Price.

"*Disclosure Documents*" means (a) the Remarketing Memorandum, (b) all other materials used in connection with the remarketing of tendered Bonds and (c) all amendments and supplements to any of the foregoing.

"*Dollar*" *or the symbol "$*" means dollars in the lawful currency of the United States of America.

"*Effective Date*" means March 1, 2012.

"*Eligible Bonds*" means any Bonds bearing interest at the Weekly Rate or, with the prior written consent of the Bank, the Daily Rate or the Commercial Paper Rate and does not include Bonds (or a beneficial interest in Bonds) owned by, for the account of, or on behalf of, the Commission or any Purchased Bonds and Bonds that have been removed from coverage under this Agreement by reason of redemption, defeasance and/or substitution or replacement of said coverage with an Alternate Liquidity Facility.

"*EMMA*" means the Municipal Securities Rulemaking Board's Electronic Municipal Access System or any service or services established by the Municipal Securities Rulemaking Board (or any of its successors) as a successor to the Electronic Municipal Access System.

"*Environmental Law*" means the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund", or any other applicable Federal, state, local or other statute, law, ordinance, code, rule, regulation, order or decree, as now or at any time hereafter in effect, regulating, relating to, or imposing liability concerning the environment, the impact on the environment on human health, or any hazardous or toxic waste, substance or material or pollutant or contaminant.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules and regulations from time to time promulgated thereunder.

"*Event of Default*" has the meaning assigned to that term in Section 7.01.

"*Event of Insolvency*" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of Texas or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency, reorganization or other similar Texas or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property which, in the case of a case or proceeding commenced against such Person, is not dismissed within 60 days of commencement or the appointment, or the designation with respect to it, of an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, of the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person;

(f) the admission by such Person in writing of its inability to pay its debts when due;

(g) such Person is "insolvent" as defined in Section 101(32) of the United States Bankruptcy Code; and

(h) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"*Excess Purchased Bond Interest*" has the meaning assigned to that term in Section 2.08(c).

"*Expiration Date*" means the later of (a) March 1, 2015 or, if such day is not a Business Day, the Business Day next preceding such day and (b) the last day of any extension of such date pursuant to Section 2.10, or, if such last day is not a Business Day, the Business Day next preceding such day.

"*Exposure*" means, for any date with respect to a Person and any Interest Rate Protection Agreement, the amount of any Settlement Amount that would be payable by such Person if such

Interest Rate Protection Agreement were terminated as of such date. Exposure shall be determined in accordance with the standard methods of calculating such exposure under similar arrangements as reasonably prescribed from time to time by the Bank, taking into account the methodology for calculating amounts due upon early termination as set forth in the related Interest Rate Protection Agreement and the notional principal amount, term and other relevant provisions thereof.

"*Extension Notice*" means the Bank's written notice to extend the Purchase Period, substantially in the form of **Exhibit B-2.**

"*Extension Request*" means the Commission's request to extend the Purchase Period, substantially in the form of **Exhibit B-1**.

"*Facility Fee*" has the meaning assigned to that term in Section 2.06.

"*Federal Funds Rate*" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

"*Fiscal Year*" means the fiscal year of the Commission ending on August 31 of each calendar year or such other fiscal year as may be adopted by the Commission from time to time to the extent permitted by Texas law.

"*Fitch*" means Fitch, Inc. and its successors and assigns.

"*Governmental Authority*" means any nation or government, any state or other political subdivision thereof, and any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"*Guarantee*" by any Person, means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Immediate Termination Event*" has the meaning assigned to that term in Section 7.02(a).

"*Interest Component*" has the meaning assigned to that term in Section 2.01.

"*Interest Rate Protection Agreement*" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies.

"*Investor CUSIP Number*" means _____.

"*Master Resolution*" has the meaning assigned to that term in the Recitals of this Agreement.

"*Material Adverse Change*" means the occurrence of any event or change resulting a material and adverse change in the business, condition (financial or otherwise), operations or prospects of the Commission with regard to the Mobility Fund or of the State relating to the State's guarantee under the Resolutions since the last day of the period reported in the financial statements of the Mobility Fund or of the State received by the Bank and described in Section 4.09(a) or which materially and adversely effects the Acts, the Program or the security or source of payment for the Bonds or the Reimbursement Obligations or which materially and adversely effects the enforceability of this Agreement or any Related Document or the ability of the Commission or of the State to perform its obligations hereunder or thereunder.

"*Maximum Rate*" means the lesser of 15.00% per annum and the maximum rate permitted by Texas law.

"*Mobility Fund*" has the meaning assigned to that term in the Recitals of this Agreement.

"*Moody's*" means Moody's Investors Service, Inc., and its successors and assigns.

"*Notice of Bank Purchase*" has the meaning assigned to that term in Section 2.02 and shall be substantially in the form attached hereto as **Exhibit A**.

"*Notice of Termination*" has the meaning assigned to that term in paragraph (b) of Section 7.02 and shall be substantially in the form attached hereto as **Exhibit C**.

"*Notice of Termination Date*" has the meaning assigned to that term in Section 7.02(b).

"*Parity Debt*" means, collectively, Parity Debt as defined in the Master Resolution and payments owed under any Interest Rate Protection Agreement entered into by the Commission which payments are secured by or payable from the Security on a parity with the Bonds and which may be guaranteed pursuant to Section 2(c) of the Master Resolution.

"*Participant*" has the meaning assigned to that term in Section 8.06(b).

"*Patriot Act*" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

"*Paying Agent*" means The Bank of New York Mellon Trust Company, National Association, as successor to JPMorgan Chase Bank, N.A., or any successor and assigns as authorized by the Second Supplemental Resolution.

"*Paying Agent/Registrar Agreement*" means the Paying Agent/Registrar Agreement dated as of May 1, 2005 between the Commission and the Paying Agent.

"*Person*" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"*Prime Rate*" means, for any day, the rate of interest per annum announced by the Bank from time to time in its sole discretion as its prime commercial lending rate for such day for United States Dollar loans made in the United States. The Prime Rate is not necessarily the lowest rate that the Bank is charging any corporate customer.

"*Prior Liquidity Facility*" has the meaning assigned to that term in the recitals to this Agreement.

"*Program*" has the meaning assigned to that term in the Recitals of this Agreement.

"*Purchase Date*" means with respect to any Eligible Bond any Business Day during the Purchase Period upon which such Bond is tendered or deemed tendered for purchase pursuant to Section 6.01, 6.02 (if the Bank shall have given its consent to the inclusion of Bonds bearing the Commercial Paper Rate in the category of Eligible Bonds), 6.03 or 6.05 of the Second Supplemental Resolution for which the Bank has received a Notice of Bank Purchase pursuant to Section 2.02.

"*Purchase Notice*" has the meaning assigned to that term in Section 2.04(b).

"*Purchase Period*" means the period from the Effective Date to and including the earliest of (a) Expiration Date, (b) the date of termination of the Available Commitment pursuant to Section 2.03, Section 7.02(a) or Section 7.02(b), and (c) the date on which no Bonds are Outstanding; *provided* that, if the last day of the Purchase Period is not a Business Day, the Purchase Period shall terminate on the immediately preceding Business Day.

"*Purchase Price*" means, with respect to any Eligible Bond, the unpaid principal amount thereof plus accrued interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case, without premium; *provided* that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date; and, *provided, further*, that the aggregate amount of Purchase Price constituting the Interest Component shall not exceed the amount specified in Section 2.01.

"*Purchased Bond CUSIP Number*" means _____.

"*Purchased Bond Interest Payment Date*" has the meaning assigned to that term in Section 2.08(b).

"*Purchased Bond Rate*" means the Bank Rate and the Term Loan Rate, as applicable.

"*Purchased Bond*" means any Bond purchased by the Bank pursuant to Section 2.02, which Bond shall be a Purchased Bond from the date of such purchase until the first to occur of (a) the repayment in full of said Purchased Bond (by maturity, redemption or otherwise) and (b) the sale or deemed sale thereof by the Bankholder pursuant to Section 2.04.

"*Purchaser*" has the meaning assigned to that term in Section 2.04(b).

"*Rating Agencies*" means, collectively, each Rating Agency then rating the Bonds.

"*Rating Agency*" means Fitch, S&P or Moody's, if then rating the Bonds, or any successor or additional rating agency that rates the Bonds and which is acceptable to the Bank.

"*Reimbursement Obligations*" means the principal and interest on Purchased Bonds, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Commission to the Bank arising under this Agreement.

"*Related Document*" means each of this Agreement, the Bonds, the Remarketing Agreement, the Remarketing Memorandum, the Resolutions, the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Texas Mobility Fund Administration Agreement and all other documents delivered by the Commission in connection with the original closing of the Bonds and related to this substitution of the Prior Liquidity Agreement.

"*Remarketing Agent*" means Jefferies & Company, Inc., as successor to UBS Financial Services Inc., or any successor thereto.

"*Remarketing Agreement*" means the Remarketing Agreement dated as of May 1, 2005 between the Commission and the Remarketing Agent as amended by the First Amendment to Remarketing Agreement dated as of March 1, 2012.

"*Remarketing Memorandum*" means the Remarketing Memorandum dated February 15, 2012 (including any supplements thereto) relating to the Bonds.

"*Resolutions*" means the Master Resolution, the Second Supplemental Resolution and the Award Certificate.

"*S&P*" means Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC company and its successors and assigns.

"*Sale Date*" means the date on which the Bank or any Bankholder sells Purchased Bonds pursuant to Section 2.04(b) of this Agreement.

"*Sale Price*" has the meaning assigned to that term in Section 2.04.

"*Second Supplemental Resolution*" has the meaning assigned to that term in the Recitals of this Agreement.

"*Settlement Amount*" means, with respect to a Person and any Interest Rate Protection Agreement, any amount payable by such Person under the terms of such Interest Rate Protection Agreement in respect of, or intended to compensate the other party for, the value of such Interest Rate Protection Agreement upon early termination thereof.

"*State*" has the meaning assigned to that term in Recitals of this Agreement.

"*Suspension Event*" has the meaning assigned to that term in Section 7.02(c).

"*Tender Agent*" means The Bank of New York Mellon Trust Company, National Association, as successor to JPMorgan Chase Bank, N.A., or its successor and assigns as authorized by the Second Supplemental Resolution.

"*Tender Agent Agreement*" means the Tender Agent Agreement dated as of May 1, 2005 by and among the Commission, the Tender Agent and the Remarketing Agent as amended by the First Amendment to the Tender Agent Agreement dated as of March 1, 2012.

"*Term Loan Commencement Date*" means, with respect to each Purchased Bond, the first to occur of (a) the 90th day following the related Purchase Date and (b) the final day of the Purchase Period; *provided, however,* that Term Loan Funding with respect to any Purchased Bond shall not occur if the conditions precedent set forth in Section 3.01(c) are not met on the Term Loan Commencement Date for such Purchased Bond.

"*Term Loan End Date*" means, with respect to each Purchased Bond subject to Term Loan Funding, the first to occur of (a) the third anniversary of the related Purchase Date, (b) the Conversion Date, (c) the Substitution Date, (d) the date upon which an Immediate Termination Event shall have first occurred, (e) the Notice of Termination Date, and (f) the date on which the Bonds are paid in full (whether by redemption, defeasance, or at maturity).

"*Term Loan Funding*" has the meaning set forth in Section 3.01(a).

"*Term Loan Payment Date*" means (a) the first Business Day of the third month immediately following the related Term Loan Commencement Date with respect to a Purchased Bond which becomes subject to Term Loan Funding on such Date and the first Business Day of each third month thereafter occurring prior to the Term Loan End Date and (b) the Term Loan End Date.

"*Term Loan Rate*" means a variable per annum interest rate equal to the Base Rate plus 2.00%; provided however, notwithstanding the foregoing, (a) from and after the earlier of (i) amounts owed hereunder are not paid when due, but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, the Term Loan Rate shall equal the Default Rate and (b) at no time shall the Term Loan Rate exceed the Maximum Rate.

"*Texas Mobility Fund Administration Agreement*" means that certain agreement dated as of May 1, 2005, by and between the Commission and the Comptroller of Public Accounts of the State of Texas.

Section 1.02. Certain Other Definitions. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Resolutions. Specifically, the following capitalized terms used herein have the meaning assigned in the Master Resolution:

Constitutional Provision

Outstanding

Security

and, specifically, the following capitalized terms used herein shall have the meaning assigned in the Second Supplemental Resolution:

Alternate Liquidity Facility	Interest Payment Date
Award Certificate	Owners
Commercial Paper Rate	Substitution Date
Daily Rate	Weekly Rate

Section 1.03. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and any financial statement delivered hereunder shall be prepared in accordance with United States generally accepted accounting principles as in effect from time to time ("***Accounting Standards***").

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted pursuant to its terms and the terms hereof. Reference herein to any Article, Exhibit or Section shall be deemed to be a reference to the corresponding Article, Exhibit or Section of this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time Presumption. All references herein to times of the day shall be presumed to refer to New York City time unless otherwise specified.

ARTICLE II

COMMITMENT; FEES

Section 2.01. Commitment to Purchase Bonds. The Bank agrees, on the terms and subject to the conditions contained in this Agreement, to purchase Eligible Bonds from time to time during the Purchase Period at the Purchase Price which Eligible Bonds are tendered pursuant to an optional tender (pursuant to Section 6.01 of the Second Supplemental Resolution) or a mandatory tender (pursuant to Sections 6.02 (if the Bank has given its prior written consent to the inclusion of Bonds bearing the Commercial Paper Rate in the category of Eligible Bonds), 6.03 or 6.05 of the Second Supplemental Resolution) and which, in either case, the Remarketing Agent has been unable to remarket. The Bank will pay said Purchase Price with its own funds. The aggregate principal amount (or portion thereof) of any Eligible Bond (the "***Principal Component***") purchased on any Purchase Date shall be an Authorized Denomination pursuant to the Resolutions, and in any case, shall not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on Eligible Bonds (the ***"Interest Component"***) purchased by the Bank on any Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest on such Bonds accrued but unpaid from and including the most recent Interest Payment Date therefor to but excluding such Purchase Date.

Section 2.02. Method of Purchasing; Delivery.

(a) As contemplated by Section 6.08(c)(iii) of the Second Supplemental Resolution, the Tender Agent will give notice to the Bank as provided below if, on any Purchase Date, Bonds are to be purchased by the Bank pursuant to this Section 2.02 due to the inability of the Remarketing Agent to remarket such Bonds on such Purchase Date. If, on any Purchase Date, the Bank receives not later than 12:00 P.M. a notice, in substantially the form of **Exhibit A** hereto appropriately completed, and in the manner required by Section 8.01, from the Tender Agent (such notice to be referred to as a "***Notice of Bank Purchase***"), specifying (i) that Eligible Bonds are to be purchased by the Bank on such Purchase Date pursuant to this Section, (ii) the aggregate Purchase Price of such Bonds and (iii) the amount of such aggregate Purchase Price comprising principal and interest, respectively, the Bank will, unless it determines that any of the applicable conditions specified in Section 6.02 are not satisfied, transfer not later than 2:30 P.M. on such Purchase Date to the Tender Agent, in immediately available funds, an amount equal to the aggregate Purchase Price of such Bonds for deposit by the Tender Agent into the Purchase Fund established pursuant to Section 6.07 of the Second Supplemental Resolution. If a Notice of Bank Purchase is given by facsimile transmission, the Tender Agent shall promptly deliver an original of such Notice of Bank Purchase by postage prepaid, U.S. Mail; provided that the receipt of such original is not a condition to the Bank's obligation to advance funds hereunder. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank (in its capacity as purchaser of Bonds pursuant to this Agreement) shall have no responsibility for, or incur any liability in respect of, any act, or any failure to act, by the Tender Agent which results in the failure of the Tender Agent (y) to credit the Purchase Fund with funds made available to the Tender Agent by the Bank pursuant to this Section 2.02 or (z) to effect

the purchase for the account of the Bank of Bonds with such funds pursuant to this Section 2.02 and Section 6.08 of the Second Supplemental Resolution. Any amounts received by the Tender Agent from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Bonds shall be immediately returned to the Bank as described in Section 2.02(b), and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn but so returned.

So long as Bonds purchased pursuant to this Section 2.02(a) are Book Entry Bonds held by the Tender Agent or Paying Agent as custodian as part of DTC's FAST automated transfer program ("***FAST Eligible Bonds***"), concurrent with the Tender Agent's receipt of the Purchase Price for each purchase of Bonds by the Bank, the Tender Agent, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall, if so directed by the Bank, make a direct registration electronic book-entry (A) crediting the DTC account designated by the Bank as its account in which to hold the Bonds purchased by the Bank (each, a "***Bank Book-Entry Account***" of the Bank) with the principal amount of the Bonds purchased by the Bank using the Purchased Bond CUSIP Number and (B) debiting the book-entry account of DTC for such Bonds (thereby reducing the principal balance of the global certificate representing the Bonds) (the "***DTC Book-Entry Account***") by the principal amount of the Bonds purchased by the Bank. So long as the Bonds are FAST Eligible Bonds, upon a remarketing of Purchased Bonds and the Tender Agent's receipt from the Remarketing Agent of the remarketing proceeds, the Tender Agent, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall, if the Tender Agent has previously credited the Bank Book-Entry Account as described in clause (A) of the first sentence of this paragraph, make a direct registration electronic book-entry in its records (X) debiting the Bank Book-Entry Account of the Bank for the principal amount of the Bonds so remarketed and (Y) crediting the DTC Book-Entry Account for the Bonds (thereby increasing the principal balance of the global certificate representing the Bonds) with the principal amount of the Bonds so remarketed. The Tender Agent acknowledges that it is familiar with the procedures and requirements set forth in a notice from DTC, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("***VRDO***") Failed Remarketings and Issuance of Bank Bonds" and agrees that, with respect to any and all Bonds, it will follow the procedures and requirements set forth in such notice, as the same may be amended, modified or supplemented from time to time. To the extent that, following any amendment, modification or supplement of such notice, the procedures and requirements therein should become inconsistent with any aspect of the provisions of this paragraph, the Tender Agent, the Commission and the Bank shall promptly negotiate in good faith and agree upon amendments of this paragraph so as to eliminate such inconsistency. All costs and expenses related to activities taken pursuant to this Section or otherwise to register Purchased Bonds or transfer legal or beneficial interests therein shall be borne by the Commission.

(b) In the event that any funds paid by the Bank to the Tender Agent pursuant to Section 2.02(a) shall not be required to be applied to purchase Eligible Bonds as provided herein, such funds shall be returned to the Bank as soon as practicable by the Tender Agent and until so returned shall be held in trust by the Tender Agent for the

account of the Bank. Such funds shall be transferred to the account of the Bank in Section 2.06(e). To the extent any such amounts are not returned to the Bank in immediately available funds by 4:00 p.m. on the same day on which such funds were advanced, such amounts shall bear interest, payable by the Commission on demand and in any event on the date on which such funds are returned, at a rate equal to the Base Rate from the date disbursed until the date returned to the Bank (but in any event for not less than one (1) day).

(c) The Tender Agent covenants and agrees to provide the notices to the Bank that the Tender Agent is required to give to the Bank by the terms of the Tender Agent Agreement, including but not limited to all tender notices, promptly upon receipt thereof by the Tender Agent by facsimile notice to the Bank with an original copy to be delivered by overnight mail.

Section 2.03. Termination and Reduction of Available Commitment.

(a) Upon (i) any redemption, repayment or other payment of all or any portion of the principal amount of the Bonds or (ii) the conversion of all or portion of the Bonds to a Mode other than the Weekly Mode, or, if the Bank shall have given its prior written consent to the inclusion of Bonds in the Daily Mode and Commercial Paper Mode in the category of Eligible Bonds, the Daily Mode or the Commercial Paper Mode, whichever is included in the category of Eligible Bonds, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of the Bonds so redeemed, repaid or otherwise paid or so converted, as the case may be. The Commission shall cause written notice to be delivered to the Bank and the Tender Agent within five (5) Business Days of such redemption, repayment, other payment or conversion.

(b) The Commission may terminate this Agreement at any time without penalty or payment of a termination fee; provided, however, the Commission agrees not to deliver an Alternate Liquidity Facility or to terminate this Agreement unless and until the Commission has paid the Bank all Reimbursement Obligations (including all amounts owed with respect to Purchased Bonds) that may be due and payable at such time, including any amounts due pursuant to Section 2.06. In addition, the Commission shall comply with the requirements of the Resolutions with respect to terminating this Agreement.

(c) The Available Principal Commitment shall automatically terminate on the Conversion Date or the Substitution Date and as otherwise provided in Section 7.02.

(d) Except as specifically provided in this Section 2.03, the Commission shall have no right to reduce or terminate the Available Commitment.

Section 2.04. Sale of Purchased Bonds. The Bank expressly reserves the right to sell, at any time, Purchased Bonds, subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made to Purchasers identified in a Purchase Notice as described in Section 2.04(b) below) will be made only to institutional investors or other

entities which customarily purchase tax-exempt securities in large denominations. The Bank agrees to notify the Commission, the Tender Agent and the Remarketing Agent promptly of any such sale (other than a sale made pursuant to Section 2.04(b) below) and, if such Purchased Bond is a Book Entry Bond, specifying the account at DTC to which such Purchased Bond is to be credited. Any Bankholder purchasing a Purchased Bond from the Bank or another Bankholder shall be deemed to have agreed (i) not to sell such Purchased Bond to any Person except to the Bank or institutional investors or other entities which customarily purchase tax-exempt securities in large denominations or a Purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) below; and (ii) if such Purchased Bond is a Book Entry Bond, to give all notices in the manner and by the time required by DTC to exclude such Purchased Bond from mandatory tenders of Bonds while it remains a Purchased Bond.

(a) The Commission shall assume no additional responsibility, obligation or liability in connection with or as a result of the sale of Purchased Bonds by the Bank or any subsequent sale of the Purchased Bonds by the entity originally purchasing the Purchased Bonds from the Bank; specifically the Commission is not responsible for any material information regarding the Commission, the State or the Mobility Fund furnished by the Bank or its purchaser to any purchaser or potential purchaser of Purchased Bonds which was not received by the Bank or any other purchaser in its capacity as the holder of Purchased Bonds or the Bank under this Agreement but shall have only such responsibility and liability that it already owes to the Bank or its successors and assigns, as holder of the Purchased Bonds.

(b) Prior to 11:15 A.M. on any Business Day on which the Bank holds Purchased Bonds, the Remarketing Agent may deliver a notice (a "***Purchase Notice***") to the Bank, the Bankholder and the Commission stating that it has located a purchaser (the "***Purchaser***") for some or all of such Purchased Bonds and that such Purchaser desires to purchase by the close of business on a Business Day (the "***Sale Date***") which is at least one Business Day after the day on which such Purchase Notice was given, as described above. The Purchased Bonds to be purchased shall be in Authorized Denominations and shall be purchased at a price of par plus interest accrued (at interest rate or rates applicable to the Bond or Bonds other than Purchased Bonds, i.e., the applicable rates determined pursuant to Article IV of the Second Supplemental Resolution) to but excluding such Business Day (the "***Sale Price***"). Interest on Purchased Bonds to the Sale Date shall otherwise be payable as provided in Section 2.08.

(c) If a Bankholder elects, at its sole option, to sell any Purchased Bonds to any Purchaser, it shall give notice of such election to the Tender Agent, the Commission and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date. If a Bankholder elects, at its sole option, not to sell any Purchased Bonds to any Purchaser, it shall give notice of such election to the Tender Agent, the Commission and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date. In the event no such notice is timely delivered by a Bankholder such Bankholder shall be deemed to have elected to sell such Purchased Bonds to a Purchaser. If a Bankholder elects, or is deemed to have elected, to sell such Purchased Bonds to a Purchaser, such Bankholder shall deliver such Purchased Bonds to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bankholder of

the Sale Price from the Tender Agent and the Differential Interest Amount thereunder from the Commission in immediately available funds in the manner referred to in Section 2.09, or at such other Bankholder's address listed in the bond register maintained by the Tender Agent, as the case may be, and such Bond shall thereupon no longer be considered a Purchased Bond. In the event that a Bankholder fails to deliver its Purchased Bonds as described in the next preceding sentence, the Bankholder shall be deemed to have so delivered its Purchased Bonds and the Remarketing Agent shall deliver the Sale Price and the Commission shall deliver the Differential Interest Amount to the Tender Agent to be held in trust for the benefit of such Bankholder pending the surrender of such Purchased Bonds by such Bankholder. Upon delivery of such Sale Price by the Remarketing Agent and such Differential Interest Amount by the Commission to the Tender Agent, such Bonds shall, as of the Sale Date, no longer constitute Purchased Bonds. If a Bankholder notifies the Tender Agent, the Commission and the Remarketing Agent at or before 4:00 p.m. on the Business Day before the Sale Date that it will not sell its Purchased Bonds as of the Sale Date, such Bonds shall no longer be considered Purchased Bonds.

(d) Following any sale of Purchased Bonds pursuant to Section 2.04(c) or otherwise, or any election to retain Bonds pursuant to Section 2.04(c), the Bank or other Bankholder shall retain the right to receive payment from the Commission of any interest thereon as provided herein and in the Resolutions.

(e) The Commission shall be liable for the deficiency if the proceeds of any sale or other disposition of the Purchased Bonds are insufficient to pay all amounts owed to the Bankholder with respect to such Purchased Bonds.

(f) Any sale or deemed sale of a Purchased Bond (or portion thereof) pursuant to this Section 2.04 shall be without recourse to the seller and without representation or warranty of any kind.

Section 2.05. Evidence of Purchases. The Bank shall maintain, in accordance with its customary procedures, a record of the date, amount and Purchase Price of each Purchased Bond and of each payment of principal (or Purchase Price) and interest with respect thereto. Such record shall, in any legal action, be conclusive, in the absence of manifest error; *provided*, that, the failure of the Bank to maintain any such record or the inaccuracy of any information therein shall not affect the obligation of the Commission to the Bank in respect of Purchased Bonds.

Section 2.06. Fees. The Commission agrees to pay the Bank the amounts described below in this Section 2.06 and all costs provided in Sections 2.07, 2.08 and 8.03, such payment to be made solely from sources described in Section 2.11:

(a) ***Facility Fee***. The Commission agrees to pay the Bank a facility fee (the "***Facility Fee***") with respect to the commitment of the Bank under the Agreement, which shall initially be computed at the rate of 0.30% per annum of the amount of the Available Commitment on the first day of the applicable Fee Period (as hereinafter defined) without regard to reductions in the Available Commitment that are subject to reinstatement. The Facility Fee shall be payable, without any requirement of notice or demand, in

immediately available funds quarterly in arrears, commencing on April 1, 2012 (the "***First Fee Payment Date***") (for the period from and including the Effective Date to but not including the First Fee Payment Date) and continuing thereafter on the first Business Day of each April, July, October and January prior to the end of the Effective Period and on the last day of the Purchase Period (each such payment date, commencing with the First Fee Payment Date, a "***Fee Payment Date***"). Each period from the Effective Date to the First Fee Payment Date and thereafter from each Fee Payment Date to the next succeeding Fee Payment Date is herein referred to as a "***Fee Period***". The Facility Fee shall be calculated on a 360-day year basis for the actual days elapsed. Interest shall be payable on the Facility Fee at the Default Rate from the date payment is due until payment is made in full, payable on demand. The rate used to compute the Facility Fee (the "***Facility Fee Rate***") shall be determined by the underlying debt rating (without regard to third-party credit enhancement (other than the guarantee of the State pursuant to Section 2(c) of the Master Resolution), the "***Material Debt Rating***") assigned by Moody's, S&P or Fitch to the Bonds or any Parity Debt supported by the State's guarantee pursuant to Section 2(c) of the Master Resolution and the grid below. If the Material Debt Rating assigned by all three Rating Agencies is on the same Level identified in the grid below, the Facility Fee Rate shall be the Facility Fee Rate which corresponds to that Level in the grid below. In the event that the Material Debt Ratings assigned by the three Rating Agencies are not on the same Level identified in the grid below (a "***Split Rating***"), the Facility Fee Rate shall be that specified for the Level which corresponds to lowest Material Debt Rating assigned.

	Material Debt Rating			
Level	**Moody's**	**S&P**	**Fitch**	**Facility Fee Rate**
1	Aa1 and above	AA+ and above	AA+ and above	0.30%
2	Aa2	AA	AA	0.45%
3	Aa3	AA-	AA-	0.60%
4	A1	A+	A+	0.75%
5	A2	A	A	0.90%
6	A3	A-	A-	1.05%
7	Baa1	BBB+	BBB+	1.20%

In addition, in the event that any Material Debt Rating is withdrawn or suspended, for credit related reasons, or reduced below the Material Debt Rating specified in Level 7 by any Rating Agency, the rate used to calculate the Facility Fee shall increase by two-hundred basis points (2.00%) per annum above the rate otherwise in effect. Upon the occurrence and during the continuance of any Event of Default, the Facility Fee shall increase by two-hundred basis points (2.00%) per annum above the rate that would otherwise be in effect.

Each change in the Facility Fee Rate resulting from a change in the Material Debt Rating shall become effective on the date of publication by the respective Rating Agency of such change in such Material Debt Rating or, in the absence of such publication, on the effective date of such change in such Material Debt Rating. A change in the Facility Fee Rate resulting from the occurrence of an Event of Default shall become effective on the date of the occurrence of such Event of Default. References to ratings above are references to rating categories as determined by Moody's, S&P and Fitch as of the Effective Date and, in the event of the adoption of any new or changed rating system by Moody's, S&P or Fitch, including, without limitation, any recalibration or realignment of the Material Debt Rating in connection with the adoption of a "global" rating scale, the ratings from the Rating Agency in question referred to above shall be deemed to refer to the rating categories under the new rating system which most closely approximate the applicable rating categories in effect on the Effective Date.

(b) ***Costs and Expenses***. The Commission agrees to pay on demand all of the out-of-pocket expenses (including, but not limited to, fees and disbursements of counsel for the Bank in an amount not to exceed $45,000) incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Related Documents.

(c) ***Purchase Fee***. The Commission agrees to pay to the Bank, upon each advance of funds under this Agreement to purchase Eligible Bonds, a purchase fee of $300, payable without any requirement of notice or demand by the Bank, on the first Business Day of the month following the day on which such advance is made by the Bank.

(d) ***Amendment Fee***. The Commission agrees to pay, upon the date of any amendment, supplement or other modification of this Agreement, the reasonable fees and expenses (including attorneys' fees) of the Bank associated with such amendment, supplement or modification, and interest on such fees and expenses from the later of the date of such amendment, supplement or modification and the date such fees and expenses are invoiced to the Commission until payment in full at the Default Rate, payable on demand.

(e) ***Payments to Bank's Account***. All payments to the Bank hereunder shall be made in immediately available funds and by wire transfer of funds to the following account: JPMorgan Chase Bank, N.A., New York; ABA #: 021000021; for account of Royal Bank of Canada, New York; Account #: 920-1-033363; for further credit to RBC NY Loans Dept. Account #: 218-599-9; Ref: Texas Mobility Fund Bonds Series 2005-B (or to such other account as the Bank may specify in writing from time to time).

(f) ***Payments in Error***. Nothing herein shall prevent the refund or recovery by the Commission of any fees or other costs paid to the Bank in error.

Section 2.07. Increased Costs; Reduced Return.

(a) If the Bank or any Bankholder shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank or any Bankholder with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation or application implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (BIS) (or any successor or similar organizations), shall (i) change the basis of taxation of payments to the Bank or such Bankholder but only if such change would also have uniform application to the Bank of any amounts payable hereunder (except for taxes on the overall net income of the Bank or such Bankholder), (ii) impose, modify or deem applicable any reserve, liquidity or liquidity ratio, special deposit, insurance premium, fee, financial charge, monetary burden or similar requirement against entering into this Agreement or holding Purchased Bonds or honoring draws under this Agreement, or complying with any term of this Agreement, or against assets held by, or deposits with or for the account of, the Bank or such Bankholder but only if such change would also have uniform application to the Bank or (iii) impose on the Bank or such Bankholder any other condition, expense or cost regarding this Agreement, or holding Purchased Bonds and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Bankholder but only if such change would also have uniform application to the Bank of entering into this Agreement or honoring draws under this Agreement or holding Purchased Bonds or complying with any term of this Agreement or to reduce the amount of any sum received or receivable by the Bank or such Bankholder but only if such change would also have uniform application to the Bank hereunder, then, within 30 days following demand by the Bank, the Commission shall pay to the Bank for its own account, or for the account of such Bankholder, as applicable, such additional amount or amounts as will compensate the Bank or such Bankholder for such increased costs or reductions in amount. If any such cost incurred is incurred on a continuing basis, the Bank shall notify the Commission in writing of the amount thereof and the Commission shall pay such amounts monthly in arrears.

(b) If the Bank or any Bankholder shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case whether or not having the force of law), or compliance by the Bank or any Bankholder with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation or application implementing, invoking or in

any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (BIS) (or any successor or similar organizations), shall impose, modify or deem applicable any capital (including but not limited to contingent capital) adequacy, reserve, insurance, liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Bankholder allocates capital resources, liquidity or reserves to its commitments (including its obligations under liquidity facilities)) that either (i) affects or would affect the amount of capital or reserves to be maintained by the Bank or such Bankholder or (ii) reduces or would reduce the rate of return on the Bank's or such Bankholder's capital or reserves to a level below that which the Bank or such Bankholder could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Bankholder with respect to capital adequacy, liquidity or the maintenance of reserves) then, within 30 days following demand by the Bank, the Commission shall pay to the Bank, as applicable, such additional amount or amounts as will compensate the Bank or such Bankholder for such event. If any such reduction occurs on a continuing basis, the Bank shall notify the Commission in writing of the amount thereof and the Commission shall pay such amount monthly in arrears.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Commission to the Bank within 30 days following such demand without interest. A certificate as to such increased cost or reserves or reduction in return incurred by the Bank or any Bankholder as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Commission simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Bankholder may make such reasonable estimates, assumptions, allocations and the like that the Bank or Bankholder in good faith determines to be appropriate. The obligations of the Commission under this Section shall survive the termination of this Agreement.

(d) The protections of this Section 2.07 shall be available to the Bank and the Bankholders regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed; *provided, however*, that if it shall be later determined that any amount so paid by the Commission pursuant to this Section 2.07 is in excess of the amount payable under the provisions of this Agreement, the Bank or the Bankholder, as the case may be, shall refund such excess amount to the Commission without interest.

(e) Notwithstanding anything in this Section to the contrary, (i) the Commission shall not be obligated to reimburse the Bank or any Bankholder, for any penalties, interest or expenses relating to taxes, fees or charges arising from the Bank's or any Bankholder's negligence or willful misconduct; and (ii) if the Commission shall make any payment under this Section to or for the benefit of the Bank or any Bankholder

with respect to taxes or other charges or fees and if the Bank or any Bankholder shall claim any credit or deduction for such tax, charges or fees against any other taxes, charges or fees payable by the Bank or any Bankholder to any taxing jurisdiction in the United States, then the Bank (acting for itself or such Bankholders) shall pay to the Commission an amount equal to the amount by which such taxes, charges or fees are actually reduced.

(f) Failure or delay on the part of the Bank or any Bankholder to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Bank's or Bankholder's right to demand such compensation, *provided* that the Commission shall not be required to compensate the Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that the Bank notifies the Commission of the event giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the event giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(g) Notwithstanding anything in this Section to the contrary, the Commission shall have the right to terminate this Agreement, to the extent provided in Section 2.03, without penalty or payment of any termination fee in the event such additional amounts result in a material increase in the amounts paid or payable by the Commission hereunder as may be reasonably determined by the Commission in its sole discretion.

Section 2.08. Interest on Purchased Bonds and Reimbursement Obligations.

(a) Any Bonds purchased by the Bank pursuant to Section 2.01 shall thereupon constitute Purchased Bonds and shall have all of the characteristics of Purchased Bonds as set forth herein and in the Resolutions. All Purchased Bonds shall bear interest at the Bank Rate, payable as described below:

(b) Notwithstanding anything to the contrary contained in any Purchased Bond, the Commission agrees that (i) the Commission shall pay the Bank interest at the Bank Rate on the Interest Component, if any, included in the Purchase Price from the Purchase Date, and the Interest Component (together with interest thereon) shall be due and payable on, the earliest of (A) the Interest Payment Date next succeeding the Purchase Date, (B) the second Business Day next succeeding the Purchase Date, (C) the Sale Date or the date such Purchased Bonds are paid at maturity or redeemed and (D) the last day of the Purchase Period and (ii) (A) interest on the principal of the Purchased Bonds shall accrue from and including the applicable Purchase Date and shall be computed at a rate per annum equal to the Bank Rate as provided herein, and (B) interest accrued pursuant to clause (ii)(A) above shall be payable (each such date specified in this clause (ii)(B) being a "***Purchased Bond Interest Payment Date***") (1) on the first Business Day of each month, (2) upon repayment of the Purchased Bond in whole or in part (to the extent of the interest accrued on the amount being repaid), (3) on each Sale Date (to the extent of the interest accrued on the Purchased Bond being sold or deemed sold after a credit for any interest included in the Sale Price, and as provided in

Section 2.04(c)), (4) on the date the Purchase Period ends or is terminated pursuant to the terms hereof and (5) at maturity or prior redemption. In the event any Purchased Bond is remarketed or otherwise transferred by the Bank before payment in full, the provisions of this Section 2.08 shall continue to apply to such Reimbursement Obligations until all sums owing for all periods with respect to such Purchased Bonds are paid.

(c) In the event that the Bank Rate would exceed the Maximum Rate (but for the limitation stated herein that such rate will not exceed the Maximum Rate) for any interest period, the Bankholder shall receive interest on account of Purchased Bonds computed at the Maximum Rate for such interest period (the difference between the interest computed at the Bank Rate without regard to the aforesaid limit to the Maximum Rate, and the interest actually accrued and paid at the Maximum Rate is hereinafter referred to as the ***"Excess Purchased Bond Interest"***). However, and notwithstanding any subsequent reduction in the Bank Rate, the Term Loan Rate or the Default Rate, Purchased Bonds shall bear interest, from and after the date on which any Excess Purchased Bond Interest is accrued, at the Maximum Rate until the earliest of: (x) the date on which interest paid on the Purchased Bonds in excess of the amount of interest which accrued on such Purchased Bonds at the Bank Rate, the Term Loan Rate or the Default Rate (whichever then applies) equals the Excess Purchased Bond Interest, (y) the payment in full (whether by defeasance, redemption, at maturity or otherwise) of such Purchased Bonds pursuant to the Resolutions and (z) the date on which such Bonds are no longer Purchased Bonds (which shall include the sale or deemed sale thereof pursuant to Section 2.04).

(d) Notwithstanding the foregoing, on the earliest of (i) the date on which any Purchased Bond is remarketed or deemed remarketed, (ii) the Term Loan End Date, or (iii) the date the Bank's obligation to purchase Eligible Bonds is terminated (as opposed to suspended) pursuant to Section 7.02, the Commission shall pay, to the extent permitted by law, to the Bank a fee equal to the amount of all unpaid Excess Purchased Bond Interest; *provided,* that no such amount shall be paid to the extent payment thereof would violate applicable Texas usury law or Texas law governing maximum interest rates; *provided, further,* that no such fee shall be payable to the Bank if the Bank shall have defaulted in its obligation to advance funds upon delivery of a Notice of Bank Purchase delivered in strict compliance with the terms hereof. To the extent permitted by Texas law, interest shall accrue on, and be payable by the Commission with respect to, all unpaid Excess Purchased Bond Interest at a rate per annum equal to the Base Rate. The Commission shall pay to the Bankholder accrued interest, including any accrued but unpaid Excess Purchased Bond Interest, on Purchased Bonds on the Purchased Bond Interest Payment Dates provided in Section 2.08(b). On any date on which Excess Purchased Bond Interest is due and payable, and otherwise upon the request of the Commission, while any Excess Purchased Bond Interest is outstanding, the Bankholder shall notify the Commission of the amount of such accrued but unpaid Excess Purchased Bond Interest; *provided, however,* that the failure of the Bankholder to so notify the Commission shall not effect the accrual of or the obligation of the Commission to pay the Excess Purchased Bond Interest hereunder.

(e) If the principal amount of any Purchased Bond or any other Reimbursement Obligation of the Commission under this Agreement or the Purchased Bonds (including, to the extent permitted by Texas law, any interest payment required thereunder) is not paid when due (whether by redemption, at maturity or otherwise), the Purchased Bonds and other Reimbursement Obligation shall bear interest from the date such principal amount or other Reimbursement Obligation, as the case may be, was due until such overdue amounts are paid in full (after as well as before judgment) at a rate per annum equal to the Default Rate from time to time in effect, such interest to be payable on demand.

(f) Interest on Purchased Bonds shall be calculated on the basis of a 365/366-day year, as applicable, and the actual number of days elapsed.

Section 2.09. General Provision as to Payments.

(a) All payments to be made to the Bank or a Bankholder under this Agreement or under a Purchased Bond shall be made no later than 4:00 P.M. on the day when due. Any payments received by the Bank later than 4:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments to the Bank hereunder shall be made in U.S. Dollars and in immediately available funds. Unless the Bank shall otherwise direct, all such payments shall be made by means of wire transfer of funds through the Federal Reserve Wire System or automated clearinghouse transfer of funds to the Bank's account identified in Section 2.06(e), or such other account as the Bank may specify in writing from time to time.

(b) The Commission agrees to pay to the Bank on each Purchase Date or Sale Date, as applicable, an amount equal to any charge imposed on the Bank pursuant to the Resolutions in connection with the transfer or exchange of Bonds. The Commission agrees to cause the Paying Agent or Tender Agent, as the case may be, to give the Bank timely notice of each such charge, including the amount thereof.

(c) As and to the extent that amounts owing to the Bank are repaid by 4:00 P.M. on the same day that they are borrowed or incurred, no interest shall be deemed to have accrued in connection therewith. Whenever any payment under the terms of this Agreement is due on a day which is not a Business Day, such payment shall be due and payable on the next succeeding Business Day without interest accruing or being payable by the Commission; *provided*, that if the Commission is unable to repay the amounts(s) thereof on such next succeeding Business Day, then interest will accrue at the Default Rate and be payable through and including the Business Day when said moneys are actually repaid by the Commission.

(d) Payments made to the Bank under this Agreement shall first be applied to any fees, costs, charges or expenses payable to the Bank hereunder, next to any past due interest, next to any current interest due, and then to outstanding principal.

Section 2.10. Requests by the Commission for Extension of Purchase Period. If the Commission shall wish to extend the Purchase Period, it shall so notify the Bank in writing,

pursuant to an Extension Request in substantially the form of **Exhibit B-1** hereto appropriately completed, no earlier than one hundred eighty (180) days prior to the Expiration Date. Thereupon, if the Bank shall determine so to extend the Purchase Period, it shall send written notice thereof (specifying the terms and conditions, including fees, to be applicable to such extension), pursuant to an Extension Notice substantially in the form of **Exhibit B-2** hereto appropriately completed, to the Commission within thirty (30) days of the Bank's receipt of such request by the Commission (and if the Bank shall send no such written notice, the Bank shall be deemed to have rejected the Commission's request for an extension), whereupon, the Commission may accept the extension by executing the Extension Notice and returning it to the Bank in writing within thirty (30) days after receipt of such notice from the Bank. If the Commission accepts the extension (including the terms and conditions specified by the Bank as aforesaid), the Purchase Period shall be extended for the agreed-upon period and the Commission shall send a copy of the executed Extension Notice to the Rating Agencies, the Paying Agent, Tender Agent and the Remarketing Agent; *provided*, that, if the terms and conditions to be applicable to such extension differ from those then in effect, such extension shall be conditioned upon the prompt preparation, execution and delivery of documentation, satisfactory to the Bank and its counsel, incorporating such terms and conditions.

Section 2.11. State's General Obligations.

(a) The Commission hereby acknowledges that the Bonds (including Purchased Bonds) are secured by the Security, constitute Parity Debt and are guaranteed by the State, all as provided in Section 2 of the Master Resolution and Section 1.02 of the Second Supplemental Resolution. The Commission hereby acknowledges that its Reimbursement Obligations to the Bank are general obligations of the State, including the Commission's obligation to pay any fees and any principal and interest owed with respect to Purchased Bonds. The full faith and credit of the State is pledged for the payment of the Reimbursement Obligations. In addition, the Commission hereby acknowledges that the Bank constitutes the Liquidity Facility Issuer under the Second Supplemental Resolution, this Agreement is an Alternate Liquidity Facility and a Liquidity Facility under the Second Supplemental Resolution and a Credit Agreement under the Resolutions. Further, the Commission hereby acknowledges that the Reimbursement Obligations are secured by a lien on the Security pursuant to Section 2 of the Master Resolution and Section 1.03 of the Second Supplemental Resolution which is on parity with the lien thereon securing the Bonds.

(b) Notwithstanding the foregoing, the parties hereto acknowledge the State Legislature may, to the extent provided in the Constitutional Provision and other Texas law, substitute or dedicate a different source of revenues, taxes or other money to the Mobility Fund in lieu of the Dedicated Revenues set forth in the Master Resolution so long as (i) such substitute or different source is of a value equal to or greater than the source or amount being reduced, rescinded or repealed in accordance with the Acts; and (ii) the general pledge of the full faith and credit of the State in support thereof remains in effect. If the State substitutes Dedicated Revenues in accordance with the foregoing sentence, then such action shall not constitute an event of default under the Resolutions or an Event of Default under this Agreement.

ARTICLE III

TERM LOAN FUNDING

Section 3.01. Term Loan Funding.

(a) Subject to the terms and conditions hereof, including, without limitation, the conditions set forth in Section 3.01(c), Purchased Bonds on the Term Loan Commencement Date shall be subject to repayment as provided in this section ("***Term Loan Funding***"). If the conditions precedent to a Term Loan Funding set forth in Section 3.01(c) are satisfied on a Term Loan Commencement Date, and notwithstanding anything to the contrary contained in the Bonds, the Commission agrees that (i) each Purchased Bond that is the subject of Term Loan Funding, if not earlier required to be paid under this Agreement, shall be subject to mandatory redemption in equal (as equal as reasonably practical taking into account the Authorized Denominations of the Bonds) principal installments on each Term Loan Payment Date scheduled to occur between the Term Loan Commencement Date and the Term Loan End Date beginning with the first Term Loan Payment Date to occur following the Term Loan Commencement Date; *provided, however,* that notwithstanding the foregoing, the Commission shall redeem or purchase (or cause to be purchased) all such Purchased Bonds no later than the Term Loan End Date; and (ii) all Purchased Bonds that are the subject of a Term Loan Funding shall, from and including the related Term Loan Commencement Date, bear interest at the Term Loan Rate payable on each Purchased Bond Interest Payment Date. All or any portion of the Purchased Bonds may be optionally redeemed at any time without penalty, but only in Authorized Denominations.

(b) If the conditions precedent to a Term Loan Funding set forth in Section 3.01(c) are not satisfied on a Term Loan Commencement Date, any Purchased Bonds on such Term Loan Commencement Date shall, from and after such date, bear interest at the Default Rate, a Term Loan End Date shall be deemed to have occurred with respect to said Purchased Bonds and said Purchased Bonds shall be subject to immediate mandatory redemption.

(c) Unless it otherwise notifies the Bank in writing, the Commission shall be deemed to have requested that each Purchased Bond held on the Term Loan Commencement Date related to such Purchased Bond become subject to Term Loan Funding by the Bankholder on the Term Loan Commencement Date related to such Purchased Bond. The obligation of the Bankholder to provide Term Loan Funding on a Term Loan Commencement Date shall be subject to the Bank's satisfaction that (i) no Event of Default shall have occurred and be continuing and (ii) all representations and warranties contained in (or incorporated by reference in) Article IV of this Agreement shall be true and correct as of such date. On each Term Loan Commencement Date, the Commission shall be deemed to have represented and warranted to the Bank that the conditions set forth in (i) and (ii) of the immediately preceding sentence have been satisfied.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement and to purchase Bonds as provided herein, the Commission represents and warrants to the Bank, on and as of the date hereof, on and as of the Effective Date and on and as of the date of each purchase of a Bond hereunder, as follows:

Section 4.01. Organization. The Commission is the governing body of the Department and an agency of the State.

Section 4.02. Authorization of Agreement and Related Documents. The Commission has the power and has taken all necessary action to authorize the execution, delivery and performance of the Commission's obligations under this Agreement and each of the other Related Documents to which it is a party in accordance with their respective terms. This Agreement has been duly executed and delivered by the Commission and is, and each of the other Related Documents to which it is a party previously executed and delivered by the Commission were and are, legal, valid and binding obligations of the Commission enforceable against the Commission in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization or moratorium applicable to the Commission and general equitable principles regarding the availability of specific performance. The obligations of the Commission under the Bonds are payable from the Security under the Master Resolution and are additionally secured by a full faith and credit pledge of the State to the extent Dedicated Revenues, as defined in the Acts, are insufficient to pay the Bonds and Reimbursement Obligations, and are payable out of the first money coming into the State treasury in each Fiscal Year not otherwise appropriated by the State Constitution.

Section 4.03. Non-Contravention of Agreement and Related Documents. The execution, delivery and performance by the Commission of this Agreement and each of the other Related Documents to which it is a party in accordance with their respective terms did not, do not and will not (a) contravene any applicable law of the United States or of the State in effect on the date hereof, (b) require any consent or approval of any creditor of the Commission or the Mobility Fund or (c) conflict with, result in a material breach of or constitute a material default under, or accelerate the performance required by, any contract, indenture or agreement to which the Commission is a party and which is related to the Mobility Fund or by which it (in its capacity as holder of the Mobility Fund) or any funds held in the Mobility Fund may be bound.

Section 4.04. Regulatory Approvals. All authorizations and approvals, including those of any Governmental Authority, necessary for the Commission to issue, sell, remarket, deliver and perform the Bonds and to enter into and perform the Related Documents to which it is a party have been obtained and remain in full force and effect and are subject to no further administrative or judicial review.

Section 4.05. Compliance with Law and Related Documents. The Commission (a) is in compliance with all laws of the United States and of the State material to the performance of its obligations under the Bonds and the Related Documents (including all Environmental Laws

applicable to the Commission) and with all provisions of each Related Document to which it is a party and (b) has received no notice nor has it any knowledge that a material default, after an applicable notice and grace period, by the Commission exists under any material contracts, agreements or other instruments to which it is a party which relate to the Mobility Fund or by which it (in its capacity as holder of the Mobility Fund) or any funds held in the Mobility Fund is bound.

Section 4.06. Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity, pending or, to the best of the Commission's knowledge after due inquiry, threatened against or affecting the Commission or the State nor is there any basis for any such action, suit, proceeding, inquiry, or investigation, in which an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Related Documents, or any other agreements or documents provided for or contemplated by the Related Documents, except for any such litigation which the Commission demonstrates to the satisfaction of the Bank is wholly without merit. No such litigation for which the Commission has received notice is pending or threatened against the Commission, involving the Commission or any property, assets or revenues held in the Mobility Fund which involves the possibility of any judgment or liability which may result in a Material Adverse Change, except for any such litigation which the Commission demonstrates to the satisfaction of the Bank is wholly without merit.

Section 4.07. Accuracy and Completeness of Other Information. Any written information, reports and other papers and data prepared by the Commission and furnished to the Bank by the Commission pursuant to this Agreement were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give the Bank a true and accurate knowledge of the subject matter thereof.

Section 4.08. Representations and Warranties Contained in the Related Documents. The Commission is in compliance with all representations and warranties set forth in the Related Documents, as of their date, which are hereby made, as of their date, to, and for the benefit of, the Bank and incorporated in this Section 4.08 by this reference, as if set forth in this Section 4.08 in full (together with the related definitions and ancillary provisions).

Section 4.09. Financial Information.

(a) The (i) Remarketing Memorandum; and (ii) to the best knowledge of the Commission (without any inquiry), the State's Comprehensive Annual Financial Report for the year ended August 31, 2010 (the ***"2010 CAFR"***) [VERIFY WHETHER 08/31/11 CAFR WILL BE AVAILABLE BY CLOSING ON 03/01/12] and delivered by the State to Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (EMMA); a copy of which has been delivered to the Bank, was all as of its date, and all are (and will be) on and as of the date hereof (and the Effective Date), true, complete and correct in all material respects and does not contain an untrue statement of material fact or omit to state a fact necessary to make the statements therein not misleading. The Bank acknowledges that the Commission has no input, review or diligence opportunities with regard to the 2010 CAFR and the Commission has not undertaken any input, review or diligence with respect thereto.

(b) The audited financial statements dated August 31, 2011 for the Mobility Fund as heretofore delivered to the Bank, correctly and fairly present the financial condition of the Mobility Fund, (or the Department and the Commission with respect to the Mobility Fund) as of said dates and the results of the operations of the Mobility Fund (or the Department and the Commission with respect to the Mobility Fund) for such period, and have been prepared in accordance with the Accounting Standards consistently applied except as stated in the notes thereto. As of the date hereof, the Commission has no contingent liabilities secured by or payable from the Mobility Fund which are material, other than as indicated on such financial statements or as otherwise disclosed to the Bank in writing. Since the date of such financial statements, there have been no material adverse changes in the condition (financial or otherwise) of the Commission, as it relates to the Mobility Fund or with respect to the Mobility Fund nor has any event occurred which materially adversely effects the remarketing of any of the Bonds or the security for any of the Bonds, except as disclosed in the Remarketing Memorandum, and other documents provided by the Commission to the Bank.

Section 4.10. No Proposed Legal Changes. There is no amendment or, to the knowledge of the Commission, proposed amendment to the Constitution of the State or any administrative interpretation of the Constitution of the State or any State law, or any judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a material adverse effect on the Bonds, the Security or the State's guarantee granted under the Resolutions or the Commission's obligations hereunder or under any of the other Related Documents, or the Commission's ability to repay when due its obligations under this Agreement, the Bonds and the other Related Documents or the creation, organization or existence of the Commission or the Department.

Section 4.11. Tax Exempt Securities. The Commission has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would cause interest with respect to the Bonds to be includible in gross income for Federal income tax purposes under the Code.

Section 4.12. Federal Reserve Regulations. No part of the proceeds of any Bonds were used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time), to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would violate any of the regulations of said Board of Governors.

Section 4.13. Remarketing Memorandum. The Remarketing Memorandum, copies of which have heretofore been delivered to the Bank, and any amendments or supplements thereto prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank prior to the distribution thereof) to the knowledge of the Commission do not, and in the case of any amendments or supplements prepared subsequent to the Effective Date will not, as of their respective dates, contain any untrue statement of a material fact and do not and, in the case of any amendments or supplements prepare subsequent to the Effective Date, will not omit to state a material fact necessary to make the statements therein, in light of the circumstances under

which they were made, not misleading, except no representation is made as to information with respect to DTC, its book-entry system or the Bank included therein.

Section 4.14. Bonds. Each Bond (including each Purchased Bond) has been duly issued under the Resolutions and entitled to the benefits thereof.

Section 4.15. Assignment of Bonds. The Purchased Bonds purchased pursuant to Article II will be transferred to the Bank free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 4.16. The Tender Agent, the Paying Agent and the Remarketing Agent. The Bank of New York Mellon Trust Company, National Association (or a successor or assign approved in writing by the Bank), is the duly appointed and acting Tender Agent, The Bank of New York Mellon Trust Company, National Association (or a successor or assign approved in writing by the Bank), is the duly appointed and acting Paying Agent, and Jefferies & Company, Inc. (or a successor or assign approved in writing by the Bank), is the duly appointed and acting Remarketing Agent.

Section 4.17. Waiver of Sovereign Immunity. Pursuant to the Constitutional Provision, and as allowed by Texas law, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any owner of the Bonds, including Purchased Bonds, and the Bank (provided that the Bank has not failed to honor a Notice of Bank Purchase delivered in strict compliance with the terms hereof) in the event of default in connection with any covenant contained in the Master Resolution or in the Second Supplemental Resolution, or default in the payment of the Annual Debt Service Requirements due in connection with the Bonds, including any Purchased Bonds, or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, the State and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or the Second Supplement, by all legal and equitable means, including specifically, the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, the State or any appropriate official of the State.

Section 4.18. Security. The Reimbursement Obligations of the Commission under this Agreement are payable from, and secured by, the Security, as and to the extent provided in the Resolutions and as described in Section 2.12.

Section 4.19. ERISA. The Commission is not subject to ERISA.

Section 4.20. No Default. The Commission is not in default under (i) any order, writ, injunction or decree of any court or governmental body, agency or other instrumentality applicable to it, or (ii) any Texas law or regulation applicable to it, or (iii) any of its Debt, (iv) any Interest Rate Protection Agreement or (v) any contract, agreement or instrument to which it is a party or by which it or its property is bound, in each case, which default could cause a Material Adverse Change; and no event has occurred which with the giving of notice or the

passage of time or both would constitute such a default. No Default or Event of Default has occurred or is continuing hereunder.

Section 4.21. No Taxes. To its knowledge, none of the execution or delivery of this Agreement or the other Related Documents, the extension of the credit provided herein or the making of any Term Loan Funding will give rise to any tax or fee imposed by any local or Texas state agency or governmental body, except for those which have been paid.

Section 4.22. Environmental. The Commission and Department have not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could cause a Material Adverse Change.

Section 4.23. Usury. The terms of this Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable Texas usury laws.

Section 4.24. Solvency. The Commission is solvent and able to pay its Debts as they become due.

Section 4.25. Acceleration. No obligation which is otherwise secured by the Security or the State's guarantee under the Resolutions is subject to being declared immediately due and payable upon the occurrence of a default or an event of default with respect thereto.

Section 4.26. Most Favored Nations. The Commission has not entered into any credit agreement, liquidity agreement, loan agreement or other arrangement relating to the Mobility Fund by which credit has been extended to the Commission which contains a "most favored nations" or "most favored lender" provision.

ARTICLE V

COVENANTS

Section 5.01. Affirmative Covenants. The Commission agrees with the Bank that it will observe the following covenants so long as this Agreement is in effect and, thereafter, so long as any Reimbursement Obligations remain outstanding hereunder unless the Bank shall otherwise consent in writing:

(a) The Commission shall promptly pay or cause to be paid all Reimbursement Obligations payable by it hereunder and shall observe all covenants and perform all obligations required of it under the Related Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference in this Section 5.01(a) with the same effect as if each and every such provision were set forth in this Section 5.01(a) in its entirety and all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable by the Bank against the Commission. No termination of or amendment to such covenants and agreements or defined terms or

release of the Commission with respect thereto made pursuant to the Related Documents shall be effective to terminate or amend such covenants and agreements and defined terms or release of the Commission with respect thereto as incorporated by reference in this Section 5.01(a) without the prior written consent of the Bank. Notwithstanding any termination or expiration of any Related Document, the Commission shall continue to observe the covenants therein contained for the benefit of the Bank until the termination of this Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not limit or be limited by the express covenants contained herein. The Commission shall give prior written notice to the Bank of any action referred to in this Section 5.01(a).

(b) The Commission will furnish or cause to be furnished to the Bank:

(i) (A) promptly upon their becoming available the Commission's Continuing Annual Disclosure Report on the Mobility Fund, the Disclosure Documents relating to any Parity Debt, and annual audited financial statements and quarterly unaudited financial statements (if any such unaudited financial statements are prepared) for the Mobility Fund, prepared in accordance with the applicable Accounting Standards, (B) the financial report regarding the Mobility Fund described in Section 5(j) of the Master Resolution, in the form and at the time specified in Section 5(j) of the Master Resolution; and (C) the State's Comprehensive Annual Financial Report, promptly following it becoming publicly available.

(ii) promptly upon obtaining knowledge of any event, act or omission which constitutes a Default or an Event of Default, a certificate signed by, or on behalf of, the Commission specifying in reasonable detail the nature and period of existence thereof and what action the Commission has taken or proposes to take with respect thereto;

(iii) written notice of (A) any litigation, legal proceeding or dispute with any Governmental Authority or with any other Person served upon the Commission involving the Mobility Fund or the Acts, which, if determined adversely to the Commission, could reasonably be expected to cause a Material Adverse Change, and (B) failure by the Commission to pay or discharge any Parity Debt when due; or failure by the State to pay and discharge any general obligation indebtedness issued, assumed or guaranteed by the State, and (C) failure by the Commission to pay or discharge when due any Debt payable from or secured by the Mobility Fund (other than Debt referred to in Clause (B) above) with an aggregate principal amount in excess of $10,000,000;

(iv) promptly upon the receipt or giving thereof, copies of all notices of resignation by or removal of the Paying Agent, the Tender Agent or the Remarketing Agent which are received or given by the Commission;

(v) promptly upon obtaining knowledge, written notice of the failure by the Remarketing Agent, or the Paying Agent or the Tender Agent to perform any of their respective obligations under any of the Related Documents;

(vi) promptly after the adoption thereof, (A) copies of any amendments of or supplements to the Acts and copies of any amendments to the Related Documents and (B) to the extent one is prepared, a copy of the annual budget for each Fiscal Year for the Commission related to the Mobility Fund and any amended annual budget prepared pursuant thereto;

(vii) as soon as available to the Commission, copies of all enacted legislation which, to the knowledge of the Commission, could reasonably be expected to cause a Material Adverse Change; and

(viii) such other information regarding the operations, affairs and financial condition of the Department, the Mobility Fund, the Commission or the State as the Bank may from time to time reasonably request.

(c) The Commission will permit any person designated by the Bank to visit the offices of the Commission to examine the books and financial records of the Commission related to the Mobility Fund and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Commission related to the Mobility Fund with its principal officials and auditors (to the extent that the Commission may compel participation), all at such reasonable times and as often as the Bank may reasonably request. The Bank agrees to give the Commission reasonable notice of any such visits and to conduct such visits so as not to unreasonably interfere with the operations of the Commission. The Bank shall maintain the confidentiality of all such books, records and information regarding the Commission and the Mobility Fund, except that the Bank may disclose such information to the Bank and to the extent disclosure thereof is required by applicable Texas law or is made to its accountants, attorneys or regulators.

(d) The Commission shall cause the proceeds from moneys received hereunder to be used solely to pay the Purchase Price of Bonds as more fully described in Sections 2.01 and 2.02.

(e) The Commission shall execute and deliver to the Bank all such documents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement and the Resolutions and to realize thereon, and record and file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under this Agreement and the Resolution.

(f) The Commission agrees to use its best efforts to obtain an Alternate Liquidity Facility to replace this Agreement with an Alternate Liquidity Facility in the event (i) the Bank shall decide not to extend the Expiration Date or the Commission fails

to submit a timely request for an extension, in either case, as set forth in Section 2.10; (ii) the Commission terminates this Agreement pursuant to the terms hereof; (iii) the Bank furnishes a Notice of Termination to the Paying Agent; or (iv) a mandatory tender for purchase pursuant to Section 7.02(b) shall have been effected. If the Commission is unable to obtain an Alternate Liquidity Facility as described immediately above, the Commission will use its best efforts to cause a Conversion Date to occur or to effect a current refunding of the Bonds. The Commission agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility Provider will provide funds to the extent necessary, in addition to other funds available, on the Substitution Date, for the purchase of all Purchased Bonds at par plus accrued interest (at the Bank Rate or Default Rate, as applicable) to the Substitution Date. On such Substitution Date, any and all amounts due hereunder (including any Excess Purchased Bond Interest) and under the Related Documents to the Bank shall be payable in full to the Bank.

(g) The Commission shall provide the Bank with prompt written notice of any change in the ratings of the Bonds or other unenhanced, long-term Parity Debt of the Commission.

(h) The Commission shall comply with all laws, ordinances, orders, rules and regulations of all Governmental Authorities (including, without limitation, all Environmental Laws applicable to the Commission, the Department and the Program), except for any noncompliance that, individually or in the aggregate, could not reasonably be expected to have a material adverse affect on the ability of the Commission to comply with its obligations hereunder or under the other Related Documents or in connection with the transactions contemplated hereby or thereby.

(i) The Commission shall select, or cause to be selected, for redemption any and all Purchased Bonds prior to selecting, or causing to be selected, for redemption any Bonds that are not Purchased Bonds.

(j) To the extent required by Texas law, including but not limited to in the event that the Mobility Fund is projected to have insufficient funds, the Commission shall annually request that the State include in its annual budget the sums necessary to satisfy the Reimbursement Obligations hereunder, including an amount representing Excess Purchased Bond Interest on any outstanding Purchased Bonds.

(k) The Commission (i) will promptly furnish, or cause to be furnished, to the Bank, not later than the date it is furnishing the same to the Remarketing Agent, a copy of any written notice furnished by the Commission to the Remarketing Agent pursuant to the Resolutions indicating a proposed conversion of the interest rate on the Bonds; and (ii) shall not permit a conversion of the Bonds to Bonds bearing an interest rate other than the Weekly Rate or to the extent that Bonds bearing the Daily Rate or Commercial Paper Rate constitute Eligible Bonds, Bonds bearing the Daily Rate or the Commercial Paper Rate without the prior written consent of the Bank if, after giving effect to such conversion, any Bonds remain as Purchased Bonds. In addition, the Commission will not defease, nor allow the defeasance of, the Bonds without having contemporaneously

satisfied all of its Reimbursement Obligations hereunder, including any Excess Purchased Bond Interest.

(l) The Commission shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable Texas law or regulation for its execution, delivery and performance of this Agreement and the other Related Documents.

(m) All data, certificates, reports, opinions of counsel, documents and other information furnished to the Bank, whether pursuant to this Agreement, or in connection with or pursuant to an amendment or modification of, or waiver under, this Agreement shall, at the time the same are so furnished, (i) be complete and correct in all material respects to the extent necessary to give the Bank true and accurate knowledge of the subject matter thereof, and (ii) not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading, and the furnishing of the same to the Bank shall constitute a representation and warranty by the Commission to that effect. Each financial statement furnished to the Bank, whether pursuant to this Agreement, or in connection with or pursuant to an amendment or modification of, or waiver under, this Agreement, shall, at the time the same is so furnished, fairly present the financial condition and results of operations of the Commission as it relates to the Mobility Fund.

(n) The Commission shall ensure that, at all times prior to the Expiration Date, the obligations of the Remarketing Agent under the terms of this Agreement are being performed by a Person of nationally recognized standing duly qualified to undertake said obligations and that said Remarketing Agent shall otherwise be reasonably acceptable to the Bank. No substitution of the Remarketing Agent shall occur without the prior written consent of the Bank.

(o) The Commission shall ensure that, at all times prior to the Expiration Date, the obligation of the Tender Agent and any other entity that is a party to a Related Document shall be performed by a Person of nationally recognized standing duly qualified to undertake such obligations. No substitution of the Tender Agent shall occur without the prior written consent of the Bank.

(p) In the event that the Commission shall enter into any credit agreement, liquidity agreement, loan agreement or other arrangement with respect to the Mobility Fund by which credit is extended to the Commission with respect to the Mobility Fund which includes a “most favored nations” or “most favored lender” provision, then the Commission shall promptly notify the Bank and the Bank shall immediately have the benefit of such provision and such provision shall be considered incorporated herein for the benefit of the Bank.

Section 5.02. Negative Covenants. The Commission covenants and agrees with the Bank that so long as this Agreement is in effect and, thereafter, so long as any Reimbursement Obligations remain outstanding hereunder, the Commission will not, directly or indirectly, unless the Bank shall otherwise consent in writing:

(a) Amend, modify, terminate or waive, or consent to the amendment, modification, termination or waiver of any provision of any of the Related Documents, including the Remarketing Memorandum, which could adversely effect the rights, duties, obligations or security of the Bank or which otherwise require the consent of the Owners of the Bonds.

(b) Cause or permit the removal of the Paying Agent, the Tender Agent or the Remarketing Agent or the appointment of a successor paying agent, tender agent or remarketing agent. In the event that the Bonds are tendered for purchase and not remarketed for seven or more consecutive days, the Commission shall, upon request of the Bank, promptly appoint a successor remarketing agent acceptable to the Bank.

(c) Take any action, or omit to take any action under present or future laws, rules, regulations or official interpretations thereof, including, without limitation, making payments to the United States, restricting yield on investments, and making necessary filings, which, if taken or omitted, would cause interest on any of the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

(d) Take any action, or cause the Paying Agent or Tender Agent to take any action, under the Related Documents inconsistent with or impairing the rights of the Bank under the Resolutions or this Agreement including, without limitation, the obligation to pay Reimbursement Obligations to the Bank hereunder.

(e) Include in any Disclosure Document information concerning the Bank that is not supplied in writing, or otherwise consented to in writing, by the Bank expressly for inclusion therein. The Bank agrees to promptly respond to any request from the Commission for updated information regarding the Bank to be included in the Disclosure Document.

(f) Permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

(g) Use or permit the use of moneys received hereunder by the Commission in violation of Regulation U, as amended, promulgated by the Board of Governors of the Federal Reserve System.

(h) Grant the remedy of acceleration to any person holding any Parity Debt issued or incurred by the Commission upon the occurrence of an event of default with respect to such Parity Debt unless either

(i) The Bank has provided its prior written consent; or

(ii) The Commission or the State shall grant the Bank the right to accelerate amounts owed hereunder and pursuant to Purchased Bonds upon the occurrence of an Event of Default.

(i) Issue any Bonds that would exceed, at any time, the limitations on the aggregate principal amount thereof imposed by the Resolutions and applicable Texas law.

(j) In the event the Commission delivers or permits, authorizes or consents to the delivery of this Agreement to the Remarketing Agent or any other Person for delivery to the Municipal Securities Rulemaking Board, prior to such delivery the Bank shall redact such information contained herein as the Bank may deem appropriate and which is consistent with MSRB Notice 2011-17 (February 23, 2011). The Commission shall not direct the filing of a copy of this Agreement with the Municipal Securities Rulemaking Board except the copy reflecting the redacted material.

ARTICLE VI

CONDITIONS

Section 6.01. Conditions to Effectiveness. This Agreement shall become effective on the Effective Date. The Commission shall have provided to the Bank, on or before the Effective Date, in form and substance satisfactory to the Bank and its counsel:

(a) true and complete executed original of this Agreement;

(b) the certified minute order of the Commission authorizing this Agreement and the transactions contemplated hereby and thereby;

(c) signature and incumbency certificate, dated the Effective Date, of an Authorized Representative of the Commission;

(d) confirmations from Fitch, Moody's and S&P that the ratings assigned to the Bonds are "AAA/F1+", "Aaa/VMIG1" and "AAA/A-1+", respectively and the ratings assigned to the Purchased Bonds bearing the Purchased Bond CUSIP Number is "_____" by [Moody's/Fitch];

(e) certificates from the Paying Agent and the Tender Agent or an opinion of counsel to the Paying Agent and the Tender Agent, in both issues, dated the Effective Date, and addressed to the Bank (or upon which the Bank may rely) regarding such matters as the Bank may require;

(f) payment of the Bank's fees and expenses payable on the Effective Date;

(g) an opinion, dated the Effective Date, of McCall, Parkhurst & Horton, L.L.P. ("***Bond Counsel***"), regarding the enforceability of this Agreement and related matters as required by Section 7.01(b) of the Second Supplemental Resolution;

(h) an opinion of the Attorney General of the State, dated the Effective Date, provided in connection with the delivery of this Agreement;

(i) legal opinions of (i) Kutak Rock LLP and Norton Rose OR LLP, counsel to the Bank, as to such matters incident to this Agreement and the transactions contemplated hereby as the Bank shall have reasonably requested, which shall be addressed to the Commission, the Department and the Rating Agencies which rate the Bonds;

(j) a certificate signed by Authorized Representative, dated the Effective Date, stating that: (i) the representations and warranties contained in Article IV hereof (or incorporated therein by reference) are true and correct on and as of the Effective Date as though made on and as of such date; and (ii) no Event of Default or Default has occurred and is continuing hereunder or under the Related Documents or would result from the transaction occurring on the Effective Date; and

(k) such other documents, certificates, opinions and approvals with respect to the Bonds and the Related Documents, as the Bank may reasonably request.

In addition, the Bank shall have reasonably determined that no law, regulation, ruling or other action of the United States, the State of New York or the State of Texas or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Bank or the Commission from fulfilling its obligations under this Agreement.

Section 6.02. Condition Precedent to Purchase. The obligation of the Bank to purchase Bonds hereunder on any date is subject to the conditions that: (a) the Bank shall have timely received the Notice of Bank Purchase(s) as provided in Section 2.02; *provided*, that if the Notice of Bank Purchase(s) is not received in a timely manner, the Bank will be obligated to purchase Eligible Bonds on the Business Day following receipt thereof so long as such Business Day falls within the Purchase Period; and (b) no Immediate Termination Event or Suspension Event shall have occurred and be continuing on such Purchase Date. Each notification delivered pursuant to clause (a) of this Section 6.02 shall constitute a representation and warranty by the Commission on each Purchase Date that (i) the conditions described in clause (b) of this Section 6.02 have been satisfied, and (ii) the representations and warranties made by the Commission in Article IV are true and correct in all material respects on and as of such Purchase Date, as if made on and as of such Purchase Date.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. If any of the following events shall occur and be continuing, each such event shall be an ***"Event of Default"***:

(a) Events of Default not Permitting Immediate Termination.

(i) *Payments*. The Commission shall fail to pay when due any amount owed by the Commission to the Bank or any Bankholder pursuant to this Agreement other than those specified in Section 7.01(b).

(ii) *Representations*. Any representation or warranty made by or on behalf of the Commission in this Agreement or in any Related Document or in any certificate or statement delivered hereunder or thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.

(iii) *Covenants*. The Commission shall fail to perform or observe any covenant in Section 5.01(d), (f), (i) or (n) or Section 5.02.

(iv) *Other Covenants*. The Commission shall fail to perform or observe any term, covenant or agreement (other than ones described in any other paragraph of this Section 7.01) contained in this Agreement on its part to be performed or observed which failure continues for 30 days or more after receipt of written notice of such failure from the Bank; provided, that if such default is not for the non-payment of money and can be cured but cannot reasonably be cured within 30 days, it shall not constitute an Event of Default if the Commission commences to cure such default within thirty days and diligently pursues such cure and so long as such default is cured within 90 days of the occurrence of such default.

(v) *Default on Debt*. Default by the Commission in the payment of any amount due in respect of any Debt of the Commission payable from the Mobility Fund owed to the Bank or default by the Commission in the payment of any amount due in respect of any other Debt of the Commission payable from the Mobility Fund or under any Interest Rate Protection Agreement the obligations under which are payable from the Mobility Fund in an aggregate amount in excess of $10,000,000 (measured in the case of any Interest Rate Protection Agreement, by the Commission's Exposure thereunder), as and when the same shall become due, or default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Commission under any such mortgage, agreement or other instrument which results in such Debt becoming, or being capable of becoming, immediately due and payable (or, with respect to any such Interest Rate Protection Agreement, which results in such Interest Rate Protection Agreement being terminated early or being capable of being terminated early that results in a net payment from the Mobility Fund in excess of $10,000,000).

(vi) *Invalidity*. Except as provided in Section 7.02, any material provision of this Agreement, the Bonds or any of the Related Documents shall cease to be valid and binding, or the Commission shall contest any such provision, or the Commission or any agent or trustee on behalf of the Commission, shall deny that it has any further liability under any material provision of this Agreement, the Bonds or any of the Related Documents.

(vii) *Other Documents*. Any event of default under any of the Related Documents shall occur.

(viii) *Downgrade*. The unenhanced credit rating assigned to the Bonds or to any Parity Debt supported by the State's guarantee pursuant to Section 2(c) of the Master Resolution by Moody's, S&P or Fitch falls below "Baa1" by Moody's, "BBB+ " by S&P or "BBB+" by Fitch.

(ix) *Taxability*. A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the Commission, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Commission shall challenge such ruling, assessment, notice or advice and a court of law makes a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

(b) Events of Default Permitting Immediate Suspension or Termination.

(i) *Event of Insolvency*. An Event of Insolvency shall have occurred with respect to the Commission or the State.

(ii) *Payment Default*. Any failure, wholly or partially, to make timely any payment of the principal of or interest when due on the Bonds (including Purchased Bonds but subject to the limitation of Section 7.02(h)) or any Parity Debt (including payments under Interest Rate Protection Agreements which payments are secured on parity with Parity Debt) or on any general obligation indebtedness issued, assumed or guaranteed by the State, which default continues beyond any applicable grace period.

(iii) *Contest of Validity*. The State or the Commission shall in writing (A) claim that any of the provisions that provide for the payment of principal of or interest on the Bonds in the Master Resolution, the Second Supplemental Resolution, the Award Certificate, the Bonds or this Agreement or any provision that provides for the payment of the principal of or interest on any Parity Debt or any provision which grants to the Security is not valid or binding on the State or the Commission, (B) repudiate its obligations under any of the provisions that provides for the payment of principal of or interest on the Bonds in the Master Resolution, the Second Supplemental Resolution, the Award Certificate, the Bonds or this Agreement or its obligation to repay any Parity Debt, in the case of the Commission, or, in the case of the State, any general obligation indebtedness issued, assumed or guaranteed by the State and/or (C) initiate any legal proceedings to seek an adjudication that (1) any of the provisions that provide for the payment of principal of or interest on the Bonds in the Master Resolution, the Second Supplemental Resolution, the Award Certificate, the Bonds or this Agreement is not valid and binding (2) the Acts (material to the Bonds, the Security, the State's guarantee pursuant to Section 2(c) of the Master Resolution or this Agreement), (3) the obligation to repay any Parity Debt is not valid and binding on the Commission or (4) the State's guarantee under the Resolutions is not valid and binding on the State.

(iv) *Invalidity*. Any court of competent jurisdiction or other Governmental Authority with jurisdiction to rule on the validity of this

Agreement, the Bonds, the Master Resolution, the Second Supplemental Resolution, the Acts, or the Award Certificate or the Security shall find or rule in a final non-appealable judgment that the provisions that provide for the payment of the principal of or interest on the Bonds in this Agreement, the Bonds, the Master Resolution, the Second Supplemental Resolution, the Acts, or the Award Certificate or any provision that provides for the payment of the principal of or interest on any Parity Debt or the State's guarantee under the Resolutions or any provision that pledges the Security is not valid or not binding on the Commission and the State.

(v) *Downgrade*. Each Rating Agency shall have either (i) assigned to any unenhanced, long-term Parity Debt supported by the State's guarantee pursuant to Section 2(c) of the Master Resolution, a rating below "BBB-", in the case of S&P and Fitch, and "Baa3", in the case of Moody's, (ii) withdrawn its ratings of the Bonds, or any other unenhanced, long-term Parity Debt, supported by the State's guarantee pursuant to Section 2(c) of the Master Resolution for a credit related reason or (iii) suspended its ratings of the Bonds, or any other unenhanced, long-term Parity Debt, supported by the State's guarantee pursuant to Section 2(c) of the Master Resolution for a credit related reason.

(vi) *Judgments*. Entry of filing of any final, no appealable judgment or any similar process in an amount in excess of $10,000,000 against the Commission payable from the Mobility Fund or against the Mobility Fund and failure by the Commission to stay the enforcement of such judgment or other process for a period of 60 days or failure to pay or satisfy the same within 60 days.

Section 7.02. Remedies.

(a) In the case of any Event of Default as specified in 7.01(b)(i), (ii), (iv), (v) or (vi) (each an ***"Immediate Termination Event"***), the Available Commitment and the obligation of the Bank to purchase Bonds shall immediately terminate without notice or demand to any Person and, thereafter, the Bank shall be under no obligation to purchase Bonds. Promptly upon the occurrence of such Event of Default, the Bank shall give written notice of the same to the Commission, the Paying Agent, the Tender Agent and the Remarketing Agent; *provided*, that the Bank shall incur no liability or responsibility whatsoever by reason of the Bank's failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the Bank's obligation to purchase Bonds pursuant to this Agreement. The Commission shall cause the Paying Agent to notify all Bondholders of the termination of the Available Commitment and the obligation of the Bank to purchase Bonds.

(b) In the case of an Event of Default specified in Section 7.01(a), the Bank may give written notice of such Event of Default and termination of this Agreement (a ***"Notice of Termination"***) to the Paying Agent, the Tender Agent, the Commission and the Remarketing Agent triggering a mandatory tender for purchase under Section 6.05(ii) of the Second Supplemental Resolution. The obligation of the Bank to purchase Bonds

shall terminate on the 30th day (or if such day is not a Business Day, the next following Business Day, but, in either case, a ***"Notice of Termination Date"***) after such Notice of Termination is received by the Tender Agent and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation hereunder to purchase Bonds.

(c) In the case of an Event of Default specified in Section 7.01(b)(iii) or a Default under Section 7.01(b)(i) or Section 7.01(b)(vi) (each, a "***Suspension Event***"), the Bank's obligation to purchase Eligible Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Eligible Bonds until such obligation is reinstated pursuant to this Section 7.02(c). Promptly upon the Bank's obtaining knowledge of any such Suspension Event, the Bank shall give written notice of the same to the Commission, the Tender Agent, the Paying Agent and the Remarketing Agent of such suspension; provided, however, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligation to purchase Eligible Bonds.

(i) In the event that any Default under Section 7.01(b)(i) or 7.01(b)(vi) is not cured and becomes an Event of Default (and thereby becoming an Immediate Termination Event), then the Available Commitment, the Purchase Period and the Bank's obligation to purchase Eligible Bonds shall immediately terminate. In the event such Default is cured prior to becoming an Immediate Termination Event, the Bank's obligations shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Bonds hereunder shall otherwise have terminated or been suspended or in accordance with the terms of this Agreement).

(ii) In the event an Event of Default occurs under Section 7.01(b)(iii), if a court or governmental agency with jurisdiction to rule on the validity of the provision(s) described in Section 7.01(b)(iii) shall thereafter enter a final, non-appealable judgment that such provision(s) is not valid and binding on the Commission or the State, as applicable, then the Available Commitment, the Purchase Period and the Bank's obligation to purchase Eligible Bonds shall immediately terminate. If a court or governmental agency with jurisdiction to rule on the validity of such provision(s) enter a final, non-appealable judgment that such provision(s) is valid and binding on the Commission, the Bank's obligations to purchase Eligible Bonds under this Agreement shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Bonds shall otherwise have terminated or been suspended in accordance with the terms of this Agreement). Notwithstanding the foregoing, if, upon the earlier of the last day of the Purchase Period and the date which is two (2) years after the effective date of suspension of the Bank's obligation pursuant to this Section 7.02(c), litigation is still pending or a judgment regarding the validity of the provisions described in Section 7.01(b)(iii) as is the subject of such Default has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Bank to

purchase Eligible Bonds shall at such time immediately terminate and the Bank shall be under no obligation to purchase Eligible Bonds hereunder.

(d) Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, the rights provided under the Resolutions and those described in Section 4.17; *provided, however,* the Bank agrees to purchase Bonds on the terms and conditions of this Agreement notwithstanding the occurrence of an Event of Default or Default which does not suspend or terminate the Available Commitment and the Bank's obligation to purchase Bonds under subsections (a), (b) or (c) above.

(e) The remedies provided in this Section 7.02 are not exclusive but are subject to the limits described in Section 4.17. The Bank hereby reserves the right and shall have the right to pursue any other available remedies, whether provided by law, in equity, the Resolutions or this Agreement.

(f) Upon the occurrence of any Event of Default hereunder, all Reimbursement Obligations due and payable hereunder shall bear interest at the Default Rate.

(g) In the event that the obligee of any Parity Debt or other obligation secured by the Security is granted the right to declare amounts owed with respect to such Parity Debt or obligation immediately due and payable upon the occurrence of a default or event of default with respect to such Parity Debt or obligation, then, in addition to rights set forth above, the Bank shall have the right, following the occurrence of an Event of Default to declare all Reimbursement Obligations to be immediately due and payable in which case such obligation shall be immediately due and payable.

(h) Notwithstanding the provisions of Section 7.02(a), if, upon the occurrence of an Event of Default under Section 7.01(a), the Bank exercises its rights under Section 7.02(g) to declare the amounts owed hereunder to be immediately due and payable or to have the Purchased Bonds become subject to immediate mandatory redemption, the failure by the Commission to pay such amounts shall not by itself, permit the immediate termination of the Available Commitment, the Purchase Period and the Bank's obligation to purchase Eligible Bonds pursuant to Section 7.02(a).

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the address, telecopier number or telephone number specified for such Person on the execution pages of this Agreement, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, for such Person. Notices and other communications sent by

hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have given at the opening of business on the next business day for the recipient). Notices may not be given by e-mail.

Section 8.02. No Waivers.

(a) The obligations of the Commission hereunder shall not in any way be modified or limited by reference to any other document, instrument or agreement (including, without limitation, the Bonds or any other Related Document). The rights of any Bankholder are separate from and in addition to any rights that any holder of any Bond may have under the terms of such Bond or any Related Document or otherwise.

(b) No failure or delay by any Bankholder in exercising any right, power or privilege hereunder or under the Bonds or any other Related Documents shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein and in the Related Documents provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.03. Expenses; Documentary Taxes; Indemnification.

(a) The Commission shall pay, or cause to be paid, on demand (i) all costs and expenses of the Bank in connection with the preparation, execution, delivery and filing of this Agreement and any other documents which may be delivered in connection with the Effective Date under this Agreement, including, but not limited to, the fees of special counsel (both domestic and foreign) for the Bank plus reasonable disbursements with respect thereto in an amount not to exceed $45,000 and (ii) all reasonable costs and expenses of the Bank (including, but not limited to, the fees and expenses of counsel to the Bank) in connection with the administration hereof and, if any Default or Event of Default occurs, all out-of-pocket expenses incurred by the Bank and each other Bankholder, including fees and expenses of counsel, in connection with such Default or Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Commission hereby, to the extent permitted by Texas law, indemnifies and holds harmless the Bank from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any Person or entity whatsoever) (i) by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any Disclosure Document, or in any supplement or amendment to any thereof, or the omission (or alleged omission) to state in any therein a material fact necessary to make such statements, in light of the circumstances under which they are or were made, not misleading; or (ii) by reason of or in connection with the execution and delivery or transfer hereof, or payment or failure to pay hereunder; *provided*, that the Commission shall not be required to indemnify or hold harmless the

Bank for any such claims, damages, losses, liabilities, costs or expenses in the case of indemnification pursuant to clause (ii) above, to the extent, but only to the extent, caused by the willful misconduct or negligence of the Bank. The indemnification provided above is in addition to any other rights (including, without limitation, rights to indemnity) which the Bank may be entitled to at law, by contract, in equity or otherwise.

Section 8.04. Amendment or Modification of this Agreement. No amendment, modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the Commission and the Bank. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Section 8.05. Liability of the Bank.

(a) The Commission assumes all risks of the acts or omissions of the Tender Agent, the Paying Agent and the Remarketing Agent and any agent of the Tender Agent, the Paying Agent and the Remarketing Agent and their agents with respect to this Agreement and the use of any amounts made available by the Bank hereunder. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Tender Agent which results in the failure of the Tender Agent to effect the purchase of Eligible Bonds for the account of the Bank with funds provided by the Bank pursuant to Section 2.02 or to comply with the applicable provisions of the Resolutions. Neither the Bank nor any of its employees, officers, directors or agents shall be liable or responsible for: (a) the use which may be made of this Agreement or for any acts or omissions of the Commission, the Tender Agent, the Paying Agent and/or the Remarketing Agent in connection therewith; (b) the validity or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms hereof, including failure of any documents to bear any reference or adequate reference to this Agreement; or (d) any other circumstances whatsoever in making or failing to make payment hereunder; *provided, however,* that the Commission shall have a claim against the Bank and the Bank shall be liable to the Commission, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Commission which the Commission proves were caused by the Bank's willful or negligent failure to make lawful payment hereunder in accordance with the terms hereof, unless such failure to pay resulted from circumstances beyond the Bank's control. In furtherance and not in limitation of the foregoing, the Bank may accept documents that the Bank in good faith determines appear on their face to be in order, without responsibility for further investigation.

(b) The Commission assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the Commission and that the Bank assumes no liabilities or risks with respect thereto.

Section 8.06. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and the Bankholders, except that the Commission may not assign or otherwise transfer any of its rights under this Agreement.

(b) The Bank may, without obtaining any consent from any Person, sell or convey a participation to any financial institution (each, a ***"Participant"***) in all or any part of, or any interest (undivided or divided) in, such Bank's rights and benefits under this Agreement and the other Related Documents, and in any Purchased Bonds owned by it and, to the extent of that sale or conveyance, such Participant shall have the same rights and benefits against the Commission hereunder as it would have had if such Participant were the Bank hereunder; *provided*, that (i) other than as provided herein to the contrary, no such participation shall affect the obligations of the Bank to purchase Bonds as herein provided; (ii) the Commission, the Remarketing Agent and the Tender Agent shall be required to deal only with the Bank concerning this Agreement; and (iii) such Participant shall not be any Person registered as an investment company under the Investment Company Act of 1940, as amended, substantially all of the assets of which are invested in obligations exempt from federal income taxation under Section 103 or 103A of the Internal Revenue Code of 1986, as amended, or any similar or successor provision and the Commission shall only be required to make those payments pursuant to Section 2.07 as it would have if no participation had been granted by the Bank.

Section 8.07. Term of this Agreement. The term of this Agreement shall be until the later of (a) the last day of the Purchase Period and (b) payment in full of the principal of and interest on all Bonds held by the Bank on the last day of the Purchase Period and of all other Reimbursement Obligations due hereunder to the Bank or any Bankholder; *provided* that, notwithstanding any termination of this Agreement, the provisions of Sections 2.07 and 8.03(b) shall survive payment or purchase of the Bonds and shall remain in full force and effect.

Section 8.08. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; *PROVIDED, THAT*, THE BANK'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 8.09. Submission to Jurisdiction; Waiver of Venue. The Commission and the Bank hereby irrevocably (i) agree that any suit, action or other proceeding arising out of or relating to this Agreement may be brought in any court of competent jurisdiction located in Travis County, Texas, and consent to the jurisdiction of such court in any such suit, action or proceeding and (ii) waive, to the fullest extent permitted by Texas law, any objection which it or they may have to the laying of venue of any such suit, action or proceeding in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. Notwithstanding the foregoing, in the event the Bank is not a party to any such action or proceeding, the foregoing provisions shall not apply.

Section 8.10. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 8.11. Beneficiaries. This Agreement is made solely for the benefit of the Commission, the Bank and each Bankholder and their respective successors and assigns, and no other Person (including, without limitation, any holder of a Bond, other than a Purchased Bond) shall have any right, benefit or interest under or because of the existence of this Agreement.

Section 8.12. Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

Section 8.13. Headings. The table of contents and captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

Section 8.14. Assignment to Federal Reserve Bank. The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank; or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operation Circular issued by such Federal Reserve Bank; *provided* that any payment in respect of such assigned obligations made by the Commission to the Bank in accordance with the terms of this Agreement shall satisfy the Commission's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 8.15. Patriot Act. The Bank hereby notifies the Commission that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that includes the name and address of the Commission and other information that will allow the Bank to identify the Commission in accordance with the Patriot Act.

Section 8.16. Maintenance, Retention and Audit of Records. The Bank shall maintain all books, documents, papers, accounting records and other evidence pertaining to costs incurred and services provided pursuant to this Agreement, and shall make such information available at its office during the Purchase Period and for four years from the date of final payment of Reimbursement Obligations under this Agreement, until completion of all audits, or until pending litigation has been completely and fully resolved, whichever occurs last.

The State Auditor may conduct an audit or investigation of any Bankholder receiving funds directly under this Agreement or indirectly through a participation agreement permitted pursuant to this Agreement. Acceptance of funds directly under this Agreement or indirectly through a participation agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. An entity that is the subject of an audit or investigation must provide the State

Auditor with access to any information the State Auditor considers relevant to the investigation or audit.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

TEXAS TRANSPORTATION COMMISSION

By: _____
Name: _____
Title: _____

Notice Address: DeWitt Greer Building
125 E. 11th Street
Austin, Texas 78701

Attention: _____
Telephone: _____
Facsimile: _____

[Signatures continued on following page]

[Signature page to Standby Bond Purchase Agreement]

ROYAL BANK OF CANADA

By: _____
Name: _____
Title: _____

Notices Address:

_____
_____
_____

Attention: _____
Telephone: _____
Facsimile: _____

[Signatures continued on following page]

[Signature page to Standby Bond Purchase Agreement]

The undersigned hereby acknowledge and agree to perform the duties of the Paying Agent and Tender Agent in Article II of this Agreement.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Paying Agent and Tender Agent

By: _____
Name: _____
Title: _____

SCHEDULE I

EXHIBIT A

FORM OF NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, National Association (the "***Tender Agent***"), hereby certifies to Royal Bank of Canada (the "***Bank***"), in accordance with the Standby Bond Purchase Agreement (the "***Standby Purchase Agreement***"), dated as of March 1, 2012, between the Texas Transportation Commission and the Bank entered into in connection with the "State of Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds) (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that:

1. Eligible Bonds have been tendered or are required to be tendered for purchase pursuant to the Resolutions and the Bank has received notice from the Remarketing Agent pursuant to Section 6.08(c)(i).

2. Sufficient moneys are not available for such purchase pursuant to Section [_____] *[[6.01] [6.02 (if Bonds bearing the Commercial Paper Rate constitute Eligible Bonds)] [6.03] [6.05]* [* - indicate applicable Section]]* of the Second Supplemental Resolution.

3. [(a)] The total principal amount of the Eligible Bonds for which there is not sufficient moneys referred to above is $_____ which amount does not exceed the Available Principal Commitment.

[(b) Accrued, but unpaid, interest on such Eligible Bonds (other than Defaulted Interest), computed in accordance with the terms of the Bonds and the Resolutions, as of the date of delivery hereof to the Bank is $_____ which amount does not exceed the Available Interest Commitment.][1]

4. The Eligible Bonds referred to above are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof for an aggregate purchase price of $_____[2] which amount does not exceed the Available Commitment.

5. Upon completion of purchase, Tender Agent will register such Bonds pursuant to the Second Supplemental Resolution, or if a Bond for which notice of tender for purchase pursuant to the Second Supplemental Resolution has been given is not delivered, to issue a new Bond in replacement of the undelivered Bond, in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the books and records maintained by the Registrar, and hold in trust for the benefit of the Bank or as the Bank may otherwise direct in writing.

---

[1] If the Bonds are to be purchased on an Interest Payment Date therefor, this amount will exclude the interest payable on such date. If the exclusion results in no interest, delete (b).

[2] Insert the sum of principal and accrued interest shown in paragraphs 3(a) and (b).

6. The Purchase Date is _____ and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions].

7. To the best knowledge of the Tender Agent, none of the Bonds to be purchased with the proceeds of this drawing are registered in the name of the Commission or the State or otherwise affiliated therewith.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of the _____ day of _____.

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, as Tender Agent

By _____
Name_____
Title _____

EXHIBIT B-1

FORM OF EXTENSION REQUEST

Royal Bank of Canada
_____
_____
_____
Attn: _____

Dear Sir or Madam:

1. Pursuant to Section 2.10 of the Standby Bond Purchase Agreement (the "***Agreement***"), dated as of March 1, 2012, between the Texas Transportation Commission (the "Commission") and Royal Bank of Canada, entered into in connection with the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)", the undersigned hereby requests that you agree to extend the Purchase Period thereunder to expire on _____ (subject to earlier termination as provided in clauses (b) and (c) of the definition of "***Purchase Period***" in the Agreement).

2. The undersigned hereby represents and warrants to you that no Event of Default or Default has occurred under the Agreement and all representations and warranties of the Commission set forth in the Agreement are true and correct as of the date hereof.

TEXAS TRANSPORTATION COMMISSION

Date: _____ By: _____

EXHIBIT B-2

FORM OF EXTENSION NOTICE

TEXAS TRANSPORTATION COMMISSION
125 E. 11th Street
Austin, Texas 78701
ATTN: [_____]

Dear Sir or Madam:

1. Pursuant to Section 2.10 of the Standby Bond Purchase Agreement (the "***Agreement***"), dated as of March 1, 2012, between the Texas Transportation Commission, and the undersigned entered into in connection with the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)", and your written request pursuant thereto dated _____, the undersigned hereby notifies you that [, subject to your acceptance of the terms described in paragraph 2 below,] *[*use bracketed phrase only if applicable]* it has agreed to an extension of the Purchase Period thereunder to expire on _____ (subject to earlier termination as provided in clauses (b) and (c) of the definition of "***Purchase Period***" in the Agreement).

2. The additional or different terms to be applicable to the extension are specified below *[*to be completed if necessary]*:

3. Except as specified in paragraphs 1 and 2 above, the Agreement is unchanged and remains in full force and effect.

ROYAL BANK OF CANADA

Date: _____ By: _____

TEXAS TRANSPORTATION COMMISSION

Date: _____ By: _____

EXHIBIT C

FORM OF NOTICE OF TERMINATION

Dated:_____

The Bank of New York Mellon Trust
Company, National Association
Paying Agent and Tender Agent
_____
_____

Jefferies & Company
_____
_____

Texas Transportation Commission
125 E. 11th Street
Austin, Texas 78701

Re: Standby Bond Purchase Agreement (the "***Agreement***"), between the Texas Transportation Commission (the "***Commission***"), and Royal Bank of Canada (the "***Bank***"), dated as of March 1, 2012

Ladies and Gentlemen:

Pursuant to Section 6.05 of the Second Supplemental Resolution (as defined in the Agreement) and paragraph (b) of Section 7.02 of the Agreement entered into in connection with the issuance by the Commission of its "$82,315,000 Texas Transportation Commission State of Texas General Obligation Bonds Mobility Fund Bonds, Series 2005-B" (Variable Rate Bonds) (the "***Bonds***"), you are hereby notified that the Bank has determined that there exists an "***Event of Default***" under Section 7.01(a) of the Agreement.

As stated in Section 7.02(b) of the Agreement, the Bank's obligation to purchase Bonds shall terminate on _____, the 30th day (or if such day is not a Business Day, the next following Business Day) after this Notice of Termination is received by the Tender Agent (the "***Notice of Termination Date***").

Upon receipt of this notice, the Tender Agent shall cause a mandatory tender for purchase of the Bonds on _____, which date is the fifth calendar day (or if such day is not a Business day, the preceding Business Day) preceding the Notice of Termination Date, in accordance with the procedures set forth in Section 6.05 of the Second Supplemental Resolution and Section 7.02(b) of the Agreement.

Very truly yours,

ROYAL BANK OF CANADA

By: _____
Name: _____
Title: _____

REMARKETING MEMORANDUM DATED FEBRUARY 15, 2012

NOT A NEW ISSUE - Book-Entry-Only

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Commission, rendered their opinion based on existing law and as of such date, that interest on the Bonds was excludable from the "gross income" of the owners thereof for federal income tax purposes and that the Bonds were not "specified private activity bonds" within the meaning of section 57(a)(5) of the Internal Revenue Code of 1986. Bond Counsel will deliver an opinion on the date of delivery of the remarketed Bonds addressed to the Commission, Tender Agent and the Remarketing Agent that the substitution of the Liquidity Facility for the Original Liquidity Facility will not adversely affect any exclusion of interest on any Bonds from gross income of the owners for federal income tax purposes in accordance with statutes, regulations, published rulings, and court decisions on the date of substitution. Bond Counsel will express no opinion as to any federal, state or local tax consequences pertaining to the acquisition, carrying, ownership or disposition of the Bonds or to any other matters relating to the remarketing. See "TAX MATTERS" herein.

$82,315,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, SERIES 2005-B (Variable Rate Bonds)
(March 1, 2012 Remarketing)

Interest Accrual Date: Date of Delivery of Remarketed Bonds **Due**: As shown on Inside Cover Page

The "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)" (the "Bonds") are general obligations of the State of Texas (the "State") issued by the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), an agency of the State. The Commission initially issued the Bonds pursuant to the authority granted to the Commission, acting on behalf of the Department, by Article III, Section 49-k of the Texas Constitution and Subchapter M of Chapter 201, Texas Transportation Code, as amended (collectively, the "Enabling Act"); Chapter 1371, Texas Government Code, as amended; a "Master Resolution" adopted by minute order of the Commission on May 4, 2005, as amended by a First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007 (collectively, the "Master Resolution"); and a "Second Supplemental Resolution" (the "Second Supplemental Resolution") adopted by minute order of the Commission on May 4, 2005. The Master Resolution establishes the Texas Mobility Fund Revenue Financing Program (the "Program") to provide a financing structure for the issuance of obligations payable in whole or in part from revenues dedicated to and on deposit in the Texas Mobility Fund (the "Fund"). The Commission initially issued the Bonds to pay, or reimburse the State Highway Fund for, the payment of the costs of (i) constructing, reconstructing, acquiring, and expanding State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and (ii) issuing the Bonds.

Obligations which are payable from the Fund and secured on a first lien basis by the "Security" (as defined herein) are "Parity Debt" obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment – Pledge of Security" for a description of the Security. The Bonds were initially issued as and remain Parity Debt. See "MOBILITY FUND REVENUE FINANCING PROGRAM" for information concerning previously issued Outstanding Parity Debt and the issuance of additional Parity Debt or other obligations pursuant to the Master Resolution. There have been eight series of Parity Debt obligations issued, including the Bonds. **THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and "APPENDIX A – The State" attached hereto for general information regarding the State, including information concerning outstanding general obligation bonds of the State.

Upon initial issuance of the Bonds in June of 2005, the Department entered into a standby bond purchase agreement (the "Original Liquidity Facility") with DEPFA Bank plc, acting through its New York Branch, to provide for the purchase of Bonds that were tendered for purchase but not remarketed. The Original Liquidity Facility is currently scheduled to expire on April 6, 2012, and the Bonds are being remarketed pursuant to the terms of the Second Supplemental Resolution to allow for the replacement of the Original Liquidity Facility. Royal Bank of Canada (the "Liquidity Facility Issuer") has agreed, pursuant to the "Standby Bond Purchase Agreement" (the "Liquidity Facility") to purchase the remarketed Bonds that are in the Weekly Mode and tendered to The Bank of New York Mellon Trust Company, N.A. (the "Tender Agent"), but not remarketed by Jefferies and Company, Inc. (the "Remarketing Agent"). THE COMMISSION HAS NO OBLIGATION TO PURCHASE TENDERED BONDS. See "THE LIQUIDITY FACILITY". The Commission's payment obligations to the Liquidity Facility Issuer are "Parity Debt" obligations (as defined above), and are also secured by the full faith and credit of the State.

The Bonds were initially issued as fully registered bonds and delivered 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 of the Bonds may be acquired in denominations of $100,000 and integral multiples of $5,000 in excess thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of and interest on the Bonds will be payable by the "Paying Agent/Registrar," The Bank of New York Mellon Trust Company, N.A., to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the Bonds. See "DESCRIPTION OF THE BONDS – Paying Agent/Registrar" and "APPENDIX E – Book-Entry-Only System."

THIS REMARKETING MEMORANDUM DESCRIBES THE BONDS IN THE WEEKLY MODE ONLY. THE BONDS ARE SUBJECT TO CONVERSION TO A DIFFERENT MODE AS FURTHER DESCRIBED HEREIN. The Bonds are subject to mandatory and optional redemption and mandatory tender prior to maturity as more fully described herein. The remarketed Bonds have been assigned ratings from certain rating agencies. See "OTHER INFORMATION – Ratings" herein. For the final maturity and CUSIP number, see the inside cover page hereof.

The remarketed Bonds are offered for delivery by the Remarketing Agent named below. Certain legal matters have been and will be passed upon for the Commission and Department by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Commission. It is expected that the remarketed Bonds will be delivered on March 1, 2012, through the facilities of DTC.

JEFFERIES & COMPANY, INC.

$82,315,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, SERIES 2005-B (Variable Rate Bonds)

Maturity (April 1)	Remaining Principal Amount	CUSIP Number[1]
2030	$ 82,315,000	882721 BP7

The Bonds will be remarketed in the Weekly Mode, and for information on redemption, tenders for purchase, interest period, interest rate, and denominations of the remarketed Bonds in the Weekly Mode, see "DESCRIPTION OF THE BONDS" herein. Interest will accrue from the date of delivery of the remarketed Bonds and is payable as described herein.

The interest rate on the Bonds will be set by the Remarketing Agent on the day immediately prior to the delivery date of the remarketed Bonds, and will apply to the period commencing on the date of delivery of the Bonds to and including March 6, 2012. Thereafter, the interest rate for the Bonds for each Interest Period will be the rate of interest that, in the sole judgment of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Bonds at a price equal to the principal amount thereof, plus accrued interest, if any.

THIS REMARKETING MEMORANDUM DESCRIBES THE BONDS IN THE WEEKLY MODE ONLY. THE BONDS ARE SUBJECT TO CONVERSION TO A DIFFERENT MODE AS FURTHER DESCRIBED HEREIN. After remarketing, the Bonds may be converted to a Daily Mode, a Term Rate Mode, a Fixed Rate Mode, an Auction Rate Mode, or a Commercial Paper Mode.

The remarketed Bonds are subject to mandatory sinking fund redemption. See "DESCRIPTION OF THE BONDS – *Redemption Provisions*" herein.

(Remainder of page intentionally left blank.)

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Department, the Commission, nor the Remarketing Agent is responsible for the selection or correctness of the CUSIP number set forth herein.

STATE OF TEXAS OFFICIALS

Rick Perry	Governor
David Dewhurst	Lieutenant Governor
Greg Abbott	Attorney General
Susan Combs	Comptroller of Public Accounts
Jerry Patterson	Commissioner of the General Land Office
Todd Staples	Commissioner of Agriculture

TEXAS TRANSPORTATION COMMISSION

Name	Title	Term Expires
Ted Houghton	Chairman	February 2015
Ned S. Holmes	Commissioner	February 2011*
William Meadows	Commissioner	February 2013
Fred Underwood	Commissioner	February 2015
Jeff Austin, III	Commissioner	February 2013

*Commissioner Holmes will continue to serve as Commissioner throughout the end of a new term if reappointed, or until a replacement is appointed by the Governor.

TEXAS DEPARTMENT OF TRANSPORTATION

Name	Position	Total Service with the Department
Phil Wilson	Executive Director	4 months
John Barton, P.E.	Deputy Executive Director and Chief Engineer	26 years
James M. Bass	Chief Financial Officer	23 years
Brian Ragland, CPA	Finance Director	5 years
John Muñoz, CPA	Deputy Finance Director	23 years
Vacant	Innovative Finance and Debt Management Officer	N/A
Bob Jackson	General Counsel	27 years

CONSULTANTS AND ADVISORS

Financial Advisor ..... Estrada Hinojosa & Company, Inc.
Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.

For additional information regarding the Commission or the Department, please contact either:

Mr. James M. Bass
Chief Financial Officer
Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
(512) 305-9507

Mr. Paul Jack
Estrada Hinojosa & Company, Inc.
100 Congress Avenue, 20th Floor
Austin, Texas 78701
(512) 469-3577

REMARKETING OF THE BONDS

Use of Remarketing Memorandum

No dealer, broker, salesman, or other person has been authorized by the Commission or the Remarketing Agent set forth on the cover page hereof (the "Remarketing Agent") to give any information or to make any representation other than those contained in this Remarketing Memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission or the Remarketing Agent. This Remarketing Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds 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 Remarketing Memorandum, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Commission since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the Commission's and the Comptroller's undertakings to provide information on a continuing basis. This Remarketing Memorandum is submitted in connection with the sale of securities referred to herein and may not be reproduced or used for any other purpose. In no instance may this Remarketing Memorandum be reproduced or used in part.

Certain information set forth in this Remarketing Memorandum has been furnished by the Commission and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Commission or the Remarketing Agent.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agent has reviewed the information in this Remarketing Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

THIS REMARKETING MEMORANDUM IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS REMARKETING MEMORANDUM OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS REMARKETING MEMORANDUM AT TIMES SUBSEQUENT TO THE REMARKETING OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

Neither the Commission nor the Financial Advisor make any representation or warranty with respect to the information contained in this Remarketing Memorandum regarding The Depository Trust Company ("DTC") or its book-entry-only system, as provided for in "APPENDIX E – Book-Entry-Only System," as such information was furnished by DTC.

Securities Laws

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS REMARKETING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

The statements contained in this Remarketing Memorandum, and in other information provided by the Commission, that are not purely historical, are forward-looking statements, including statements regarding the Commission's expectations, hopes, intentions, or strategies regarding the future, and the projections of the Comptroller of Public Accounts of the State. All forward-looking statements included in this Remarketing

Memorandum are based on information available to the Commission on the date hereof, and the Commission assumes no obligation to update any such forward-looking statements. See "OTHER INFORMATION – Forward-Looking Statements."

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REMARKETING MEMORANDUM
RELATING TO

$82,315,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, SERIES 2005-B (Variable Rate Bonds)
(March 1, 2012 Remarketing)

INTRODUCTION

The purpose of this Remarketing Memorandum (which includes the cover page, inside cover page, and Appendices) is to furnish information concerning the remarketing of the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)" (the "Bonds"), which were initially issued in June of 2005 by the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas (the "State"). The Bonds were issued pursuant to the authority granted to the Commission and the Department by Article III, Section 49-k of the Texas Constitution (the "Constitutional Provision") and Subchapter M of Chapter 201, Texas Transportation Code, as amended (collectively, the "Enabling Act"); Chapter 1371, Texas Government Code, as amended; and the "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" adopted by minute order of the Commission on May 4, 2005, as amended by a First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007 (collectively, the "Master Resolution"), and as supplemented by the "Second Supplemental Resolution" to the Master Resolution, adopted by minute order of the Commission on May 4, 2005 (the "Second Supplemental Resolution" and, together with the Master Resolution, the "Resolution"). Capitalized terms used in this Remarketing Memorandum have the same meanings assigned to such terms in the Resolution, as set forth in APPENDIX B, except as otherwise indicated herein.

Upon initial issuance of the Bonds, the Department entered into a standby bond purchase agreement (the "Original Liquidity Facility") with DEPFA Bank plc, acting through its New York Branch, to provide for the purchase of Bonds that were tendered for purchase but not remarketed. The Original Liquidity Facility is currently scheduled to expire on April 6, 2012, and the Bonds are being remarketed pursuant to the terms of the Second Supplemental Resolution to allow for the replacement of the Original Liquidity Facility. The Commission adopted a minute order on January 26, 2012 approving certain matters related to the remarketing of the Bonds, including approval of documents necessary to give effect to the remarketing of the Bonds and the selection of Royal Bank of Canada as the Liquidity Facility Issuer. The Liquidity Facility Issuer has entered into the "Standby Bond Purchase Agreement" dated as of March 1, 2012 (the "Liquidity Facility") to provide for the purchase of Bonds tendered for purchase but not remarketed. See "THE LIQUIDITY FACILITY" and "THE LIQUIDITY FACILITY ISSUER" herein.

The Texas Legislature (the "Legislature") established the Texas Mobility Fund (the "Mobility Fund" or "Fund") pursuant to the Constitutional Provision to be administered by the Commission to provide a method of financing the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way. The Fund may also be used to provide participation by the Department in the payment of all or a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects.

The Legislature has dedicated certain revenues to the Fund and such revenues (referred to herein as the "Dedicated Revenues") must be deposited in the Fund. The Master Resolution establishes the Texas Mobility Fund Revenue Financing Program (the "Program") to provide a financing structure for the issuance of obligations payable from a pledge of and lien on all or part of the moneys in the Mobility Fund, including Dedicated Revenues. Obligations that are payable from the Mobility Fund and secured on a first lien basis by the "Security" are "Parity Debt" obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment" for a more detailed description of the Dedicated Revenues and the Security. The Bonds were initially issued and remain as Parity Debt. Additionally, the Commission's payment obligations to the Liquidity Facility Issuer (the "Liquidity Facility Obligations") are Parity Debt. See "MOBILITY FUND REVENUE FINANCING PROGRAM" for information concerning Outstanding Parity Debt. Upon their deposit in the Fund, Dedicated

Revenues are available for the payment of Parity Debt, including the Bonds, the Liquidity Facility Obligations, the other Outstanding Parity Debt and any additional Parity Debt, without further appropriation by the State.

Pursuant to the Constitutional Provision, while money in the Fund is pledged to the payment of any outstanding obligations or related credit agreements, the dedication of a specific source or portion of revenues, taxes, or other money may not be reduced, rescinded, or repealed unless the Legislature by law dedicates a substitute or different source projected by the Comptroller of Public Accounts of the State (the "Comptroller") to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed and the Commission has implemented a pledge of the State's full faith and credit, if such a pledge is not already in place, for the payment of obligations then secured by such Dedicated Revenues. Due to certain legislative and executive actions taken (i) in 2011 and (ii) in 2009 but not implemented until 2011, the Commission expects that the amount of Dedicated Revenues generated from driver's license fees and motor vehicle inspection fees will change. The Comptroller projected, and has so certified, that for any decrease in Dedicated Revenues resulting from any one or more of such legislative or executive actions, there is a resulting increase in Dedicated Revenues of a value equal to or greater than the amount of any decrease. For more information on these changes in Dedicated Revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Major Sources" and " – Substitution of Dedicated Revenues" herein.

There can be no assurance that the Legislature will not in the future replace some or all of the Dedicated Revenues outlined herein. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of "Dedicated Revenues" with respect to Parity Debt, including the Bonds, the Liquidity Facility Obligations, and all other previously issued Outstanding Parity Debt, will be revised accordingly. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment."

The Enabling Act also provides the Commission with the authority to guarantee the payment of Parity Debt by pledging the full faith and credit of the State to the payment of Parity Debt if Dedicated Revenues are insufficient for such purpose. The Commission has implemented such authority to pledge the full faith and credit of the State to the payment of the Bonds, the Liquidity Facility Obligations, and all other currently Outstanding Parity Debt. THE BONDS AND THE LIQUIDITY FACILITY OBLIGATIONS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR PROMPT PAYMENT OF THE BONDS AND THE LIQUIDITY FACILITY OBLIGATIONS. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge."

Future obligations issued for the Program in the form of Parity Debt may provide financial assistance in the form of loans to political subdivisions in the State for the payment of part of the costs of constructing and providing certain publicly-owned toll roads and other public transportation projects. Any loans made for Commission participation in projects will be made by the Commission's purchase of obligations issued by such political subdivisions to evidence such loans ("Transportation Assistance Bonds") with the proceeds of such Parity Debt. The Commission may, but is not required to, pledge the repayments relating to such Transportation Assistance Bonds to the payment of Parity Debt. In the event such repayments are pledged, such Transportation Assistance Bonds will be held in the "Portfolio Account" (as hereinafter defined) of the Mobility Fund and such repayments will be deposited in the "General Account" (as hereinafter defined) of the Mobility Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Creation of Accounts and Subaccounts within the Mobility Fund." The Commission has not used the proceeds of the currently outstanding Parity Debt to make loans to political subdivisions as described above. Accordingly, there are no Transportation Assistance Bonds held in the Portfolio Account.

This Remarketing Memorandum includes descriptions of the Bonds, the Commission, the Department, the Liquidity Facility Issuer, and certain other matters, along with summaries of the Resolution, the Liquidity Facility, the Remarketing Agreement, the Tender Agent Agreement, the Investment Agreement, and the Administration Agreement (each hereinafter defined). The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents. The forms of the Resolution, the Liquidity Facility, the Remarketing Agreement, the Tender Agent Agreement, the Investment Agreement, and the Administration Agreement are available for inspection at the office of the Department's Finance Division, 125 E. 11th Street, Dewitt Greer State Office Building, Austin, Texas 78701. Reference is made to the caption "Selected Definitions in the Master Resolution and the Second Supplemental Resolution" in APPENDIX B — "SELECT PROVISIONS OF THE RESOLUTION" and to the Resolution for the definition of certain terms used herein.

This Remarketing Memorandum speaks only as of its date. The information contained herein is subject to change. Copies of the final Remarketing Memorandum will be filed electronically with the Municipal Securities Rulemaking Board and will be available free of charge at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Commission's and the Comptroller's undertakings to provide certain information on a continuing basis.

MOBILITY FUND REVENUE FINANCING PROGRAM

General

Under the Second Supplemental Resolution, the Bonds were initially issued in an aggregate principal amount of $100,000,000. The Bonds were the second series of obligations issued or executed under the Program, and there have been eight series issued, including the Bonds. The Bonds were initially issued under the Program to pay, or reimburse the State Highway Fund for, the payment of the costs of (i) constructing, reconstructing, acquiring, and expanding State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and (ii) issuing the Bonds.

As of the date of this Remarketing Memorandum, the Commission will have issued obligations (in the form of Parity Debt) in an aggregate principal amount of $6,255,100,000; and, $244,900,000 will remain unissued out of the $6.5 billion currently established for the Program pursuant to the Master Resolution, as authorized by a minute order adopted by the Commission on May 4, 2005, and subsequently amended pursuant to the First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007. Approval of the Texas Bond Review Board (the "Bond Review Board") is necessary for the issuance of any additional bonds beyond what is currently outstanding, up to the total $6.5 billion aggregate principal amount of obligations currently established for the Program pursuant to the Master Resolution. As long as the required certifications are received, the Enabling Act does not limit the amount of obligations that may be issued, and the Master Resolution may be amended, without the consent of the Owners, to increase the principal amount of the Program and to permit the issuance of additional obligations thereunder. Subject to the receipt of such required certifications and to the approval of the Bond Review Board, the Commission may further amend the Master Resolution to increase the amount of obligations that may be issued or executed under the Program and to issue additional Program obligations. See "-Issuance of Additional Obligations" below for information concerning future issuances of obligations under the Program, including increases in the maximum principal amount of obligations authorized under the Program and required certifications for the issuance of obligations.

The Commission has also entered into certain Credit Agreements, including the Liquidity Facility, which constitute Parity Debt. See "THE LIQUIDITY FACILITY" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Credit Agreements" for additional information concerning such agreements.

Strategic Plan

The Enabling Act provides that the Commission may not issue obligations under the Program until the Department has developed a strategic plan outlining how the proceeds of such Program obligations will be used and the benefits the State will derive from such use. The Department developed, and the Commission approved, the Texas Mobility Fund Strategic Plan (the "Strategic Plan") in September of 2004. Pursuant to the Strategic Plan, the Commission intends to allocate: (i) a portion of proceeds of such Program obligations to preliminary project development costs, including issuance costs, right-of-way, engineering, design and other development costs; (ii) two-thirds of the remaining Program obligation proceeds to projects that measurably reduce congestion ("Mobility Projects") (such as new roadway capacity or public transportation projects) which are located in the eight largest metropolitan areas of the State (Austin, Corpus Christi, Dallas-Fort Worth, El Paso, Hidalgo County, Houston-Galveston, Lubbock, and San Antonio); and (iii) one-third of the remaining Program obligation proceeds to fund Mobility Projects in small urban areas and projects that will promote Statewide connectivity.

Projects in the eight metropolitan areas of the State selected for funding with Program obligation proceeds were approved by the Commission on October 28, 2004, through the approval of the mobility plans of the eight metropolitan planning organizations, which included $21.5 billion in future transportation projects. Selection of the projects in the mobility plans that have been or will be funded with Program obligation proceeds were or will be designated by a Department Representative at the time proceeds are drawn down by execution of a requisition certificate which did or will certify that the projects funded with such proceeds were or will be authorized Fund

expenditures approved by the Commission. In its approval of the mobility plans, the Commission considered issues such as tolling/leveraging, system connectivity, safety, and economic development. The mobility plans of the eight metropolitan planning organizations are subject to review on a periodic basis by each of the regional metropolitan planning organizations. The administrative staff of the Department expects to review the updated mobility plans of each metropolitan planning organization when they are presented to the Commission for approval. Pursuant to such periodic updates, new Mobility Projects may be added, Mobility Projects not yet funded may be deleted, and the ranking as to the priority of Mobility Projects by the Commission may change.

Issuance of Additional Obligations

The Commission has reserved the right to issue or incur additional Parity Debt for any purpose authorized by law upon a finding by the Commission that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Program. See "DESCRIPTION OF THE BONDS – Additional Parity Debt." The Commission has also reserved the right to issue Non-Recourse Debt and obligations that are payable from the Fund but not secured on a first lien basis by the Security as "Subordinated Debt" obligations.

To the extent required by law, the Commission must also receive all required certifications of the Comptroller with respect to such additional obligations. Under current law, before obligations (including Parity Debt and Subordinated Debt) secured by revenues dedicated to and on deposit in the Fund may be issued, the Comptroller must certify that the projected Dedicated Revenues and money on deposit in the Fund, including projected investment earnings, during each year of the period during which such obligations will be outstanding, will be equal to at least 110% of the Annual Debt Service Requirements of the proposed additional obligations and any already outstanding obligations in each year. The Comptroller has made such a certification with respect to the initial issuance of all previously issued Outstanding Parity Debt (including the Bonds). The Comptroller's certifications were based upon the calculation of the Annual Debt Service Requirements, as certified by the Department's Chief Financial Officer in accordance with the "Annual Debt Service Requirements" as defined in the Master Resolution. For purposes of this calculation, Annual Debt Service Requirements excludes the portion of debt service on certain previously issued Parity Debt that is expected to be paid from BAB Subsidy Payments (as defined herein) expected to be received from the U.S. Treasury. See "MOBILITY FUND REVENUE FINANCING PROGRAM - Application of Certain BAB Subsidy Payments."

The Commission does not expect to issue additional new money Parity Debt within the next year. See " – General" above and "DESCRIPTION OF THE BONDS – Additional Parity Debt." Nevertheless, subject to the capacity of the Security to meet the financial obligations of the Program, as certified by the Comptroller, the Commission may continue to issue or incur additional Parity Debt in the future. To the extent that the capacity of the Security to meet the financial obligations of the Program is sufficient to support the issuance of Parity Debt in excess of the $6.5 billion maximum aggregate principal amount of obligations currently authorized to be outstanding at any time, the maximum amount of obligations authorized to be outstanding under the Program may be increased by the Commission upon a finding by the Commission that the Dedicated Revenues will be sufficient to pay all amounts to be payable from Dedicated Revenues following, and as a result of, such increase in the amount of Parity Debt authorized by the Master Resolution. Any such increase in the principal amount of the Program will not relieve the Commission from any other requirements of the Master Resolution relating to the issuance or incurrence of Parity Debt, including the requirement that the Commission receive all required certifications of the Comptroller with respect to the issuance of additional obligations secured by revenues dedicated to and on deposit in the Fund, as described in the preceding paragraph. Pursuant to the First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007, the maximum authorized amount of the Program was increased from $4 billion to $6.5 billion. To the extent that Dedicated Revenues increase in future years, the Commission expects to further amend the Master Resolution to increase the maximum aggregate principal amount of Parity Debt authorized to be outstanding under the Program and to issue Parity Debt in reliance upon such increased capacity. See "DESCRIPTION OF THE BONDS – Additional Parity Debt." The Commission does not currently expect to issue or incur Non-Recourse Debt or Subordinated Debt (with the exception of certain obligations related to the Series 2006-A Basis Swap Agreements and other hedging transactions). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Credit Agreements."

Based on the Comptroller's most recent projections dated [_____, 2012] (which are based on (i) the revenue sources that currently constitute Dedicated Revenues, as provided by the Enabling Act and the Master Resolution, including the changes made in 2009 and 2011 to driver's license fees and motor vehicle inspection fees as further described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Dedicated Revenues – Major Sources", and (ii) current market conditions, including certain interest rate assumptions), [the Commission estimates that the current capacity of the Mobility Fund to support Parity Debt is approximately $___ billion aggregate principal amount of Parity Debt issued and outstanding at any time under the Program, which represents additional capacity of approximately $_____ principal amount of Additional Obligations beyond the total amount of Parity Debt that is currently outstanding]. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table I: Texas Mobility Fund Historical and Estimated Revenues." Changes in economic and/or market conditions could result in an increase or decrease in the capacity of the Mobility Fund to support Parity Debt. As described above, the maximum aggregate principal amount of obligations currently established for the Program pursuant to the Master Resolution is $6.5 billion. See " – General" above.

Application of Certain BAB Subsidy Payments

Pursuant to the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"), the Commission issued its "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds - Direct Payment)" (the "Series 2009A Bonds") as taxable "Build America Bonds" and elected to receive a subsidy payment from the United States Treasury (the "U.S. Treasury") equal to 35% of the amount of each interest payment on the Series 2009A Bonds (the "BAB Subsidy Payments"). The receipt of the BAB Subsidy Payments by the Commission is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. The BAB Subsidy Payments are not full faith and credit obligations of the United States of America and do not constitute "Pledged Revenues" under the Resolution.

In connection with the issuance of the Series 2009A Bonds, the Commission has covenanted to deposit or cause to be deposited, subject to any required State appropriation, into the 2009A Subaccount of the Interest and Sinking Account within the Mobility Fund (the "2009A Subaccount") promptly upon receipt all collections of BAB Subsidy Payments. Funds on deposit in the 2009A Subaccount must be used solely for the purpose of paying principal of and interest on the Series 2009A Bonds and may not be used to pay any debt service on other Parity Debt, including the Bonds, or Subordinated Debt. The debt service on the 2009A Bonds that is expected to be paid from funds on deposit in the 2009A Subaccount is excluded from the calculation of Annual Debt Service Requirements, as provided in the Master Resolution. There is no assurance, however, that the anticipated BAB Subsidy Payments that are excluded from the calculation of Annual Debt Service Requirements will be received as anticipated. The BAB Subsidy Payments have been appropriated to the Department for the Mobility Fund for the 2012-2013 biennium, and the Department expects to receive future appropriations of the BAB Subsidy Payments in connection with Annual Debt Service Requirements for the 2009A Bonds.

DESCRIPTION OF THE BONDS

THIS REMARKETING MEMORANDUM DESCRIBES THE BONDS IN THE WEEKLY MODE ONLY. THE BONDS ARE SUBJECT TO CONVERSION TO A DIFFERENT MODE AS FURTHER DESCRIBED HEREIN.

General

The Bonds are being remarketed in book-entry form pursuant to the book-entry-only system described in APPENDIX E. Beneficial owners of Bonds will not receive physical delivery of Bond certificates. The Bonds are being remarketed in fully registered form, and will mature in the respective principal amounts and on the respective dates shown on the inside cover page of this Remarketing Memorandum. The Bonds will be dated, and interest will begin accruing on, March 1, 2012. The Bonds will be remarketed initially in the Weekly Mode and will bear interest from the date of delivery at a rate or rates determined as described herein, payable on each Interest Payment Date until payment of the principal or redemption price is made or provided for, whether at maturity, upon redemption, or otherwise. Capitalized terms used and not defined in this Section have the meanings assigned to them

as shown in APPENDIX B. All references to time in this Section are to Eastern Standard time or Eastern Daylight Savings time, as applicable.

The Bonds may be converted from the Weekly Mode (as initially remarketed) to the Commercial Paper Mode, Auction Rate Mode, Daily Mode, Term Rate Mode, or Fixed Rate Mode. Interest on the Bonds while in the Weekly Mode will be calculated on the basis of a 365/366-day year for the actual number of days elapsed to the Interest Payment Date. No Bonds (other than Purchased Bonds) may bear interest at a rate higher than 12% (the "Maximum Rate").

The Bonds will be remarketed in denominations of $100,000 and any integral multiple of $5,000 in excess thereof.

The Interest Payment Dates with respect to the Bonds are: (i) any Principal Payment Date or Mode Change Date; (ii) the first Business Day of each calendar month; and (iii) with respect to Bonds purchased by the Liquidity Facility Issuer ("Purchased Bonds"), the dates provided in the Liquidity Facility.

The Record Date for the Bonds is the opening of business on the Business Day next preceding an Interest Payment Date.

Payment of the Bonds

Accrued and unpaid interest on the Bonds will be due on each Interest Payment Date and payable by wire transfer of immediately available funds to the account specified by the Owner in a written direction received by the Paying Agent/Registrar on or prior to a Record Date or, if no such account number is furnished, by check mailed by the Paying Agent/Registrar to the Owner at the address appearing on the books required to be kept by the Paying Agent/Registrar, except that in the case of an Owner of $1,000,000 or more in aggregate principal amount of the Bonds, upon the written request of such Owner to the Paying Agent/Registrar, received on or prior to a Record Date, specifying the account or accounts to which such payment will be made, payment of interest when due will be made by wire transfer of immediately available funds. The principal and the redemption price on each Bond will be payable on its Principal Payment Date, upon surrender at the designated office for payment of the Paying Agent/Registrar and Tender Agent. The payment of the Purchase Price of Bonds on any Purchase Date or Mandatory Purchase Date, as the case may be, will be made by wire transfer in immediately available funds by the Tender Agent, or, if the Owner has not provided wire transfer instructions, by check mailed to the Owner at the address appearing in the books kept by the Paying Agent/Registrar.

Interest Calculation. Interest on the Bonds will be calculated on the basis of a 365/366-day year for the actual number of days elapsed to the Interest Payment Date.

Determination of Interest Rate and Interest Rate Periods While in Weekly Mode. The initial interest rate applicable to the remarketed Bonds will be established by the Remarketing Agent the day immediately prior to the delivery date of the remarketed Bonds and will apply to the period commencing the date of delivery of the remarketed Bonds to and including March 6, 2012. Thereafter, the interest rate for the Bonds for each Interest Period will be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the sole judgment of the Remarketing Agent, would, under then existing marketing conditions, result in the sale of the Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Rate Determination Date for any Interest Period beginning on any Mode Change Date will be the Business Day immediately preceding the Mode Change Date; and for other Interest Periods thereafter, each Tuesday or, if such Tuesday is not a Business Day, the Business Day next preceding such Tuesday. The Remarketing Agent will make the rate available to each other Notice Party by 4:00 p.m. on the Business Day immediately succeeding the Rate Determination Date. The Interest Period for the Bonds will begin on and include each Wednesday, and continue through and including the next succeeding Tuesday.

Alternative Rate. If the Remarketing Agent fails to determine the interest rates or Interest Periods with respect to the Bonds or if the method of determining the interest rates or Interest Periods with respect to the Bonds is held to be unenforceable by a court of law of competent jurisdiction, then the Bonds will (until such time as the Remarketing Agent again makes such determination, or until there is delivered to the Commission and the

Remarketing Agent a Favorable Opinion of Bond Counsel) bear interest at the Alternate Rate for subsequent weekly periods. The determination of the interest rate for the Bonds for each Interest Period by the Remarketing Agent will be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Paying Agent/Registrar, the Liquidity Facility Issuer, the Commission, and the Owners of the Bonds. Until remarketed, Bonds that constitute Purchased Bonds will bear interest at the Purchased Bond Rate and will be payable at such times and in such manner as set forth in the Liquidity Facility.

Changes in Mode. *General.* The Bonds may be changed to any other Mode at the times and in the manner described below.

Notice of Intention to Change Mode. The Commission will give written notice of its intention to effect a change in the Mode from the Mode then prevailing (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, together with the proposed Mode Change Date. Such notice will be given at least 20 days prior to the Mode Change Date if the Current Mode is the Auction Rate Mode, the Daily Mode, the Weekly Mode, or the Commercial Paper Mode, and such notice will be given at least 35 days prior to the Mode Change Date if the Current Mode is the Term Rate Mode.

Serial Bonds. The Commission may, in connection with any Mode change to the Term Rate Mode or Fixed Rate Mode, provide for serial maturities of all or some of the Bonds subject to such Mode change. The principal amount of and interest on such serial bonds and the maturity dates thereof will be set forth in the notice given with respect to such Mode change. The interest rate for such serial bonds maturing on a particular date may be different from the interest rate or rates established for other Bonds.

No Partial Mode Changes. All Bonds must be in the same Mode; provided, however, that in the event that the Bonds are issued in subseries bearing additional designations in accordance with the Second Supplemental Resolution, Bonds of any such subseries will be in the same Mode and references to the Bonds will be deemed to refer to Bonds of such subseries, all as will be set forth in the applicable certificate of a Department Representative.

Mandatory Conversion to Fixed Rate Mode or a Term Rate Mode. Upon the occurrence of any the following listed events, the Commission will change the Mode on the Bonds from the Weekly Mode to a Fixed Rate Mode or a Term Rate Mode that does not require a Liquidity Facility:

(a) Upon the Liquidity Facility Issuer's failure to transfer amounts available under the Liquidity Facility to pay the Purchase Price of the Bonds following compliance with the conditions precedent in the Liquidity Facility by the Tender Agent;

(b) Upon the occurrence of an Expiration Date or Termination Date of the Liquidity Facility that is then currently in effect with respect to the Bonds in a Mode that requires a Liquidity Facility, and such Expiration Date or Termination Date occurs prior to a Substitution Date;

(c) If during the term that the Bonds are Outstanding, the Remarketing Agent fails to remarket the Bonds on two separate occasions within a twelve-month period; or

(d) If the Commission fails to provide a Liquidity Facility for the Bonds during any period that the Bonds are in a Mode which requires the support of a Liquidity Facility.

Conditions Precedent. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items have been delivered to the Paying Agent/Registrar and the Remarketing Agent two Business Days prior to the Mode Change Date, or such later time as is acceptable to the Commission, the Paying Agent/Registrar, and the Remarketing Agent:

(a) A favorable opinion of Bond Counsel dated the Mode Change Date, except in circumstances where (i) there is a failure to establish a Term Rate or Fixed Rate and (ii) all conditions to the Mode Change are met and the Interest Period(s) for the New Mode will commence.

(b) With respect to a change in Mode to the Daily Mode or Weekly Mode, a Liquidity Facility with the necessary Liquidity Amount for such New Mode.

(c) With respect to a change in Mode that required a new Liquidity Facility (or an amendment to an existing Liquidity Facility), the receipt from each Rating Agency of a confirmation of the ratings assigned to the Bonds upon the delivery of such new Liquidity Facility (or amendment to such existing Liquidity Facility).

If all conditions to the Mode Change are met, the Interest Period(s) for the New Mode will commence on the Mode Change Date and the Interest Rates will be determined by the Remarketing Agent as provided for in the Second Supplemental Resolution.

Paying Agent/Registrar

The Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). The Commission agreed to cause to be kept and maintained by the Paying Agent/Registrar a Security Register, in accordance with the terms and provisions of the Paying Agent/Registrar Agreement and such reasonable rules and regulations as the Paying Agent/Registrar and the Commission may prescribe.

The Commission expressly reserves the right to appoint one or more successor Paying Agent/Registrars, by filing with the Paying Agent/Registrar a certified copy of a resolution or minute order of the Commission making such appointment. The Commission further expressly reserves the right to terminate the appointment of the Paying Agent/Registrar by filing a certified copy of a resolution or minute order of the Commission giving notice of the Commission's termination of the Commission's agreement with such Paying Agent/Registrar and appointing a successor. The Commission has agreed to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar will be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Security Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar, the Commission agrees promptly to cause a written notice thereof to be sent to each Owner by United States mail, first-class postage prepaid, which notice will also give the address of the new Paying Agent/Registrar.

Transfer, Exchange, and Registration

The Paying Agent/Registrar will obtain, record, and maintain in the Security Register the name and address of each Owner and any Bond may, in accordance with its terms and the terms of the Resolution, be transferred or exchanged for Bonds in Authorized Denominations upon the Security Register by the Owner, in person or by his duly authorized agent, upon surrender of such Bond to the Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Owner or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the designated office of the Paying Agent/Registrar, there will be registered and delivered in the name of the designated transferee or transferees, one or more new Bonds, executed on behalf of, and furnished by, the Commission, of Authorized Denominations and having the same Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Owner, the Bonds may be exchanged for other Bonds of Authorized Denominations and having the same Maturity, bearing the same rate of interest, and of like tenor and aggregate principal amount and series as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, new Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds will be delivered at the designated office of the Paying Agent/Registrar or sent by United States mail, first-class, postage prepaid to the Owners or the designee thereof, and, upon the registration and delivery thereof, the same will be the valid obligations of the Commission,

evidencing the same debt, and entitled to the same benefits under the Resolution as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to the Resolution will be made without expense or service charge to the Owner, except as otherwise provided in the Resolution, and except that the Paying Agent/Registrar will require payment by the Owner requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds canceled by reason of an exchange or transfer are defined as "Predecessor Bonds," evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer. Additionally, the term "Predecessor Bonds" includes any mutilated Bond that is surrendered to the Paying Agent/Registrar or any Bond for which satisfactory evidence of the loss of which has been received by the Commission and the Paying Agent/Registrar and, in either case, in lieu of which a Bond has or Bonds have been registered and delivered pursuant to the Resolution.

In the event that any date for payment of the principal or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day that is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date that payment was due.

See "APPENDIX E – Book-Entry-Only System" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Redemption Provisions

Optional Redemption. The remarketed Bonds will be subject to redemption at the option of the Commission (acting through the Department Representative), in whole or in part, on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date.

Mandatory Redemption. The remarketed Bonds are subject to redemption prior to maturity on April I of such years and in such principal amounts as set forth in the following schedule:

Date	Principal Amount
2012	$3,185,000
2013	3,290,000
2014	3,400,000
2015	3,510,000
2016	3,625,000
2017	3,745,000
2018	3,870,000
2019	4,000,000
2020	4,130,000
2021	4,265,000
2022	4,405,000
2023	4,550,000
2024	4,700,000
2025	4,855,000
2026	5,015,000
2027	5,180,000
2028	5,350,000
2029	5,530,000
2030*	5,710,000

* Stated maturity

Redemption in Part. In the event of redemption of less than all the Bonds, the Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar in its discretion may determine; provided, however, that the Bonds to be redeemed will be in Authorized

Denominations; and provided, further, that any Bonds which are Purchased Bonds will be redeemed prior to any other Bonds.

Redemption of Purchased Bonds. Purchased Bonds are subject to redemption, at the option of the Commission (acting through a Department Representative), in whole or in part on any Business Day, at a redemption price equal to the principal amount of the Purchased Bonds to be redeemed plus accrued interest thereon to the redemption date. Purchased Bonds are also subject to mandatory redemption in accordance with the terms of the Liquidity Facility. If less than all of the Bonds are to be redeemed, the Commission is required to redeem all Purchased Bonds prior to the redemption of any other Bonds.

Retention of Rights. To the extent that the Commission has defeased any Outstanding Bonds pursuant to the provisions of the Second Supplemental Resolution (the "Defeased Debt") to their Maturity, the Commission retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of the Second Supplemental Resolution and the Award Certificate relating to the Defeased Debt. The Commission may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the Second Supplemental Resolution with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Notice of Redemption

Unless waived by any Owner of the Bonds, the Commission will give notice of redemption or defeasance to the Paying Agent/Registrar at least 35 days prior to a redemption date in the case of a redemption of Bonds (unless a lesser period is acceptable to the Paying Agent/Registrar) and on the defeasance date in the case of a defeasance of Bonds and the Paying Agent/Registrar will give notice of redemption or of defeasance of Bonds by United States mail, first-class, postage prepaid at least 30 days prior to a redemption date and within 30 days after a defeasance date to each registered securities depository and to any national information service that disseminates such notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar will send a second notice of redemption to the persons specified in the immediately preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services will be sent so that it is received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the Owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Commission, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Commission will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Limitation on Transfer of Bonds Called for Redemption

Neither the Commission nor the Paying Agent/Registrar will be required to issue or transfer to an assignee of an Owner any Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Bond; provided, however, that such limitation of transfer will not be applicable to an exchange by the Owner of the unredeemed balance of a Bond called for redemption in part.

Redemption Through The Depository Trust Company

The Paying Agent/Registrar and the Commission, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to The Depository Trust Company ("DTC"). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Commission will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Commission or the Paying Agent/Registrar. Neither the Commission nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "APPENDIX E – Book-Entry-Only System."

Amendments to Second Supplemental Resolution Without Consent of Owners

Subject to the provisions of the Master Resolution, the Second Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the Bonds (including the Purchased Bonds), the Second Supplemental Resolution may be modified or amended at any time without notice to or the consent of any Owner of the Bonds (including Purchased Bonds) or any other Parity Debt, solely for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Commission contained in the Second Supplemental Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Commission in the Second Supplemental Resolution;

(ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Second Supplemental Resolution, upon receipt by the Commission of an Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Second Supplemental Resolution;

(iii) to supplement the Security for the Bonds;

(iv) to make such other changes in the provisions of the Second Supplemental Resolution, as the Commission may deem necessary or desirable and which will not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(iv) to make any changes or amendments requested by the State Attorney General's Office or the Bond Review Board as a condition to the approval of the initial issuance of the Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds; or

(vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds.

Amendments to Second Supplemental Resolution With Consent of Owners

Subject to the other provisions of the Second Supplemental Resolution and the Master Resolution, the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount of the Bonds have the right from time to time to approve any amendment, other than amendments described in the immediately preceding section, to the Second Supplemental Resolution that may be deemed necessary or desirable by the Commission; provided, however, that this may not be construed to permit, without the approval of the Owners of all of the

Outstanding Bonds (including Purchased Bonds, if applicable), the amendment of the terms and conditions in the Second Supplemental Resolution or in the Bonds, so as to:

(i) make any change in the maturity of the Outstanding Bonds;

(ii) reduce the rate of interest borne by the Outstanding Bonds;

(iii) reduce the amount of the principal payable on the Outstanding Bonds;

(iv) modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;

(iv) affect the rights of the Owners of less than all of the Bonds then Outstanding;

(v) change the minimum percentage of the Outstanding Principal Amount of the Bonds necessary for consent to such amendment; or

(vi) change the principal amount of the Program as provided in the Master Resolution.

Prior to the effective date of any such amendment, a copy of such amendment will be promptly furnished to the rating agencies then rating the Bonds, the Paying Agent/Registrar, and the Liquidity Facility Issuer. Notwithstanding the amendment provisions of the Second Supplemental Resolution, the Commission may not amend or modify the Second Supplemental Resolution in a manner that materially adversely affects the rights, duties, or obligations of the Liquidity Facility Issuer without the consent of such Liquidity Facility Issuer.

Notice of a proposed amendment requiring consent of the Owners must be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, *The Bond Buyer* or *The Wall Street Journal*) or in the State (including, but not limited to, *The Texas Bond Reporter*), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing to each Owner of the Bonds. A copy of such notice must be provided in writing to each rating agency maintaining a rating on the Bonds.

Use of Certain Terms in Other Sections of this Remarketing Memorandum

In reading this Remarketing Memorandum it should be understood while the Bonds are in the Book-Entry-Only System, references in other sections of this Remarketing Memorandum to Owners should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Owners under the Resolution will be given only to DTC.

Additional Parity Debt

In the Master Resolution, the Commission has reserved the right to issue or incur additional Parity Debt for any purpose authorized by law. Prior to the issuance of such additional Parity Debt, the Commission must find that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Program. For this purpose, Annual Debt Service Requirements excludes the portion of debt service on certain previously issued Parity Debt that is expected to be paid from BAB Subsidy Payments expected to be received from the U.S. Treasury. See "MOBILITY FUND REVENUE FINANCING PROGRAM - Application of Certain BAB Subsidy Payments." In addition, to the extent then required by law, the Commission must receive all required certifications of the Comptroller with respect to such additional Parity Debt. Under current law, before additional obligations (including Parity Debt and Subordinated Debt) are issued payable from a pledge of and lien on all or part of the money in the Fund, the Comptroller must project and certify that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the proposed additional obligations are scheduled to be outstanding will

be equal to at least 110% of the Annual Debt Service Requirements during that year on both the proposed additional obligations and already outstanding obligations. See "FUND ADMINISTRATION AND INVESTMENT – Texas Mobility Fund Administration Agreement – Certification".

Tenders and Purchases

The Liquidity Facility Issuer has agreed to purchase, in accordance with the terms therein, the Bonds that bear interest at a Weekly Mode only. The Liquidity Facility must be amended or an Alternate Liquidity Facility obtained for the Purchase and Mandatory Purchase for Modes other than the Weekly Mode to be applicable.

With respect to the Bonds tendered for purchase, the "Purchase Price" is equal to 100% of the principal amount of Bonds so tendered, plus accrued interest, if any, to and including the date of such purchase; provided, however, if the purchase is made on an Interest Payment Date, the Purchase Price will not include accrued but unpaid interest. The "Purchase Date" for Bonds is any Business Day on which such Bonds are tendered for purchase. THE COMMISSION WILL HAVE NO OBLIGATION TO TRANSFER ANY FUNDS TO THE TENDER AGENT FOR THE PAYMENT OF THE PURCHASE PRICE OF THE BONDS ON A PURCHASE DATE OR A MANDATORY PURCHASE DATE, AND THE FAILURE OF THE COMMISSION TO TRANSFER SUCH FUNDS WILL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE RESOLUTION.

Optional Tenders of Bonds. The Owners of Bonds may elect to have such Bonds (or portions thereof in an Authorized Denomination) purchased at a price equal to the Purchase Price upon delivery of an irrevocable written notice of tender, or irrevocable telephonic notice of tender to the Tender Agent and Remarketing Agent, promptly confirmed in writing by Electronic Means to the Tender Agent and the Remarketing Agent at their respective designated offices, not later than 4:00 p.m. on a Business Day not less than seven days before the Purchase Date specified by the Owner. Such notice will (i) state the CUSIP number and the principal amount of such Bonds being tendered and (ii) state that such Bonds will be purchased on the Purchase Date so specified by the Owner. The Tender Agent will notify the Paying Agent/Registrar by the close of business on the next succeeding Business Day of the receipt of any such notice. Owners will not have the right to optional tender so long as there exists an Immediate Termination Event or Suspension Event (both as defined in the Liquidity Facility). See "THE LIQUIDITY FACILITY" herein.

Notice of Tender and Ownership of Bonds. During any period that the Bonds are registered in the name of DTC or a nominee thereof, (i) any notice of tender delivered must also (a) provide evidence satisfactory to the Tender Agent and the Remarketing Agent that the party delivering the notice is the beneficial owner or a custodian for the beneficial owner of the Bonds referred to in the notice, and (b) if the beneficial owner is other than a DTC participant, identify the DTC participant through whom the beneficial owner will direct transfer; (ii) on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC participant, cause its DTC participant to direct) the transfer of said Bonds on the records of DTC; and (iii) it will not be necessary for Bonds to be physically delivered on the date specified for purchase, but such purchase will be made as if such Bonds had been so delivered, and the Purchase Price will be paid to DTC.

Mandatory Tender for Purchase of the Bonds upon Expiration Date, Termination Tender Date, and Substitution Date. The Bonds will be subject to mandatory tender for purchase on: (i) the second Business Day preceding the Expiration Date of a Liquidity Facility, which second Business Day is hereinafter referred to as an "Expiration Tender Date;" (ii) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Liquidity Facility, which fifth calendar day is hereinafter referred to as a "Termination Tender Date," if the Liquidity Facility permits a draw thereon on the Termination Tender Date; and (iii) the Substitution Date for a Liquidity Facility.

Mandatory Tender for Purchase on any Mode Change Date. The Bonds to be changed to any Mode from any other Mode are subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price.

Notice of Mandatory Tender for Purchase. (i) The Tender Agent will, at least 15 calendar days prior to the Expiration Tender Date, give notice to the Bond Owners, the Liquidity Facility Issuer, and the Remarketing Agent

of the mandatory tender of the Bonds on such Expiration Tender Date, if the Tender Agent has not received confirmation that the Expiration Date has been extended.

(ii) The Tender Agent will, at least 15 calendar days prior to the Termination Tender Date with respect to Bonds, give notice to the Bond Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of the Bonds on such Termination Tender Date if it has not received a notice executed by the Commission and the provider in connection with a Liquidity Facility stating that the event which resulted in the establishment of the Termination Tender Date has been cured.

(iii) The Tender Agent will, at least 30 calendar days prior to any Substitution Date with respect to a Liquidity Facility relating to any Bonds, give notice to the Bond Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of such Bonds on such Substitution Date.

(iv) The Tender Agent will, at least 30 calendar days prior to any Purchase Date for Bonds in a Term Rate Mode or a Fixed Rate Mode, or any Mode Change Date if the Current Mode is the Term Rate Mode or the Fixed Rate Mode, and at least 15 days prior to any Mode Change Date if the Current Mode is the Auction Rate Mode, the Daily Mode, the Weekly Mode, or the Commercial Paper Mode, give notice to the Bond Owners and each other Notice Party of the mandatory tender for purchase of such Bonds on such Purchase Date or Mode Change Date, as applicable.

Remarketing of Bonds. Subject to the terms of the Remarketing Agreement, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for (i) all Bonds or portions thereof as to which notice of tender has been given, (ii) all Bonds required to be tendered for purchase, and (iii) all Purchased Bonds. Bonds will be remarketed at 100% of principal thereof plus accrued interest thereon. No Bonds will be remarketed to the Commission. See "THE REMARKETING AGENT AND THE REMARKETING AGREEMENT" herein.

Notice of Remarketing. (i) The Remarketing Agent will notify the Tender Agent by Electronic Means not later than 12:00 noon on the Purchase Date or Mandatory Purchase Date of the registration instructions (i.e., the names of the tendering Owners and the names, addresses, and taxpayer identification numbers of the purchasers, the desired Authorized Denominations and, in the case of Bonds in the Commercial Paper Mode, the Daily Mode, or the Weekly Mode, any account number for payment of principal and interest furnished by a purchaser to the Remarketing Agent).

(ii) Unless otherwise permitted by DTC and the Book-Entry-Only system applicable to the Bonds, the Tender Agent will authenticate and have available for delivery to the Remarketing Agent prior to 1:30 p.m. on the Purchase Date or Mandatory Purchase Date new Bonds for the respective purchasers.

(iii) On the Business Day immediately preceding the Purchase Date or Mandatory Purchase Date, the Remarketing Agent will notify the Liquidity Facility Issuer by Electronic Means of the principal amount of Bonds to be tendered on the next Business Day for which, as of 4:00 p.m. on the immediately preceding Business Day, the Remarketing Agent did not have commitments for purchase; provided, however, that the failure of the Remarketing Agent to provide such notice will not, in and of itself, negate the obligation of the Liquidity Facility Issuer to purchase Bonds in accordance with and subject to the terms and provisions of the Liquidity Facility.

Transfer of Funds. (i) The Remarketing Agent will, at or before 11:00 a.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, (a) notify the Commission and the Tender Agent by Electronic Means of the amount of tendered Bonds that were not successfully remarketed, and (b) confirm to the Tender Agent the transfer of the Purchase Price of remarketed Bonds to the Tender Agent in immediately available funds at or before 12:00 noon with such confirmation to include the pertinent Fed Wire reference number.

(ii) In the event that all of the tendered Bonds are not successfully remarketed, the Tender Agent will at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, notify the Liquidity Facility Issuer, in accordance with the terms of the Liquidity Facility, by Electronic Means, of the amount necessary to be drawn upon the Liquidity Facility to pay the Purchase Price of such tendered Bonds (for which remarketing proceeds are not then on deposit in the Purchase Fund) not successfully remarketed. No drawings under the Liquidity Facility will be made for Bonds held by or on behalf of the Commission, or for Purchased Bonds.

(iii) The Liquidity Facility Issuer will cause to be transferred to the Tender Agent immediately available funds by 2:30 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, in an amount equal to the Purchase Price requested by the Tender Agent. Immediately available funds received by the Tender Agent from the amount payable under the Liquidity Facility must be deposited (to the extent a deposit of such funds is necessary) into an account within the fund designated the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds) Purchase Account" until applied.

Sources of Funds for Purchase of Bonds. On or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Bonds, the Tender Agent will purchase such Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price will be derived in the order of priority indicated below:

(i) Immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Bonds by the Remarketing Agent; and

(ii) Immediately available funds transferred to the Tender Agent from amounts available under the Liquidity Facility.

THE COMMISSION WILL HAVE NO OBLIGATION TO TRANSFER ANY FUNDS TO THE TENDER AGENT FOR THE PAYMENT OF THE PURCHASE PRICE OF THE BONDS ON A PURCHASE DATE OR A MANDATORY PURCHASE DATE, AND THE FAILURE OF THE COMMISSION TO TRANSFER SUCH FUNDS WILL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE RESOLUTION.

Delivery of the Bonds. Except as otherwise required or permitted by the Book-Entry-Only system of DTC, the Bonds sold by the Remarketing Agent will be delivered by the Remarketing Agent to the purchasers of those Bonds by 3:00 p.m., on the Purchase Date or the Mandatory Purchase Date, as the case may be. The Bonds purchased with money provided by the Liquidity Facility Issuer will be delivered at the direction of the Liquidity Facility Issuer or as otherwise provided in the Liquidity Facility. The Purchased Bonds will not be released upon remarketing until the Tender Agent has received written notice from the Liquidity Facility Issuer that the principal commitment and interest commitment of the Liquidity Facility have been reinstated.

Delivery and Payment for Purchased Bonds: *Undelivered Bonds*. Except as otherwise required or permitted by the Book-Entry-Only system of DTC, the Bonds purchased will be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of Bonds purchased will be made only if such Bonds so delivered to the Tender Agent conform in all respects to the description thereof in the notice of tender. Payment of the Purchase Price will be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date, as the case may be, or, if the Owner has not provided or caused to be provided wire transfer instructions, by draft or check mailed to the Owner at the address appearing in the books required to be kept by the Tender Agent. If Bonds to be purchased are not delivered by the Owners to the Tender Agent by 12:00 noon on the Purchase Date or the Mandatory Purchase Date, as the case may be, the Tender Agent will hold any funds received for the purchase of those Bonds in trust in a separate account within the Purchase Account and will pay such funds to the former Owners upon presentation of the Bonds subject to tender. Such undelivered Bonds will be deemed tendered and cease to accrue interest as to the former Owners on the Purchase Date or the Mandatory Purchase Date, as the case may be, and money representing the Purchase Price will be available against delivery of those Bonds at the designated office of the Tender Agent; provided, however, any funds so held by the Tender Agent and which remain unclaimed by the former Owner of any such Bond not presented for purchase for a period of six years after delivery of such funds to the Tender Agent, will, to the extent permitted by law, upon request in writing by the Commission and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to the Commission free of any trust or lien and thereafter the former Owner of such Bond will look only to the Commission and then only to the extent of the amounts so received by the Commission without any interest thereon and the Tender Agent will have no further responsibility with respect to such money or payment of the Purchase Price of such Bonds. The Tender Agent will authenticate a replacement Bond for any undelivered Bond which may then be remarketed by the Remarketing Agent or purchased by the Liquidity Facility Issuer.

THE LIQUIDITY FACILITY

Pursuant to the Second Supplemental Resolution, the Commission will enter into the "Standby Bond Purchase Agreement" dated as of March 1, 2012 with the Royal Bank of Canada (the "Liquidity Facility Issuer"), to obtain the Liquidity Facility for the Bonds (the "Liquidity Facility"), providing for the purchase, in accordance with the terms thereof, of the Bonds which bear interest at a Weekly Rate, and that are tendered for purchase as provided in the Second Supplemental Resolution but not remarketed. The Bonds are being remarketed in the Weekly Mode, and will remain in the Weekly Mode until converted to another Mode pursuant to the terms of the Resolution.

The Liquidity Facility contains various provisions, covenants, and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in this Remarketing Memorandum, the Liquidity Facility, or the Resolution, and reference thereto is made for full understanding of their import. Copies of the Liquidity Facility are available for examination at the offices of the Department.

General.

The Liquidity Facility Issuer agrees, on the terms and subject to the conditions contained in the Liquidity Facility, to purchase from time to time during the Purchase Period (as defined below), with its own funds, Eligible Bonds (as defined below), at the Purchase Price (as defined below) which Eligible Bonds are tendered pursuant to an optional tender (pursuant to Section 6.01 of the Second Supplemental Resolution) or a mandatory tender (pursuant to Sections 6.03 or 6.05 of the Second Supplemental Resolution) and which, in either case, the Remarketing Agent has been unable to remarket. The aggregate principal amount (or portion thereof) of any Eligible Bond (the "Principal Component") purchased on any Purchase Date will be an Authorized Denomination pursuant to the Resolution, and in any case, may not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on Eligible Bonds (the "Interest Component") purchased by the Liquidity Facility Issuer on any Purchase Date may not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest on such Bonds accrued but unpaid from and including the most recent Interest Payment Date therefor to but excluding such Purchase Date. Any Eligible Bonds so purchased will thereupon constitute Purchased Bonds, bear interest at the Bank Rate (as defined in the Liquidity Facility), and have other characteristics of Purchased Bonds as set forth in the Liquidity Facility, the Resolution, and the Bonds.

The obligation of the Liquidity Facility Issuer to provide funds for the purchase of the Bonds that have been tendered but not remarketed as described above will commence on the date of delivery of the remarketed Bonds (the "Effective Date") and will end on the earliest of (a) the Expiration Date (as defined below), (b) the Notice of Termination Date (as defined below); (c) the date on which no Bonds are Outstanding; (d) the Conversion Date or the Substitution Date (each, as defined below), (e) immediately, upon the occurrence of certain Events of Default, as described below, or (f) the date on which the Available Commitment has otherwise been reduced to zero or terminated in its entirety pursuant to the Liquidity Facility. The period extending from the Effective Date through the occurrence of any of the foregoing events described in clauses (a) through (f) above is referred to herein as the "Purchase Period".

If, on any Purchase Date during the Purchase Period, the Liquidity Facility Issuer receives not later than 12:00 p.m. noon, New York City time, a notice of bank purchase from the Tender Agent, the Liquidity Facility Issuer must, subject to the conditions set forth in the Liquidity Facility, transfer to the Tender Agent not later than 2:30 p.m., New York City time, on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such notice of bank purchase. A notice of bank purchase will be irrevocable after receipt thereof by the Liquidity Facility Issuer.

The obligation of the Liquidity Facility Issuer to purchase Bonds during the Purchase Period is subject to the conditions that: (a) the Liquidity Facility Issuer has timely received a notice of bank purchase; provided, that if the notice of bank purchase is not received in a timely manner, the Liquidity Facility Issuer will be obligated to purchase Eligible Bonds on the Business Day following receipt thereof so long as such Business Day falls within the

Purchase Period; and (b) no Immediate Termination Event (as defined below) or Suspension Event (as defined below) has occurred and is continuing on such Purchase Date.

UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, THE OBLIGATION OF THE LIQUIDITY FACILITY ISSUER TO PURCHASE BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED WITHOUT NOTICE. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE BONDS TENDERED BY THE REGISTERED OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. THE LIQUIDITY FACILITY DOES NOT GUARANTEE THE PAYMENT OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE BONDS IN THE EVENT OF NONPAYMENT OF SUCH INTEREST, PRINCIPAL, OR REDEMPTION PREMIUM, IF ANY, BY THE COMMISSION. NO BONDS OTHER THAN THE BONDS ARE PAYABLE FROM THE LIQUIDITY FACILITY.

Events of Default.

(a) *Events of Default not Permitting Immediate Termination.*

(i) Payments. The Commission fails to pay when due any amount owed by the Commission to the Liquidity Facility Issuer or any Bankholder (as defined below) pursuant to the Liquidity Facility (other than the failure to pay principal and interest due on the Bonds or other Parity Debt).

(ii) Representations. Any representation or warranty made by or on behalf of the Commission in the Liquidity Facility or in any Related Document or in any certificate or statement delivered pursuant thereto proves to have been incorrect or untrue in any material respect when made or deemed to have been made.

(iii) Covenants. The Commission fails to perform or observe covenants with respect to the use of the Liquidity Facility Issuer's funds to purchase Eligible Bonds, the good faith effort to provide for an Alternate Liquidity Facility, the redemption of Purchased Bonds before redemption of any other Bonds, or the selection or replacement of the Remarketing Agent, or the Commission fails to observe certain negative covenants described in the Liquidity Facility.

(iv) Other Covenants. The Commission fails to perform or observe any term, covenant, or agreement (other than ones described above) contained in the Liquidity Facility on its part to be performed or observed which failure continues for 30 days or more after receipt of written notice of such failure from the Liquidity Facility Issuer; provided, that if such default is not for the non-payment of money and can be cured but cannot reasonably be cured within 30 days, it will not constitute an Event of Default if the Commission commences to cure such default within 30 days and diligently pursues such cure and so long as such default is cured within 90 days of the occurrence of such default.

(iv) Default on Debt. Default by the Commission in the payment of any amount due in respect of any debt of the Commission payable from the Mobility Fund owed to the Liquidity Facility Issuer or default by the Commission in the payment of any amount due in respect of any other debt of the Commission payable from the Mobility Fund or under any Interest Rate Protection Agreement (as defined in the Liquidity Facility) the obligations under which are payable from the Mobility Fund in an aggregate amount in excess of $10,000,000 (measured in the case of any Interest Rate Protection Agreement, by the Commission's exposure thereunder), as and when the same shall become due, or default under any mortgage, agreement, or other instrument under or pursuant to which such debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Commission under any such mortgage, agreement, or other instrument which results in such debt becoming, or being capable of becoming, immediately due and payable (or, with respect to any such Interest Rate Protection Agreement, which results in such Interest Rate Protection Agreement being terminated early or being capable of being terminated early that results in a net payment from the Mobility Fund in excess of $10,000,000).

(vi) Invalidity. With certain exceptions as provided in the Liquidity Facility, any material provision of the Liquidity Facility, the Bonds, or any of the Related Documents ceases to be valid and binding, or the Commission

contests any such provision, or the Commission or any agent or trustee on behalf of the Commission, denies that it has any further liability under any material provision of the Liquidity Facility, the Bonds, or any of the Related Documents.

(vii) Other Documents. Any event of default under any of the Related Documents occurs.

(viii) Downgrade. The unenhanced credit rating assigned to the Bonds or to any Parity Debt supported by the State's guarantee by Moody's, S&P or Fitch falls below "Baa1" by Moody's, "BBB+ " by S&P or "BBB+" by Fitch.

(ix) Taxability. A ruling, assessment, notice of deficiency, or technical advice by the Internal Revenue Service is rendered to the effect that interest on the Bonds is includable in the gross income of the Owners either (i) the Commission, after it has been notified by the Internal Revenue Service, fails to challenge such ruling, assessment, notice, or advice in a court of law during the period within which such challenge is permitted or (ii) the Commission challenges such ruling, assessment, notice, or advice and a court of law makes a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice, or advice is correctly rendered.

(b) *Events of Default Permitting Immediate Suspension or Termination.*

(i) Event of Insolvency. An Event of Insolvency (as defined below) occurs with respect to the Commission or the State.

(ii) Payment Default. Any failure, wholly or partially, to make timely any payment of the principal of or interest when due on the Bonds (including Purchased Bonds but subject to certain limitations) or any Parity Debt (including payments under Interest Rate Protection Agreements which payments are secured on parity with Parity Debt) or on any general obligation indebtedness issued, assumed, or guaranteed by the State, which default continues beyond any applicable grace period.

(iii) Contest of Validity. The State or the Commission in writing (A) claims that any of the provisions that provide for the payment of principal of or interest on the Bonds in the Resolution, the Bonds, or the Liquidity Facility or any provision that provides for the payment of the principal of or interest on any Parity Debt or any provision which grants the Security is not valid or binding on the State or the Commission, (B) repudiates its obligations under any of the provisions that provide for the payment of principal of or interest on the Bonds in the Resolution, the Bonds, or the Liquidity Facility or its obligation to repay any Parity Debt, in the case of the Commission, or, in the case of the State, any general obligation indebtedness issued, assumed, or guaranteed by the State and/or (C) initiates any legal proceedings to seek an adjudication that (1) any of the provisions that provide for the payment of principal of or interest on the Bonds in the Resolution, the Bonds, or the Liquidity Facility is not valid and binding, (2) the Acts (material to the Bonds, the Security, the State's guarantee pursuant to the Resolution or the Liquidity Facility), (3) the obligation to repay any Parity Debt is not valid and binding on the Commission, or (4) the State's guarantee under the Resolution is not valid and binding on the State.

(iv) Invalidity. Any court of competent jurisdiction or other governmental authority with jurisdiction to rule on the validity of the Liquidity Facility, the Bonds, the Resolution, the Acts, or the Security finds or rules in a final non-appealable judgment that the provisions that provide for the payment of the principal of or interest on the Bonds in the Liquidity Facility, the Bonds, the Resolution, the Acts, or any provision that provides for the payment of the principal of or interest on any Parity Debt or the State's guarantee under the Resolution or any provision that pledges the Security is not valid or not binding on the Commission and the State.

(v) Downgrade. Each Rating Agency either (i) assigns to any unenhanced, long-term Parity Debt supported by the State's guarantee pursuant to the Resolution, a rating below "BBB ", in the case of S&P and Fitch, and "Baa3", in the case of Moody's, (ii) withdraws its ratings of the Bonds, or any other unenhanced, long-term Parity Debt supported by the State's guarantee pursuant to the Resolution for a credit-related reason, or (iii) suspends its ratings of the Bonds, or any other unenhanced, long term Parity Debt, supported by the State's guarantee pursuant to the Resolution for a credit-related reason.

(vi) Judgments. Entry of filing of any final, no appealable judgment or any similar process in an amount in excess of $10,000,000 against the Commission payable from the Mobility Fund or against the Mobility Fund and failure by the Commission to stay the enforcement of such judgment or other process for a period of 60 days or failure to pay or satisfy the same within 60 days.

Remedies.

In the case of any Event of Default as specified above in (b)(i), (ii), (iv), (v) or (vi) (each an "Immediate Termination Event"), the Available Commitment and the obligation of the Liquidity Facility Issuer to purchase Bonds will immediately terminate without notice or demand and, thereafter, the Liquidity Facility Issuer will be under no obligation to purchase Bonds. Promptly upon the occurrence of such Event of Default, the Liquidity Facility Issuer will give written notice of the same to the Commission, the Paying Agent, the Tender Agent, and the Remarketing Agent; provided, that the Liquidity Facility Issuer will incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the Available Commitment and of the Liquidity Facility Issuer's obligation to purchase Bonds pursuant to the Liquidity Facility. The Commission will cause the Paying Agent to notify all Owners of the termination of the Available Commitment and the obligation of the Liquidity Facility Issuer to purchase Bonds.

In the case of an Event of Default specified in (a) above, the Liquidity Facility Issuer may give written notice of such Event of Default and termination of the Liquidity Facility (a "Notice of Termination") to the Paying Agent, the Tender Agent, the Commission, and the Remarketing Agent, triggering a mandatory tender for purchase under the Resolution. The obligation of the Liquidity Facility Issuer to purchase Bonds will terminate on the 30th day (or if such day is not a Business Day, the next following Business Day, but, in either case, a "Notice of Termination Date") after such Notice of Termination is received by the Tender Agent and, on such date, the Available Commitment will terminate and the Liquidity Facility Issuer will be under no obligation to purchase Bonds.

In the case of an Event of Default specified in (b)(iii) above or a Default under (b)(i) or (b)(vi) above (each, a "Suspension Event"), the Liquidity Facility Issuer's obligation to purchase Eligible Bonds will be immediately suspended without notice or demand and thereafter the Liquidity Facility Issuer will be under no obligation to purchase Eligible Bonds until such obligation is reinstated as described in this paragraph. Promptly upon the Liquidity Facility Issuer's obtaining knowledge of any such Suspension Event, the Liquidity Facility Issuer will give written notice of the same to the Commission, the Tender Agent, the Paying Agent, and the Remarketing Agent of such suspension; provided, however, that the Liquidity Facility Issuer will incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the suspension of the Liquidity Facility Issuer's obligation to purchase Eligible Bonds. In the event that any Default under (b)(i) or (b)(vi) above is not cured and becomes an Event of Default (and thereby becoming an Immediate Termination Event), then the Available Commitment, the Purchase Period, and the Liquidity Facility Issuer's obligation to purchase Eligible Bonds will immediately terminate. In the event such Default is cured prior to becoming an Immediate Termination Event, the Liquidity Facility Issuer's obligations will be automatically reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility Issuer's obligation to purchase Bonds will otherwise have terminated or been suspended or in accordance with the terms of the Liquidity Facility).

If an Event of Default occurs under (b)(iii) above, if a court or governmental agency with jurisdiction to rule on the validity of the provision(s) described in (b)(iii) thereafter enters a final, non-appealable judgment that such provision(s) is not valid and binding on the Commission or the State, as applicable, then the Available Commitment, the Purchase Period, and the Liquidity Facility Issuer's obligation to purchase Eligible Bonds will immediately terminate. If a court or governmental agency with jurisdiction to rule on the validity of such provision(s) enters a final, non-appealable judgment that such provision(s) is valid and binding on the Commission, the Liquidity Facility Issuer's obligations to purchase Eligible Bonds will be automatically reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility Issuer's obligation to purchase Eligible Bonds has otherwise terminated or been suspended in accordance with the terms of the Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the last day of the Purchase Period and the date which is two years after the effective date of suspension of the Liquidity Facility Issuer's obligation pursuant to this

provision, litigation is still pending or a judgment regarding the validity of the provisions described in (b)(iii) above that is the subject of such Default has not been obtained, then the Available Commitment, the Purchase Period, and the obligation of the Liquidity Facility Issuer to purchase Eligible Bonds will at such time immediately terminate and the Liquidity Facility Issuer will be under no obligation to purchase Eligible Bonds.

Upon the occurrence of any Event of Default, the Liquidity Facility Issuer will have all remedies provided at law or equity, including, without limitation, the rights provided under the Resolution and those described in the Liquidity Facility; provided, however, the Liquidity Facility Issuer agrees to purchase Bonds on the terms and conditions of the Liquidity Facility notwithstanding the occurrence of an Event of Default or Default which does not suspend or terminate the Available Commitment and the Bank's obligation to purchase Bonds.

The remedies of the Liquidity Facility Issuer are not exclusive but are subject to the limits described in the Liquidity Facility. The Liquidity Facility Issuer reserves the right and has the right to pursue any other available remedies, whether provided by law, in equity, the Resolution, or the Liquidity Facility.

Notwithstanding the provisions regarding remedies above, if, upon the occurrence of an Event of Default under (a) above, the Bank exercises its rights to declare the amounts owed under the Liquidity Facility to be immediately due and payable or to have the Purchased Bonds become subject to immediate mandatory redemption, the failure by the Commission to pay such amounts shall not by itself, permit the immediate termination of the Available Commitment, the Purchase Period, and the Liquidity Facility Issuer's obligation to purchase Eligible Bonds.

Defined Terms. As used in this section entitled "THE LIQUIDITY FACILITY", the following terms have the meanings indicated below:

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

"Available Interest Commitment" initially means $947,187, representing 35 days' interest on the Available Principal Commitment based upon an assumed per annum rate of interest equal to 12.00% (based on the actual days elapsed in a year of 365/66 days, as applicable) as such amount will be adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to the Available Interest Component amount prior to such reduction as the amount of any reduction in the Available Principal Commitment pursuant to the definition of "Available Principal Commitment" bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to the Available Interest Component amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment; provided that after giving effect to such adjustment the Available Interest Commitment may never exceed $947,187. Any adjustments to the Available Interest Commitment pursuant to clauses (a) and (b) above will occur simultaneously with the event requiring such adjustment.

"Available Principal Commitment" initially means $82,315,000 and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment; (b) downward by the principal amount of any Eligible Bonds purchased by the Liquidity Facility Issuer; and (c) upward by the principal amount of any Eligible Bonds, theretofore purchased by the Liquidity Facility Issuer, which are sold or deemed sold by the Liquidity Facility Issuer or Bankholder (regardless of the Purchase Price received for such Bonds) or which the Liquidity Facility Issuer or Bankholder declines to sell.

"Bankholder" means the Liquidity Facility Issuer (but only in its capacity as owner (which as used herein shall mean beneficial owner if at the relevant time Purchased Bonds are held in book entry form) of Purchased Bonds pursuant to the Liquidity Facility) and any other person to whom a Bankholder has sold Purchased Bonds pursuant to the terms of the Liquidity Facility.

"Conversion Date" means the date on which none of the Bonds bear interest at the Weekly Rate, or, if the Bank gives its prior written consent to the inclusion of Bonds bearing interest at the Daily Rate or the Commercial

Paper Rate in the category of Eligible Bonds, the Daily Rate or Commercial Paper Rate, whichever is included in the category of Eligible Bonds.

"Eligible Bonds" means any Bonds bearing interest at the Weekly Rate or, with the prior written consent of the Bank, the Daily Rate or the Commercial Paper Rate and does not include Bonds (or a beneficial interest in Bonds) owned by, for the account of, or on behalf of, the Commission or any Purchased Bonds and Bonds that have been removed from coverage under the Liquidity Facility by reason of redemption, defeasance, and/or substitution or replacement of said coverage with an Alternate Liquidity Facility.

"Event of Insolvency" means, with respect to any person, the occurrence of one or more of the following events: (a) the issuance, under the laws of Texas or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation, or dissolution of such person; (b) the commencement by or against such person of a case or other proceeding seeking an order for relief, liquidation, reorganization, or other relief with respect to such person or its debts under any bankruptcy, insolvency, reorganization, or other similar Texas or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian, or other similar official for such person or any substantial part of its property which, in the case of a case or proceeding commenced against such person, is not dismissed within 60 days of commencement or the appointment, or the designation with respect to it, of an entity such as an organization, board, commission, authority, agency, or body to monitor, review, oversee, recommend, or declare a financial emergency or similar state of financial distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, of the existence of a state of financial emergency or similar state of financial distress in respect of it; (c) the making of an assignment for the benefit of creditors by such person; (d) the failure of such person to generally pay its debts as they become due; (e) the declaration of a moratorium with respect to the payment of the debts of such person; (f) the admission by such person in writing of its inability to pay its debts when due; (g) such person is "insolvent" as defined in Section 101(32) of the United States Bankruptcy Code; and (h) the initiation of any actions to authorize any of the foregoing by or on behalf of such person.

"Expiration Date" means the later of (a) March 1, 2015 or, if such day is not a Business Day, the Business Day next preceding such day and (b) the last day of any extension of such date or, if such last day is not a Business Day, the Business Day next preceding such day. If the Commission wishes to extend the Purchase Period, it must notify the Liquidity Facility Issuer in writing, no earlier than 180 days prior to the Expiration Date. Upon receipt of the request for extension, if the Liquidity Facility Issuer agrees to extend the Purchase Period, it will send written notice thereof (specifying the terms and conditions, including fees, to be applicable to such extension), to the Commission within 30 days of receipt of the extension request by the Commission (and if the Liquidity Facility Issuer does not send such written notice, the Liquidity Facility Issuer will be deemed to have rejected the Commission's request for an extension), whereupon, the Commission may accept the extension by executing the extension notice and returning it to the Liquidity Facility Issuer in writing within 30 days after receipt of such notice from the Liquidity Facility Issuer. If the Commission accepts the extension (including the terms and conditions specified by the Liquidity Facility Issuer as aforesaid), the Purchase Period will be extended for the agreed upon period and the Commission must send a copy of the executed extension notice to the rating agencies, the Paying Agent, Tender Agent, and the Remarketing Agent.

"Purchase Price" means, with respect to any Eligible Bond, the unpaid principal amount thereof plus accrued interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case, without premium; provided that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date; and, provided, further, that the aggregate amount of Purchase Price constituting the Interest Component shall not exceed the lesser of the Available Interest Component on such date and the actual aggregate amount of interest on such Bonds accrued by unpaid from and including the most recent Interest Payment Date therefor to but excluding such Purchase Date.

"Related Document" means each of the Liquidity Facility, the Bonds, the Remarketing Agreement, this Remarketing Memorandum, the Resolution, the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Texas Mobility Fund Administration Agreement, and all other documents delivered by the Commission in connection with the original closing of the Bonds and related to the substitution of the Original Liquidity Facility with the Liquidity Facility.

"Substitution Date" means the date on which an Alternate Liquidity Facility is to be substituted for a then existing Liquidity Facility under the Second Supplemental Resolution.

Alternate Liquidity Facility. At any time, the Commission may obtain or provide for the delivery to the Tender Agent an Alternate Liquidity Facility with respect to the Bonds. On a Tender Date in connection with the substitution of a Liquidity Facility, the Liquidity Facility being substituted will be drawn on to pay the Purchase Price of tendered Bonds, and such Liquidity Facility will not be released or cancelled until such drawing has been honored. Any such Liquidity Facility will provide that a Termination Tender Date will not occur unless the Liquidity Facility Issuer gives to the Commission or Tender Agent written notice at least 30 days prior to the Termination Tender Date. On or prior to the date on which an Alternate Liquidity Facility is obtained or delivered to the Tender Agent, the Commission will furnish to the Tender Agent and the Remarketing Agent (a) a Favorable Opinion of Bond Counsel, (b) opinion of counsel for the Alternate Liquidity Facility Issuer as to the validity and enforceability of the Alternate Liquidity Facility, as well as like opinion of foreign counsel if the Liquidity Facility Issuer is not incorporated or formed in the United States, and (c) ratings from at least two nationally-recognized rating agencies evidencing the highest category of short-term ratings. All Outstanding Bonds will become subject to mandatory tender for purchase on the Substitution Date.

Downgrade. The Commission will obtain, in a reasonably timely manner, an Alternate Liquidity Facility with respect to the Bonds if the short-term credit rating of the Liquidity Facility Issuer of the then existing Liquidity Facility is downgraded to a rating below the highest short-term credit ratings then listed by Moody's, Fitch, and S&P, respectively, unless no Liquidity Facility Issuer has short-term credit ratings of the required levels at a reasonable cost as determined by the Commission. The short-term credit rating of the provider of such Alternate Liquidity Facility may not be below the highest short-term credit ratings then listed by Moody's, Fitch, and S&P, respectively unless no Liquidity Facility Issuer has short-term credit ratings of the required levels at a reasonable cost as determined by the Commission.

Notice. The Commission will deliver to the Paying Agent/Registrar and the Tender Agent a copy of the Alternative Liquidity Facility obtained on the effective date of such Alternate Liquidity Facility. At least 16 days prior to the Expiration Tender Date, the Commission will give the Paying Agent/Registrar, Tender Agent, and the Remarketing Agent a written notice of any of the following: (a) a new Expiration Date; (b) any Termination Tender Date; and (c) the Commission's election to terminate the Liquidity Facility. In the event of a substitution of a Liquidity Facility with an Alternate Liquidity Facility, the Commission will give the Paying Agent/Registrar, the Tender Agent, and the Remarketing Agent a written notice of the Substitution Date at least 31 days prior to such Substitution Date.

Amount. The Liquidity Facility will provide for draws or borrowings, in the aggregate, in an amount at least equal to the Liquidity Amount for the related Bonds.

THE LIQUIDITY FACILITY ISSUER

The following information has been provided by Royal Bank of Canada (the "Liquidity Facility Issuer") for use in this Remarketing Memorandum. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Commission or the Remarketing Agent. This information has not been independently verified by the Commission or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

[Royal Bank of Canada (referred to in this section as "Royal Bank") is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada.

Royal Bank and its subsidiaries operate under the master brand name RBC. Royal Bank is Canada's largest bank as measured by assets and among the largest banks in the world based on market capitalization. Royal Bank is one of North America's leading diversified financial services companies and provides personal and

commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. Royal Bank and its subsidiaries employ approximately 74,000 full- and part-time employees who serve close to 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 55 other countries.

Royal Bank had, on a consolidated basis, as at October 31, 2011, total assets of C$___ billion (approximately US$___ billion*), shareholders' equity of C$__ billion (approximately US$__ billion*), and total deposits of CD$__ billion (approximately US$___ billion*). The foregoing figures were prepared in accordance with Canadian generally accepted accounting principles and have been extracted and derived from, and are qualified by reference to, Royal Bank's audited Consolidated Financial Statements included in Royal Bank's Annual Report to Shareholders for the fiscal year ended October 31, 2011.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of "AA-" (stable outlook) by Standard & Poor's Ratings Services, "Aa1" (stable outlook) by Moody's Investors Service and "AA" (stable outlook) by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Remarketing Memorandum is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations/.

The delivery of this Remarketing Memorandum shall not create any implication that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to in this section is correct as at any time subsequent to its date.

*As at October 31, 2011: C$1.00 = US$____.]

THE REMARKETING AGENT AND THE REMARKETING AGREEMENT

Jefferies & Company, Inc. (the "Remarketing Agent") has been appointed, pursuant to the Second Supplemental Resolution and the Remarketing Agreement by and between the Commission and the Remarketing Agent, dated as of May 1, 2005, as amended pursuant to the "First Amendment to the Remarketing Agreement", dated as of December 15, 2011 (the "Remarketing Agreement"), as the Remarketing Agent for the Bonds, as successor to the original remarketing agent, UBS Financial Services Inc. Pursuant to the Remarketing Agreement, the Remarketing Agent will determine the interest rates on, and Interest Periods for, the Bonds in the manner and at the times as described in "DESCRIPTION OF THE BONDS – Payment of the Bonds." The Remarketing Agent is to use its best efforts to remarket the Bonds tendered for purchase, but may suspend its remarketing efforts upon the occurrence of any of the following events:

(A) upon the receipt of notice of the occurrence of an Event of Default under the Resolution, or upon an Immediate Termination Event or during the existence of a Suspension Event under the Liquidity Facility; and

(B) immediately upon the occurrence of any of the following events, which suspension may continue, at the Remarketing Agent's option, so long as the situation continues to exist as to the Bonds:

(1) suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(2) the engagement by the United States in hostilities if the effect of such engagement, in the Remarketing Agent's judgment, makes it impractical or inadvisable to proceed with the solicitation of offers to purchase Bonds;

(3) legislation is introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States is rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and

Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed, to the effect that the offering or sale of obligations of the general character of the Bonds, is or would be in violation of any provision of the Securities Act of 1933, as amended (the "Securities Act") and as then in effect, or the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds;

(4) any event occurs or information becomes known, which, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect, or misleading in any material respect any statement or information contained in the disclosure documents provided to the Remarketing Agent in connection with the performance of its duties, or causes such documents to contain an untrue, incorrect, or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(5) any governmental authority imposes, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force;

(6) any of the representations and warranties of the Commission made under the Remarketing Agreement were not true and correct on the date made;

(7) the Commission fails to observe any of the covenants or agreements made in the Remarketing Agreement;

(8) any of the rating agencies then rating the Bonds downgrades its rating assigned to the Bonds so that such Bonds are not "Eligible Securities" as defined under Rule 2a-7 of the Investment Company Act of 1940, as amended;

(9) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds, or notes the effect of which in the Remarketing Agent's judgment makes it impractical to market Bonds or to enforce contracts for the sale of such Bonds; or

(10) the marketability of the Bonds or the contemplated offering prices thereof, in the reasonable opinion of the Remarketing Agent, will have been materially adversely affected by any federal or state legislation, effective or pending, or by any decision of any federal or state court of competent jurisdiction or by any order, ruling, or regulation (final, temporary, or proposed) of the Treasury Department or the Internal Revenue Service of the United States or other federal or state authority or regulatory body, or by a release or announcement or communication issued or sent by the Treasury Department or the Internal Revenue Service of the United States, affecting the status of obligations of the general character of the Bonds as contemplated in the Remarketing Agreement, or the interest thereon, or any tax exemption with respect to obligations of the general character of the Bonds as contemplated in the Remarketing Agreement, or the interest thereon, granted or authorized by the Internal Revenue Code of 1986.

The Commission has agreed, pursuant to the Remarketing Agreement, that if it becomes necessary, in the reasonable judgment of the Remarketing Agent or the Commission, to prepare a separate disclosure document in connection with the remarketing of the Bonds, the Commission will prepare and provide such a document.

The Remarketing Agent may resign or be replaced by the Commission, and if the Remarketing Agent resigns or is removed, the Commission will provide notice of such event by mail to all Owners, the Paying Agent/Registrar, the Tender Agent, the Liquidity Facility Issuer, and to any rating agency which has assigned a rating to the Bonds.

THE TENDER AGENT AND THE TENDER AGENT AGREEMENT

Pursuant to the "Tender Agent Agreement" dated as of May 1, 2005 (the "Tender Agent Agreement"), by and among the Commission, The Bank of New York Mellon Trust Company, N.A. (as successor in interest to JPMorgan Chase Bank, N.A.), and the Remarketing Agent (as successor in interest to UBS Financial Services Inc.), the "Purchase Fund" is created, over which the Tender Agent has the exclusive right of withdrawal for the exclusive benefit of the purchasers and sellers of Bonds tendered or deemed tendered for purchase. The General Account, the

Liquidity Account, and the Undelivered Bond Purchase Account are also established as trust accounts within the Purchase Fund.

Any money received by the Tender Agent from the Remarketing Agent for the purchase of Bonds is required to be deposited in the General Account of the Purchase Fund, and any money received by the Tender Agent for the purchase of Bonds from the Liquidity Facility is required to be deposited in the Liquidity Account of the Purchase Fund, in each case to be paid out as described below.

On each date that Bonds are required to be delivered to the Tender Agent for purchase (each date a "Purchase Date"), the Tender Agent will transfer from amounts on deposit in the General Account and the Liquidity Account to the Undelivered Bond Purchase Account an amount equal to the Purchase Price of all Undelivered Bonds on such Purchase Date. Money in the Undelivered Bond Purchase Account may not be invested and will be held by the Tender Agent for the exclusive benefit of the Owners of such Undelivered Bonds and applied as described below. Money in the General Account and Liquidity Account will be held uninvested or invested by the Tender Agent in investments as directed by the Commission so that funds are available for payment when needed but in no event may an investment have a maturity of more than 30 days.

With respect to optional tenders of Bonds, promptly, but in no event later than the close of business on the Business Day on which it receives an irrevocable notice of tender ("Notice of Tender") from an Owner of Bonds of its election to have the Tender Agent purchase such Bonds, the Tender Agent will give notice to the Remarketing Agent specifying the principal amount of Bonds for which it has received a Notice of Tender, the names and addresses of the Owners thereof, and the date on which such Bonds are to be purchased (the "Optional Purchase Date").

Money in the General Account and Liquidity Account of the Purchase Fund will be applied by the Tender Agent by 2:30 p.m., New York City time, on each Purchase Date to purchase Bonds tendered to the Tender Agent at the respective Purchase Price. Money in the Undelivered Bond Purchase Account of the Purchase Fund will be applied by the Tender Agent, to the extent possible, on and after each Purchase Date, to purchase Undelivered Bonds upon presentation to the Tender Agent at the respective Purchase Price. The Tender Agent agrees to notify the Remarketing Agent, the Liquidity Facility Issuer, and the Paying Agent/Registrar immediately by telephone of the amount, if any, in the Purchase Fund which is in excess of the amount necessary to purchase Bonds at 3:00 p.m. New York City time, on the Payment Date. Any money remaining in the Payment Fund in excess of the amount needed to make the payments, representing amounts received from the Liquidity Provider, will be wired to the Liquidity Facility Issuer by the Tender Agent, as promptly as practicable.

A principal amount of Bonds equal to the principal amount of Bonds purchased on behalf of the Remarketing Agent or by the Liquidity Facility Issuer will be authenticated by the Tender Agent and delivered to, or as instructed by, the Remarketing Agent or the Liquidity Facility Issuer and the Tender Agent will cause the Paying Agent/Registrar to register such Bonds in the name or names provided by the Remarketing Agent or the Liquidity Facility Issuer, as applicable.

Pursuant to the Remarketing Agreement, the Remarketing Agent has agreed to exercise its best efforts to solicit purchases of any Purchased Bond at a price of not less than par, plus accrued interest, if any.

The proceeds of any remarketing of such Purchased Bond will be deposited into the Liquidity Account of the Purchase Fund. Upon receipt by the Tender Agent of funds representing the proceeds of the remarketing of such Purchased Bonds, new Bonds in place of such Purchased Bonds so remarketed will be registered in the names of the buyers thereof by the Tender Agent and delivered by the Tender Agent to the buyers thereof, and the proceeds of such remarketing will, prior to or simultaneously with such delivery, be transferred by the Tender Agent to the Liquidity Facility Issuer by wire transfer in federal funds. The Liquidity Facility Issuer has agreed in the Liquidity Facility to release such remarketed Purchased Bonds to the Remarketing Agent on the date of such purchase. The Tender Agent agrees that it will, immediately upon receipt, send to the Liquidity Facility Issuer by facsimile transmission or other electronic means copies of all notices and other communications received by the Tender Agent with respect to any of the Purchased Bonds.

The Tender Agent may resign after providing 60 days notice to the Commission, the Remarketing Agent, the Liquidity Facility Issuer, and the Paying Agent/Registrar. The Tender Agent may be removed by the Commission at any time upon the filing by the Commission of a notice with the Tender Agent, the Remarketing Agent, the Liquidity Facility Issuer, and the Paying Agent/Registrar. Notice of resignation or removal of the Tender Agent must be sent by the Paying Agent/Registrar to the rating agencies then rating the Bonds. Any resignation or removal of the Tender Agent will not be effective until a successor Tender Agent has been appointed.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Pursuant to the Enabling Act, the Commission must secure payment of Parity Debt with all or part of the revenues dedicated to and on deposit in the Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the Fund are insufficient to make payments due on such obligations.

With respect to Parity Debt, including the Bonds, the Commission's payment obligations to the Liquidity Facility Issuer under the Liquidity Facility (the "Liquidity Facility Obligations"), and all other previously issued Outstanding Parity Debt, pursuant to the Resolution, the Commission has pledged as security for the payment of the Bonds, the Liquidity Facility Obligations, and all other previously issued Outstanding Parity Debt, a first lien interest in the Security, which is defined below under " - Other Sources of Payment – Pledge of Security." See also " – Creation of Accounts and Subaccounts Within the Mobility Fund" below for a description of the accounts created pursuant to the Master Resolution.

In addition, by adoption of the Second Supplemental Resolution, the Commission exercised its ability to pledge the full faith and credit of the State to payments due on the Bonds and to the Liquidity Facility Obligations and, therefore, should the revenue and money dedicated to and on deposit in the Fund be insufficient to make payments due on the Bonds or the Liquidity Facility Obligations, there is appropriated by the Constitutional Provision, an amount that is sufficient to make payments due on the Bonds and the Liquidity Facility Obligations. THE BONDS AND THE LIQUIDITY FACILITY OBLIGATIONS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PROMPT PAYMENT OF THE BONDS AND THE LIQUIDITY FACILITY OBLIGATIONS. The Commission has never defaulted on the payment of principal of, or interest on its bonds or other obligations.

General Obligation Pledge

THE BONDS AND THE LIQUIDITY FACILITY OBLIGATIONS ARE GENERAL OBLIGATIONS OF THE STATE AND, AS PROVIDED IN THE ENABLING ACT AND THE SECOND SUPPLEMENTAL RESOLUTION, THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE BONDS AND THE LIQUIDITY FACILITY OBLIGATIONS IN THE EVENT THAT THE REVENUE AND MONEY DEDICATED TO AND ON DEPOSIT IN THE FUND ARE INSUFFICIENT. For a reference to information describing the financial condition of the State, see "APPENDIX A – The State" attached hereto.

The Constitutional Provision provides that if the revenue and money dedicated to and on deposit in the Fund pledged to payments due on the Bonds and to the Liquidity Facility Obligations is not sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds or to pay the Liquidity Facility Obligations, there is appropriated out of the first money coming into the State Treasury in each fiscal year, not otherwise appropriated by the Constitution, an amount that is sufficient to pay the Bonds maturing or becoming due and to pay Liquidity Facility Obligations due during that fiscal year. If the revenue and money dedicated to and on deposit in the Fund is not sufficient to pay the principal of or interest on the Bonds or the Liquidity Facility Obligations, the Enabling Act provides that the appropriation contained in the Constitutional Provision will be implemented and observed by all officers of the State during any period in which the Bonds are Outstanding and unpaid or any period in which the Liquidity Facility Obligations are due and unpaid. The Administration Agreement establishes procedures by which the Commission is required to seek transfers from the Comptroller, as further described below.

Pursuant to the Constitutional Provision, the Bonds are not included within the computation required by Article III, Section 49-j of the Texas Constitution ("Article III, Section 49-j") unless the Comptroller projects that money in the State's General Revenue Fund (the "General Revenue Fund") will be required to pay amounts due on or on account of the Bonds and any related Credit Agreements, including the Liquidity Facility. Under Article III, Section 49-j, the Legislature is prohibited from authorizing additional State debt payable from the General Revenue

Fund if the resulting annual debt service exceeds 5% of an amount equal to the average of the amount of General Revenue Fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of State debt, for the three preceding fiscal years. See "STATE DEBT – Recent Developments Affecting State Debt" and "– Selected Data Concerning State Debt" in "APPENDIX A – The State." For purposes of such limitation, "State debt payable from the General Revenue Fund" does not include obligations that, although backed by the full faith and credit of the State, are reasonably expected to be paid from other revenue sources and that are not expected to create a general revenue draw. As discussed below, the Commission anticipates that debt service on the Bonds and all other previously issued Outstanding Parity Debt will be self-supporting and, thus, the Bonds and all other previously issued Outstanding Parity Debt will not be subject to the limitation of Article III, Section 49-j. Notwithstanding this limitation on the ability of the Legislature to authorize additional State debt, the Bonds, the Liquidity Facility Obligations, and all other previously issued Outstanding Parity Debt are general obligations of the State, as described above, and are payable from the sources described in this section.

Other Sources of Payment

Pledge of Security. The Enabling Act provides that the Commission must secure payment of obligations issued or entered into for the Program with revenues dedicated to and on deposit in the Mobility Fund. With respect to Parity Debt, including the Bonds, the Liquidity Facility Obligations, and all other previously issued Outstanding Parity Debt, pursuant to the Resolution the Commission has pledged as security for the payment of the Bonds, the Liquidity Facility Obligations, and all other previously issued Outstanding Parity Debt, a first lien interest in the Security, which consists of: (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Fund that is subsequently established and designated as being included within the Security; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) the Liquidity Facility and any other applicable Credit Agreement to the extent set forth in the Liquidity Facility and such Credit Agreement, respectively; and (vi) any applicable guarantee of the State. As described herein, the Commission has pledged the full faith and credit of the State to make payments due on the Bonds and to pay the Liquidity Facility Obligations should the Security be insufficient for any such payments. See " – General Obligation Pledge" above for information on the pledge of the full faith and credit of the State. Amounts constituting Security are appropriated when received by the State, must be deposited into the Fund, and may be used for purposes permitted by State law, including the Enabling Act, and with respect to a Credit Agreement, including the Liquidity Facility, to the extent set forth in the Liquidity Facility or such Credit Agreement, as applicable.

Pledged Revenues. Pledged Revenues include (i) Dedicated Revenues; (ii) Repayments, which means all amounts received by the Commission from the payment of principal of and redemption premium, if any, and interest on Transportation Assistance Bonds held in the Portfolio Account, including, without limitation, any Prepayments; (iii) all other amounts received by the Commission under any collateral documents, including any agreements related to Transportation Assistance Bonds held in the Portfolio Account; (iv) all sale proceeds from the sale of Transportation Assistance Bonds held in the Portfolio Account; and (v) all amounts received by the Commission as income, profits, or gain on investments of money held in the Fund; provided, however, amounts in the Bond Proceeds Account, the Rebate Fund established for the Bonds, or any other account or subaccount so excluded will not constitute Pledged Revenues or Security for the Bonds. Further, the Commission has not used proceeds of any Parity Debt obligations to purchase Transportation Assistance Bonds. Therefore, there are no Transportation Assistance Bonds held in the Portfolio Account, and Repayments are not currently expected be available to make payments due on the Bonds. See " – Flow of Funds" below.

Dedicated Revenues. Dedicated Revenues consist of those revenue sources that have been allocated by the Legislature for the benefit of the Fund. Prior to August 31, 2005, certain initial revenue sources described below under the heading "Detailed Information on Dedicated Revenues – Miscellaneous Sources – *Surplus Revenues: Court Fines and Driver's License Points Surcharge*" were dedicated to the Fund; however, on September 1, 2005, such initial revenue sources were redirected to the State's General Revenue Fund, and certain other sources of revenue (referred to herein as the "Major Sources") were redirected into the Fund from the State's General Revenue Fund. In addition, the Dedicated Revenues include certain revenue sources described under the heading "Detailed Information on Dedicated Revenues - Miscellaneous Sources," below, which are anticipated to be directed to the Fund at various times. Regarding the timing of deposits of each revenue source into the Fund, State law requires that all revenue received by the recipient (as described below) must be remitted to the Comptroller for deposit into the Fund within three business days after receipt, with the exception of the Court Fines and the Driver's License

Points Surcharge described below. See " –Creation of Accounts and Subaccounts Within the Mobility Fund" below for a description of the accounts and subaccounts created pursuant to the Master Resolution.

Pursuant to the Constitutional Provision, while money in the Fund is pledged to the payment of any outstanding obligation or related credit agreement, the dedication of a specific source or portion of revenues, taxes, or other money may not be reduced, rescinded, or repealed unless the Legislature by law dedicates a substitute or different source projected by the Comptroller to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed and the Commission has implemented a pledge of the State's full faith and credit, if such a pledge is not already in place, for the payment of obligations then secured by such dedicated revenues.

Legislative and executive actions taken in 2011 changed certain provisions relating to the driver's license fees and motor vehicle inspection fees deposited into the Fund, but the Comptroller certified that the net effect of the changes is projected to be an increase in Dedicated Revenues deposited to the Fund. There can be no assurance that the Legislature will not replace some or all of the Dedicated Revenues outlined herein, or make further changes to the provisions governing the amount and deposit of Dedicated Revenues. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of Dedicated Revenues with respect to Parity Debt, including the Bonds, will be revised accordingly. For more information on the changes made in 2011, see "Detailed Information on Dedicated Revenues – Major Sources" and "– Substitution of Dedicated Revenues" below.

Detailed Information on Dedicated Revenues

Major Sources. Effective since September 1, 2005, certain of the Major Sources were directed for deposit to the Fund; and, all Major Sources were directed for deposit to the Fund effective September 1, 2008. The Major Sources are expected to be the primary revenue sources for the Fund while the Bonds are Outstanding; provided, however, that the Legislature may substitute a source of revenues if such substituted source of revenues is projected by the Comptroller to be of a value equal to or greater than the source being replaced. See "– Substitution of Dedicated Revenues" below.

- *Driver's License Fees*: Commencing on September 1, 2007, "Driver's License Fees" were directed for deposit into the Fund. Driver's License Fees are comprised of the following sources:

Under Chapter 521, Texas Transportation Code, the fees associated with Texas driver's licenses and personal identification cards are as follows: (a) the fee for the issuance or renewal of a general driver's license is $24; (b) the fee for the issuance or renewal of a Class M license or renewal of a license that includes authorization to operate a motorcycle is $32 ($5 of which is dedicated to a motorcycle education fund); (c) the fee for the issuance or renewal of a provisional license or instruction permit is $15; (d) the fee for the issuance or renewal of an occupational license is $10; (e) the fee for an applicant applying for additional authorization to operate a motorcycle is $15 for the required application ($5 of which is dedicated to a motorcycle education fund); (f) the fee for a Class A, B, or C driver's license that includes an authorization to operate a motorcycle or moped, is increased by $8 ($5 of which is dedicated to a motorcycle education fund); (g) the fee for a change from a lower to a higher class of license or the addition of a type of vehicle other than a motorcycle to the license is $10; (h) the fee for the issuance or renewal of a license, provisional license, instruction permit, hardship license, or a personal identification card to a person subject to sex offender registration provisions is $20; (i) the fee for an identification card for a person under 60 years of age is $15 and, for a person 60 years of age or over, the fee is $5; and (j) the fee for a duplicate driver's license or personal identification card is $10.

Under Section 521.313, Texas Transportation Code, the Texas Department of Public Safety ("DPS") is authorized to suspend or revoke a person's driver's license under certain circumstances. Once suspended or revoked, a license may not be reinstated or another license issued until the person pays a $100 fee, in addition to any other fee required by law. If a driver's license is revoked for an offense involving certain fraudulent government records, the fee for reissuance is $100, in addition to the issuance or renewal fee.

Under Section 522.029, Texas Transportation Code, a person that operates a commercial motor vehicle in Texas must have a commercial driver's license issued by DPS. The fee for a commercial driver's license or a commercial driver learner's permit is $60 subject to reduction by $4 for each remaining year of validity of a driver's license. The fee for a duplicate license is $10 and the fee for a change of class of license, endorsement, or restriction is $10 per required examination. The fee for renewal of a commercial driver's license or commercial driver learner's permit that includes authorization to operate a motorcycle is $45 ($5

of which is dedicated to a motorcycle education fund). The fee for a commercial driver's license or commercial driver learner's permit that includes an authorization to operate a motorcycle or moped, is increased by $8 ($5 of which is dedicated to a motorcycle education fund). The fee for an applicant applying for additional authorization to operate a motorcycle is $15 for the examination ($5 of which is dedicated to a motorcycle education fund). The fee for a commercial driver's license issued to a registered sex offender is $20. The fee for a nonresident commercial driver's license is $120. The fee for a temporary nonresident commercial driver's license is $20.

Under Section 524.051, Texas Transportation Code, once a Texas driver's license has been suspended for failure to pass a test for intoxication, such license will not be reinstated nor will another license be issued to the person until the person pays DPS a fee of $125 in addition to any other fee required by law.

Under Section 724.046, Texas Transportation Code, a driver's license suspended under Chapter 724 of the Texas Transportation Code may not be reinstated or a new license issued until the person whose license has been suspended pays to DPS a fee of $125 in addition to any other fee required by law. Similarly, a person subject to an order denying the issuance of a driver's license under this provision may not obtain a license until that person pays DPS a fee of $125 in addition to any other fee required by law.

Recent Changes Regarding Driver's License Fees: In certain circumstances, disabled veterans are not subject to these fees for driver's licenses or, effective September 1, 2011, for personal identification cards. Also effective September 1, 2011, certain young people in foster care are exempt from paying a fee for the issuance of a driver's license. The decrease in Driver's License Fees resulting from these recent legislative enactments is not expected to be material.

Effective September 1, 2011, the Legislature amended Chapter 521, Texas Transportation Code, to require presentation of documentation establishing the right to reside in the United States for the issuance and renewal of driver's licenses and personal identification cards. Also effective September 1, 2011, individuals that are lawfully permitted to reside in, but that are not citizens of, the United States are able to obtain driver's licenses and personal identification cards that would expire either at the end of the applicant's lawful presence or after one year if the legal stay is indefinite. If an applicant cannot present documentation of lawful presence, no driver's license or identification card will be issued. It is expected that for many of these non-citizen applicants, renewal will occur annually rather than every six years. The fee for renewal or issuance of a license or card that expires annually is $24. This change is expected to result in an increase in revenue from Driver's License Fees.

In addition, Section 501.0165, Texas Government Code, provides that prison inmates who are U.S. citizens and who are soon to be released, will have a personal identification card issued for them to be available at the time of their release. The fee for the card is $5 for this one-time issuance at release (instead of the usual $6 for those who are 60 years of age or older, or $16 for those under the age of 60). This provision was enacted during the 2009 Texas regular legislative session, but will not be implemented until some time during Fiscal Years 2012 and 2013 which is when funds have been appropriated to the Texas Department of Criminal Justice for administration of this program. It is not clear if this program will result in an increase in revenues deposited into the Mobility Fund (if parolees receive a card they wouldn't otherwise have applied for) or a decrease in revenues (if parolees receive a card for a one-time fee that is less than that required of others).

The Texas Governor issued a disaster proclamation on December 21, 2010 regarding the drought conditions and danger of wildfires throughout the State, and this disaster proclamation is expected to remain in effect until the fire danger subsides. Once the Governor issues a disaster proclamation, he may suspend the provisions of regulatory statutes pursuant to Sections 418.016 and 418.017, Texas Government Code, and pursuant to such emergency powers, the fee ($10) for the replacement of driver's licenses and personal identification cards was waived for victims of Texas wildfires. As of September 26, 2011, DPS estimated that 86 individuals received replacements at no charge. DPS is not expecting to issue any additional free replacements, but cannot guarantee that there will not be any additional requests for free replacements for wildfire victims. The decrease in Driver's License Fees resulting from the disaster proclamation is not expected to be material. For the projected impact of all of these changes made regarding Driver's License Fees, see "Table 1: Texas Mobility Fund Historical and Estimated Revenues" and " – Substitution of Dedicated Revenues" below.

- *Driver Record Information Fees*: Under Chapter 521, Subchapter C, Texas Transportation Code, since September 1, 2006, the fees associated with DPS driver's license records (the "Driver Record Information Fees") have been designated to be deposited daily to the credit of the Fund. Such fees include accident and conviction information ($6, $8 if provided through the commercial driver license information system, or $10 if certified); disclosure of an abstract driving record ($20 or $22 if provided through the commercial driver license information system); sale of certain information contained in the Department's basic driver's license record file ($2,000) and weekly updates of such information ($75 per update); disclosure of information related to an individual ($4 or $6 if provided through the commercial driver license information system); disclosure of information to a license holder ($7, $9 if provided through the commercial driver license information system, or $10 if certified); release of driving records ($2.50, $4.50, $5.50, or $20); and disclosure of information from the National Driver Register to an employer ($4).

- *Motor Vehicle Inspection Fees*: Under Chapter 548, Texas Transportation Code, since September 1, 2005, a portion of certain fees collected by local inspection stations and forwarded to DPS under Chapter 548, Subchapter H, Texas Transportation Code (the "Motor Vehicle Inspection Fees"), have been deposited daily to the credit of the Fund. The fees currently being charged are shown below.

Service	Fee Amount	Mobility Fund Allocation
General Inspection of Motor Vehicle (1 year)	$12.50	$3.50
General Inspection of New Motor Vehicle (2 year)	at least 21.75	14.75
General Inspection of Moped	5.75	5.50
Inspection of Commercial Vehicle	50.00	10.00
Inspector Certification (2 year)	25.00*	25.00
Inspection Station Certification (2 year)	100.00*	100.00

*The fee amount for inspector certification increased from $10 to $25, and for inspection station certification increased from $30 to $100, each increase effective as of September 1, 2011.

Recent Changes Regarding Motor Vehicle Inspection Fees: Effective September 1, 2011, the Texas Legislature amended Section 548.506, Texas Transportation Code, to increase fees to be paid by applicants for: (i) application for certification as a motor vehicle inspector (from $10 to $25) and (ii) application for certification as a motor vehicle inspection station (from $30 to $100). This change is expected to result in an increase in revenue from the Motor Vehicle Inspection Fees. See "Table 1: Texas Mobility Fund Historical and Estimated Revenues" and " – Substitution of Dedicated Revenues" below.

- *Motor Vehicle Title Fees* (formerly referred to as "Certificate of Title Fees"): Under Chapter 501, Texas Transportation Code, the owner of a motor vehicle registered in Texas may not operate or permit the operation of a vehicle on a public highway until the owner obtains a title for the vehicle. An applicant for title, other than the State or a political subdivision of the State, must pay a fee (the "Motor Vehicle Title Fee") of (i) $33, if the applicant's residence is a county located within a nonattainment area as defined under Section 107(d) of the Federal Clean Air Act (42 U.S.C., Section 7407), as amended, or is an affected county, as defined by Section 386.001, Texas Health and Safety Code (the "Nonattainment Area Fee Amount"), $20 of which is to be forwarded to the Comptroller; or (ii) $28, if the applicant's residence is any other county, $15 of which is to be forwarded to the Comptroller. (The portion of each Motor Vehicle Title Fee to be forwarded to the Comptroller is referred to herein as the "TERP/Mobility Fund Fee Portion".)

Until September 1, 2008, the TERP/Mobility Fund Fee Portion was deposited to the credit of the Texas Emissions Reduction Plan ("TERP") fund. Beginning on September 1, 2008, the TERP/Mobility Fund Fee Portion was and is deposited to the credit of the Mobility Fund, except for the amount of the TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount transferred to the TERP fund.

From September 1, 2008 through August 31, 2015, $5 of the $20 TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount will be deposited to the credit of the TERP fund. When the dedication of such $5 portion of the TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount expires on September 1, 2015, the amount of revenues deposited into the Mobility Fund from this source is expected to increase as a result of the increase in the portion of the TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount available

for deposit into the Mobility Fund. The amount of Motor Vehicle Title Fees deposited into the Fund and into the TERP fund for Fiscal Years 2009 through 2011 are shown below.

	Deposited into Mobility Fund[1]	Deposited into TERP Fund[2]	TOTAL
FY 2009	$73,712,156	$18,535,854	92,248,010
FY 2010	74,179,366	18,815,512	92,994,878
FY 2011	80,282,516	19,385,031	99,667,547

[1]Represents the deposit of the TERP/Mobility Fund Fee Portion into the Fund, with the exception of $5 of the $20 Nonattainment Area Fee Amount. Beginning on September 1, 2015, the $5 of the Nonattainment Area Fee Amount that is currently being deposited into the TERP Fund will be deposited into the Fund.
[2]Represents the deposit of $5 of the Nonattainment Area Fee Amount into the TERP Fund.

Miscellaneous Sources. In addition to the Major Sources, the Legislature has allocated certain other revenue, the "Miscellaneous Sources," to the Fund. The amount and timing of receipts for the Miscellaneous Sources, for reasons discussed below, are expected to be less predictable than the Major Sources, and are not expected to be a major source of revenue for the Fund.

- *United We Stand License Plate Fees*: Under Chapter 504, Texas Transportation Code, the Department is authorized to issue specialty license plates that include the words "United We Stand." The fees for issuance of the license plates, less the Department's administrative costs, are deposited to the credit of the Fund. For Fiscal Years 2007 through 2011, $2,330, $2,777, $3,555, $5,044, and $4,712 respectively, was collected from the "United We Stand License Plate Fees."

- *Surplus Revenue from Regional Mobility Authorities*: Regional mobility authorities are political subdivisions of the State charged with financing, constructing, and operating transportation projects within their jurisdictions. Regional mobility authorities are relatively new entities in Texas. A regional mobility authority may not be created without the approval of the Commission and the approval of the commissioners court of each county that will be part of the authority. Under Chapter 370, Texas Transportation Code, if a regional mobility authority in the State determines for any given year that it has surplus revenue from transportation projects, it must: (i) reduce tolls, (ii) spend the surplus revenue on other transportation projects in the counties located within the jurisdiction of the regional mobility authority, or (iii) deposit the surplus revenue to the credit of the Fund. Due to the other alternative uses and the discretion afforded regional mobility authorities with respect to their surplus revenues, it is not expected that such surplus revenues, if any, will ever be deposited into the Fund.

- *Commercial Motor Vehicle Safety Standards*: Under Chapter 644, Texas Transportation Code, DPS may impose certain administrative penalties against violators of the commercial vehicle safety standards described in Chapter 644, Texas Transportation Code. Effective since September 1, 2005 each penalty so imposed is deposited daily to the credit of the Fund. For Fiscal Years 2007 through 2011, $2,102,243, $2,074,821, $2,133,154, $1,727,175, and $1,794,612, respectively, was collected from this source.

- *Surplus Revenues: Court Fines and Driver's License Points Surcharge.* Pursuant to Chapter 542, Texas Transportation Code, a state traffic fine of $30 is assessed against a person who enters a plea of guilty or nolo contendere to or is convicted of an offense under Subtitle C of Title 7, Texas Transportation Code (the "Court Fines").

Pursuant to Chapter 708, Texas Transportation Code, the Driver Responsibility Program (the "DRP") assigns points to certain moving violations and applies surcharges to offenders (the "Driver's License Points Surcharge"). In addition, DPS assesses a surcharge when a driver accumulates a total of six points or more during a three-year period. The driver must pay a $100 surcharge for the first six points and $25 for each additional point. In addition, an annual surcharge may be assessed for a period of three years for certain other violations.

After certain retentions by the local jurisdiction that collects Court Fines, 67% of Court Fines, and 49.5% of the Driver's License Points Surcharge, are deposited into the State's General Revenue Fund until the total amount of money deposited to the credit of the General Revenue Fund from such sources exceeds $250 million in any fiscal year. Amounts in excess of $250 million in any fiscal year must be deposited to the credit of the Fund. During Fiscal Years 2006 through 2011, no such excess revenues from Court Fines and Driver's License Points Surcharges were deposited into the Fund, and as of [_____, 2012], the Comptroller projected that no such excess revenues

from Court Fines and Driver's License Points Surcharges would be available for deposit into the Fund in Fiscal Year 2012 or thereafter.

- *Investment Earnings and Interest*: The Commission may invest the Fund in investments authorized by Texas law in accordance with an investment policy approved by the Commission (the "Investment Policy"). Both State law and the Investment Policy are subject to change. See "– Investment of Funds" and "FUND ADMINISTRATION AND INVESTMENT" herein. From 2005 to present, the Fund has contained Parity Debt proceeds that have increased the Fund's interest earnings. As such Parity Debt proceeds have been and continue to be expended over time, the Fund's interest earnings have decreased and are expected to continue to decrease. See "APPENDIX F – Audited Financial Statements of the Fund".

Substitution of Dedicated Revenues. While the Dedicated Revenues are pledged to the payment of Outstanding Parity Debt, the Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the Legislature dedicates a substitute source that is projected by the Comptroller to be of a value equal to or greater than the source being reduced, rescinded, or repealed and (ii) the Commission institutes a pledge of the State's full faith and credit to the payment of Outstanding Parity Debt. Revenues from any revenue source substituted by the Legislature will become part of Dedicated Revenues.

Due to: (1) certain legislation passed in both the Texas regular and first called legislative sessions in 2011; (2) certain legislation passed in the Texas regular legislative session in 2009 that is now being implemented; and (3) the Governor's disaster proclamation regarding fire danger in Texas, the Department expects a change in the amount of driver's license fees and motor vehicle inspection fees to be received by the Mobility Fund. The legislative and executive actions creating such changes are more fully described below:

(a) *Tex. H.B. 1148, 82nd Leg., R.S. (2011)*: This bill provides for an exemption for certain disabled veterans from the payment of a fee for the issuance of a personal identification certificate; such disabled veterans are already exempt from paying a fee for the issuance of a driver's license.

(b) *Section 501.0165, Texas Government Code (codified by Tex. H.B. 2161, 81st Leg., R.S. (2009))*: This statute provides for the issuance of an identification certificate for each inmate that is a U.S. citizen and Texas resident and about to be released from prison. The fee for the identification certificate is to be $5 instead of the $6 (60 years or older) or $16 (under 60 years of age) fee charged to other U.S. citizens that are Texas residents. Per the DPS, the Texas Department of Criminal Justice and the Department of State Health Services have just begun implementation during Fiscal Year 2012.

(c) *The Governor's disaster proclamation originally issued on December 21, 2010:* This proclamation provides the Governor with the power, pursuant to Section 418.016, Texas Government Code, to waive provisions of regulatory statutes to expedite actions needed to cope with a disaster. Further, this proclamation provides the Governor with the power to use public resources when needed to cope with disaster, pursuant to Section 418.017, Texas Government Code. Pursuant to this proclamation, DPS replaced, free of charge, driver's licenses or identification certificates lost due to wildfires in the State. Per DPS, as of September 26, 2011, 86 free replacements were issued, at a cost to the Fund of $10 per replacement, or a total of $860. Additional free replacements might still be issued while the disaster proclamation remains in effect.

(d) *Tex. S.B. 1, 82nd Leg., F.C.S. (2011):* This bill requires that individuals that are lawfully permitted to reside in, but that are not citizens of, the United States are able to obtain driver's licenses and personal identification cards that would expire either at the end of the applicant's lawful presence or after one year if the legal stay is indefinite. If an applicant cannot present documentation of lawful presence, no driver's license or identification card will be issued. It is expected that for many of these non-citizen applicants, renewal will occur annually rather than every six years. The fee for renewal or issuance of a license or card that expires annually is $24.

(e) *S.B. 218, 82nd Leg., R.S. (2011):* This bill provides for an exemption for certain young people in foster care from the payment of a fee for the issuance of a driver's license.

(f) *S.B. 197, 82nd Leg., R.S. (2011):* This bill increased fees to be paid for application for certification as an inspector (from $10 to $25) and as an inspection station (from $30 to $100).

The Comptroller projected, and has so certified, that for any decrease in Dedicated Revenues resulting from any one or more of the legislative or executive actions described above, there is a resulting increase in Dedicated Revenues of a value equal to or greater than the amount of any decrease. See " – Mobility Fund Revenue Forecast" and "Table 1: Texas Mobility Fund Historical and Estimated Revenues" below.

There can be no assurance that the Legislature will not replace some or all of the Dedicated Revenues outlined herein, or make further changes to the provisions governing the amount and deposit of Dedicated Revenues. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of Dedicated Revenues with respect to Outstanding Parity Debt, including the Bonds, will be revised accordingly.

Repayments, Prepayments, and Sale Proceeds of Transportation Assistance Bonds. Section 222.103 of the Texas Transportation Code provides that the Commission may use money in the Fund to provide participation by the State, by loan or grant, in the payment of part of the costs of constructing and providing publicly owned toll roads. To the extent that the Commission intends to loan proceeds of obligations issued for the Program to political subdivisions for these purposes, the Commission will make such loans by purchasing obligations issued by the borrowing political subdivisions (the "Transportation Assistance Bonds"). The Commission, pursuant to a supplemental resolution, may (but is not required to) pledge the payments and repayments relating to such Transportation Assistance Bonds to the payment of Parity Debt, including the Bonds, and such pledged Transportation Assistance Bonds will be held in the Portfolio Account of the Fund. The repayments and prepayments made on such pledged Transportation Assistance Bonds, along with Sale Proceeds from the sale of such Transportation Assistance Bonds, will be deposited into the Interest and Sinking Account and used to make payments due on Parity Debt, including the Bonds. The Commission has not loaned proceeds of any Parity Debt obligations to political subdivisions for these purposes.

Accounts and Subaccounts Within the Mobility Fund. All amounts in the General Account, the Interest and Sinking Account, and any additional account or subaccount within the Fund that is subsequently established and designated as being included within the Security, along with all of the proceeds of the foregoing, including, without limitation, investments thereof, are part of the Security pledged to payments due on Parity Debt, including the Bonds. Amounts held in the Bond Proceeds Account and in each rebate fund established for Parity Debt, including the Rebate Fund for the Bonds, do not constitute Security. See "Creation of Accounts and Subaccounts Within the Mobility Fund" below.

Perfection of Pledge of Security. Chapter 1208, Texas Government Code, as amended, applies to the issuance of Program obligations, including the Bonds, and the pledge of the Security granted by the Commission pursuant to the Resolution, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while Parity Debt, including the Bonds, is outstanding and unpaid such that the pledge of the Security granted by the Commission under the Resolution is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, then in order to preserve for the Owners the perfection of the security interest in such pledge, the Commission has agreed to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, and enable a filing to perfect the security interest in such pledge to occur.

Mobility Fund Financial Statements. The Fund's audited financial statements for the Fiscal Year 2011 are attached hereto as APPENDIX F. In Fiscal Year 2011, the Department implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* with respect to the Fund, changing the classification of the Fund from a special revenue fund to a debt service fund. The Fund's financial statements for Fiscal Year 2011 have been audited by the State Auditor's Office. The State Auditor's Office has not been engaged to perform and has not performed, since the date of its report included herein as APPENDIX F, any procedures on the financial statements addressed in such report, nor any procedures relating to this Remarketing Memorandum.

Mobility Fund Revenue Forecast. To the extent required by law, before Program obligations are issued payable from a pledge of and lien on all or part of the money in the Fund, the Comptroller must certify that the projected Dedicated Revenues and money on deposit in the Fund, including projected investment earnings, during each year of the period during which such obligations will be outstanding, will be equal to at least 110% of the Annual Debt Service Requirements of the proposed additional obligations and any already outstanding obligations in each year. Current law requires that for the purpose of so certifying for the issuance of short-term obligations (obligations with a final stated maturity of five years or less), the Comptroller must assume that the short-term obligations will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates, as determined by the Comptroller.

Based on the Comptroller's most recent projections dated [_____, 2012] (which are based on (i) the revenue sources that currently constitute Dedicated Revenues, as provided by the Enabling Act and the Master Resolution, including the changes made in 2009 and 2011 to driver's license fees and motor vehicle inspection fees

as further described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Dedicated Revenues – Major Sources", and (ii) current market conditions, including certain interest rate assumptions), [the Commission estimates that the current capacity of the Mobility Fund to support Parity Debt is approximately $___ billion aggregate principal amount of Parity Debt issued and outstanding at any time under the Program, which represents additional capacity of approximately $_____ principal amount of Additional Obligations beyond the total amount of Parity Debt that is currently outstanding]. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table 1: Texas Mobility Fund Historical and Estimated Revenues" (located on the next page). Certain payment obligations of the Commission that constitute Parity Debt (such as the Commission's obligation to reimburse the provider of any Credit Agreement for amounts drawn pursuant to such Credit Agreement, including the Liquidity Facility Provider for amounts drawn on the Liquidity Facility) and certain amounts, such as the anticipated BAB Subsidy Payments expected to be on deposit in the Interest and Sinking Account, are excluded from existing debt service requirements included in "Table 2: Projected Debt Service Coverage for Parity Debt" below. Changes in economic and/or market conditions could result in an increase or decrease in the capacity of the Mobility Fund to support Parity Debt. As described above, the maximum aggregate principal amount of obligations currently established for the Program pursuant to the Master Resolution is $6.5 billion. See "MOBILITY FUND REVENUE FINANCING PROGRAM – General" herein.

THERE CAN BE NO ASSURANCES THAT REVENUES ACTUALLY DEPOSITED INTO THE FUND WILL BE DEPOSITED, EITHER AS TO TYPE OF REVENUES, TIMING OF DEPOSIT, OR AMOUNT, AS FORECAST IN TABLE 1 BELOW. See "OTHER INFORMATION – Forward-Looking Statements."

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Table 1: Texas Mobility Fund Historical and Estimated Revenues[1]
(in Thousands) [update to follow]

Fiscal Year	Court Fines	Driver's License Points Surcharges	Motor Vehicle Inspection Fees	Driver's License Fees	Driver Record Information Fees	*United We Stand* License Fees	Motor Vehicle Title Fees[3]	Motor Carrier Act Penalties	Depository Interest	Total
2004[2]	$ 39,160	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 89	$39,249
2005[2]	59,606	18,176	0	0	0	0	0	0	5,251	83,033
2006[2]	0	0	82,471	0	0	1	0	1,833	27,269	111,574
2007[2]	0	0	84,556	0	53,508	2	0	2,102	36,700	176,868
2008[2]	0	0	86,166	117,903	61,763	2	0	2,074	35,460	303,368
2009[2]	0	0	83,432	102,032	57,730	2	73,712	2,133	15,087	334,128
2010[2]	0	0	88,892	99,644	55,955	2	74,179	1,727	18,272	338,671
2011[2]	0	0	90,080	126,527	57,119	2	80,282	1,794	11,248	367,052
2012	0	0								
2013	0	0								
2014	0	0								
2015	0	0								
2016	0	0								
2017	0	0								
2018	0	0								
2019	0	0								
2020	0	0								
2021	0	0								
2022	0	0								
2023	0	0								
2024	0	0								
2025	0	0								
2026	0	0								
2027	0	0								
2028	0	0								
2029	0	0								
2030	0	0								
2031	0	0								
2032	0	0								
2033	0	0								
2034	0	0								
2035	0	0								
2036	0	0								
2037	0	0								

Source: Texas Comptroller of Public Accounts, [_____, 2012].

(1) This forecast does not anticipate surplus revenues from regional mobility authorities (created pursuant to Chapter 370 of the Texas Transportation Code), Court Fines or Driver's License Points Surcharges. See "—Miscellaneous Sources" above.

(2) Amounts for Fiscal Years 2004 through 2011 represent actual deposits to the Fund, as reported by the Department. The amounts shown are unaudited, and do not reflect total revenues of the Fund. See APPENDIX F – Audited Financial Statements of the Fund.

(3) Formerly referred to as "Certificate of Title Fees".

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Table 2 – Pro Forma Debt Service Coverage for Parity Debt* [update to follow]

Based on the Comptroller's revenue forecast shown in Table 1 (above), this Table 2 shows the pro forma Annual Debt Service Requirements coverage for Parity Debt, including the Bonds and all other previously issued Outstanding Parity Debt.

Fiscal Year	Fiscal Year Parity Debt Service[1]	Build America Bond Direct Subsidy	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Parity Debt Service[2]	Comptroller's Revenue Estimate[3]	Revenue as a % of Total Debt Service
2012	338,956,866	(23,303,934)	3,185,000	2,837,056	6,022,056	321,674,988		
2013	343,160,945	(23,303,934)	3,290,000	2,719,395	6,009,395	325,866,406		
2014	347,828,772	(23,303,934)	3,400,000	2,604,518	6,004,518	330,529,355		
2015	352,584,897	(23,303,934)	3,510,000	2,483,904	5,993,904	335,274,866		
2016	357,384,691	(23,303,934)	3,625,000	2,361,715	5,986,715	340,067,472		
2017	362,292,495	(23,303,934)	3,745,000	2,229,174	5,974,174	344,962,735		
2018	367,923,847	(23,303,934)	3,870,000	2,097,822	5,967,822	350,587,735		
2019	372,937,197	(23,303,934)	4,000,000	1,960,465	5,960,465	355,593,728		
2020	378,430,791	(23,303,934)	4,130,000	1,820,439	5,950,439	361,077,296		
2021	383,873,439	(23,296,045)	4,265,000	1,670,846	5,935,846	366,513,240		
2022	390,406,586	(23,282,332)	4,405,000	1,520,698	5,925,698	373,049,952		
2023	397,028,898	(23,242,979)	4,550,000	1,364,396	5,914,396	379,700,315		
2024	403,752,145	(23,176,200)	4,700,000	1,204,295	5,904,295	386,480,241		
2025	410,562,120	(23,092,233)	4,855,000	1,035,417	5,890,417	393,360,303		
2026	417,481,996	(22,977,647)	5,015,000	863,899	5,878,899	400,383,248		
2027	424,496,244	(22,829,907)	5,180,000	685,953	5,865,953	407,532,290		
2028	431,606,000	(22,646,665)	5,350,000	502,904	5,852,904	414,812,239		
2029	438,793,597	(22,425,383)	5,530,000	312,000	5,842,000	422,210,214		
2030	446,110,032	(22,176,864)	5,710,000	116,077	5,826,077	429,759,245		
2031	459,326,198	(21,877,760)	-	-	-	437,448,438		
2032	466,791,163	(21,532,217)	-	-	-	445,258,947		
2033	474,334,174	(21,136,855)	-	-	-	453,197,320		
2034	481,979,611	(20,689,357)	-	-	-	461,290,254		
2035	489,676,246	(20,186,248)	-	-	-	469,489,998		
2036	497,398,048	(19,637,182)	-	-	-	477,760,865		
2037	505,870,598	(19,025,264)	-	-	-	486,845,333		
2038	513,851,262	(18,314,192)	-	-	-	495,537,071		
2039	513,793,928	(9,402,375)	-	-	-	504,391,553		
Total	**$ 11,768,632,786**	**$ (610,683,111)**	**$ 82,315,000**	**$ 30,390,974**	**$ 112,705,974**	**$ 11,270,655,648**		

* Totals may not add due to rounding.

(1) Debt service on the Bonds calculated at a rate of approximately 3.50%, including remarketing and liquidity fees. Debt service on the Series 2006-B Variable Rate Bonds calculated at a rate of approximately 3.50%, including remarketing and liquidity fees. Includes the full interest payment amounts on the Series 2009A Bonds issued as taxable Build America Bonds.

(2) The amounts shown do not take into account any amounts that may be payable or amounts that may be received by the Commission pursuant to the Series 2006-A Basis Swap Agreements, for which payments commenced in September of 2007. To the extent that the Commission makes or receives net payments under the Series 2006-A Basis Swap Agreements during any fiscal year, the net debt service on Parity Debt will be greater or less than the respective amount shown in this table for such fiscal year. See "- Credit Agreements" herein for a description of the Series 2006-A Basis Swap Agreements.

(3) Comptroller's revenue estimates provided to the Department and dated [_____, 2012]. See "Table 1: Texas Mobility Fund Historical and Estimated Revenues."

Credit Agreements

The Enabling Act and the Resolution authorize the Commission at any time to enter into one or more Credit Agreements to secure Parity Debt, including the Bonds, in whole or in part. The Resolution provides that the Commission may execute and deliver a Credit Agreement upon the receipt of a certificate signed by an Authorized Representative of the Department to the effect that such Credit Agreement is in the best interest of the Commission. Each Credit Agreement must be approved by the Commission to the extent required by law.

Credit Agreements may include loan agreements; revolving credit agreements; agreements establishing a line of credit; letters of credit; reimbursement agreements; insurance contracts; commitments to purchase Parity Debt; purchase or sale agreements; interest rate swap, cap, and/or floor agreements or commitments; or other contracts or agreements authorized, recognized, and approved by the Commission as a Credit Agreement in

connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Parity Debt, the interest on Parity Debt, or both. Payments to be made by the Commission under the terms of any Credit Agreement will be governed by the resolution adopted by the Commission authorizing the execution and delivery of such Credit Agreement. Credit Agreements may be entered into as Parity Debt, as Subordinate Debt, or partially as Parity Debt and partially as Subordinate Debt.

Pursuant to the Second Supplemental Resolution, the Commission originally entered into a "Standby Bond Purchase Agreement" dated as of May 1, 2005 (the "Original Liquidity Facility") with DEPFA BANK plc, acting through its New York Branch, to provide a liquidity facility for the Bonds upon their initial issuance. The Original Liquidity Facility is currently scheduled to expire on April 6, 2012, and the Commission has elected not to extend the Original Liquidity Facility, but to enter into a liquidity facility (the "Liquidity Facility") with Royal Bank of Canada (the "Liquidity Facility Issuer") to provide for the purchase, in accordance with the terms thereof, of the Bonds. For more information on the Liquidity Facility, see "THE LIQUIDITY FACILITY" herein. For information on the Liquidity Facility Issuer, see "THE LIQUIDITY FACILITY ISSUER" herein. In addition, pursuant to the Fifth Supplemental Resolution, the Commission entered into a "Standby Bond Purchase Agreement" dated as of November 1, 2006 (the "Series 2006-B Liquidity Facility" and, together with the Liquidity Facility, the "Liquidity Facilities") with State Street Bank and Trust Company, as administrative agent, and State Street Bank and Trust Company and the California Public Employees' Retirement System, as liquidity providers (collectively, the "Series 2006-B Liquidity Facility Issuer" and, together with the Liquidity Facility Issuer, the "Liquidity Facility Issuers"), to provide a liquidity facility for its Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (the "Series 2006-B Variable Rate Bonds"), which provides for the purchase, in accordance with the terms thereof, of the Series 2006-B Variable Rate Bonds which bear interest at a Daily Rate or a Weekly Rate and that are tendered for purchase as provided in the Fifth Supplemental Resolution but not remarketed by the remarketing agent. Unless extended, the Series 2006-B Liquidity Facility expires on December 13, 2013 or if such day is not a business day, the next business day. The Commission's obligations to make payments to the Liquidity Facility Issuers under the Liquidity Facilities are Parity Debt, additionally secured by the full faith and credit of the State.

Pursuant to the Fourth Supplemental Resolution to the Master Resolution, the Commission entered into interest rate swap transactions (the "Series 2006-A Bond Swap Agreements") in connection with its Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-A. The Series 2006-A Bond Swap Agreements are floating-to-floating rate swap transactions with JPMorgan Chase Bank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P. and Morgan Stanley Capital Services Inc. (each a "Basis Swap Counterparty", collectively, the "Basis Swap Counterparties") in the aggregate notional amount of $400 million for terms of twenty years. During the term of the Series 2006-A Bond Swap Agreements, the Commission is obligated to pay to each Basis Swap Counterparty an amount equal to the US SIFMA Municipal Swap Index on the notional amount of the Series 2006-A Basis Swap Agreement with such Basis Swap Counterparty. In return, each Basis Swap Counterparty is obligated to pay the Commission an amount equal to a fixed percentage of the USD-ISDA-Swap Rate assuming a 10-year Designated Maturity (which is a reported market fixed rate at which 10-year interest rate swaps for a one month U.S. dollar LIBOR rate are entered into from time to time) on the notional amount of the Series 2006-A Basis Swap Agreement with such Basis Swap Counterparty. Pursuant to separate agreements entered into between the Department and each Swap Counterparty in December 2009, the payment obligations of the Department and each Swap Counterparty under the Series 2006-A Bond Swap Agreements have been suspended from January 2010 until December 2012 and the Fund has received certain upfront cash payments from the Swap Counterparties. To mitigate the Department's credit risk exposure, each Swap Counterparty is required to post collateral if the positive fair market value of the respective trade rises above a threshold value determined by such Swap Counterparty's credit ratings. The amount of any collateral required to be posted is based on the fair market value of the applicable trade, which is subject to daily market movements, and, therefore, the amount of any collateral posted may fluctuate frequently. In 2011, Morgan Stanley Capital Services Inc., as a result of changes in its ratings issued by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, a subsidiary of The McGraw-Hill Companies, Inc., and by Moody's Investors Service, Inc., posted collateral under its Series 2006-A Bond Swap Agreement, and the amount of such posted collateral has subsequently fluctuated due to changes in market value. The obligation of the Commission to make regularly scheduled payments to the Basis Swap Counterparties under the Series 2006-A Bond Swap Agreements will be payable from the Security and secured on a parity with the Commission's obligation to pay principal of and interest on Parity Debt; however, the Commission's obligation to pay any amounts from the Security owed as a result of an early termination of the Series 2006-A Bond Swap Agreements is subordinate to the Commission's obligation to pay

principal of and interest on Parity Debt. In addition, the obligations of the Commission under the Series 2006-A Bond Swap Agreements are secured by the full faith and credit of the State. See "APPENDIX F – Audited Financial Statements of the Fund", Note 3, Deposits and Investments, page 25 and Note 5, Derivatives, page 30, for a description of the Series 2006-A Bond Swap Agreements.

The Commission currently is not a party to any other Credit Agreement for any previously issued Parity Debt, including the Bonds, and the Commission does not currently intend to enter into any other Credit Agreement. However, the Commission has the ability to enter into Credit Agreements at any time for the Bonds or other issues of Parity Debt.

Enforcement

Pursuant to the Constitutional Provision and as allowed by other law, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any Owner of the Bonds (including Purchased Bonds), in the event of default in connection with any covenant contained in the Resolution or default in the payment of the Annual Debt Service Requirements due in connection with the Bonds (including Purchased Bonds) or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, the State, and any appropriate official of the State to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically the use and filing of mandamus proceedings in a district court in Travis County, Texas against the Commission, the Department, its officials and employees, the State, or any appropriate official of the State.

Limitation of Liability of Officials of the Commission

No present or future member of the Commission or agent or employee of the Department, in his or her individual capacity, and neither the members of the Commission nor any official executing the Bonds will be liable personally for payment on the Bonds or any other previously issued Outstanding Parity Debt or be subject to any personal liability or accountability by reason of the issuance of any Outstanding Parity Debt.

Creation of Accounts and Subaccounts Within the Mobility Fund

The Master Resolution creates: (i) the Mobility Fund General Account (the "General Account"); (ii) the Mobility Fund Portfolio Account (the "Portfolio Account"); (iii) the Mobility Fund Interest and Sinking Account (the "Interest and Sinking Account"); and (iv) the Mobility Fund Bond Proceeds Account (the "Bond Proceeds Account") (collectively, the "Accounts"). The Second Supplemental Resolution creates the Rebate Fund for the Bonds (the "Rebate Fund").

General Account. All Pledged Revenues must be deposited in the General Account immediately upon receipt by the Department, the Comptroller, or other applicable State agency. All money remaining in the General Account, after making the deposits required by the Master Resolution and the applicable Supplement including deposits and transfers to the Interest and Sinking Account to meet all financial obligations of the Commission relating to the Program including payments due on or with respect to the payment of Parity Debt as the same mature or come due, may be used for any lawful purpose for which the Mobility Fund may be used pursuant to the Constitutional Provision, the Enabling Act, and other State law.

Interest and Sinking Account. Pledged Revenues will be transferred to the Interest and Sinking Account to the extent needed to make payments due on Parity Debt, including the Bonds. The Interest and Sinking Account must be used to pay the principal of, redemption premium, if any, and interest on Parity Debt as the same become due and payable, whether at Stated Maturity or upon prior redemption, so long as any Parity Debt, including the Bonds, is outstanding. Additionally, in connection with the issuance of the Series 2009A Bonds, the Commission has created the 2009A Subaccount of the Interest and Sinking Account and has covenanted that all BAB Subsidy Payments are to be deposited into such subaccount. Funds on deposit in the 2009A Subaccount must be used solely for the purpose of paying principal of and interest on the Series 2009A Bonds and may not be used to pay any debt service on other Parity Debt, including the Bonds, or Subordinated Debt. See "MOBILITY FUND REVENUE FINANCING PROGRAM - Application of Certain BAB Subsidy Payments."

Portfolio Account. Transportation Assistance Bonds, if any, pledged by the Commission to the payment of Parity Debt, will be deposited into the Portfolio Account and held there until paid. Repayments of such pledged Transportation Assistance Bonds, if any, will be deposited into the General Account.

Bond Proceeds Account. With the exception of proceeds allocated to underwriter's discount and premiums for bond insurance, proceeds from the issuance of Parity Debt, must be deposited, as provided by the applicable Supplement, into the Bond Proceeds Account until expended to accomplish the purposes for which such Parity Debt was issued. Amounts in the Bond Proceeds Account do not constitute Security.

Rebate Fund. The Second Supplemental Resolution established the Rebate Fund for the Bonds. Money on deposit in the Rebate Fund, if any, will be paid to the United States of America in compliance with the provisions of section 148(f) of the Code. Money in the Rebate Fund, if any, does not constitute Security.

Reserve Accounts. The Commission may establish one or more reserve accounts within the Fund for the purpose of paying or securing Parity Debt or any particular series or issue of Parity Debt, and any such reserve account so established may be funded with a surety bond, insurance policy, or other Credit Agreement, to the extent permitted by law. The Commission has not established a reserve account for Parity Debt, including the Bonds.

Purchase Fund. The Commission has established the Purchase Fund in connection with the delivery to the Tender Agent of the Original Liquidity Facility, which Fund is held by the Tender Agent and may have such separate accounts as may be established upon written direction of the Commission to the Tender Agent. Such Purchase Fund and accounts therein will be used for the purpose of depositing money obtained from (a) the remarketing of Bonds and (b) draws under the Liquidity Facility, and such deposited money will be used solely to pay the Purchase Price of Bonds or to reimburse a Liquidity Facility Issuer for a drawing on the Liquidity Facility to pay the Purchase Price of Bonds.

Other Accounts. The Commission may establish other accounts or subaccounts for other purposes.

Flow of Funds

All Pledged Revenues will be deposited in the General Account immediately upon receipt by the Department, the Comptroller, or other State agency. Pledged Revenues will be transferred from the General Account to the other Accounts, subaccounts, or funds in the Fund in the following priority order:

FIRST: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the Commission relating to the Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;

SECOND: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;

THIRD: any amounts to be deposited into any other fund, account, or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;

FOURTH: to the extent required by any resolution or other instrument adopted or approved by the Commission pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, redemption premium, and interest will be deposited to any account or subaccount created for such purpose; and

FIFTH: all remaining Pledged Revenues must be retained in the General Account.

Investment of Funds

Pursuant to Section 201.946, Texas Transportation Code, the Fund may be invested in investments permitted by law for the investment of money on deposit in the State Highway Fund, which under current law is governed by Section 404.024, Texas Government Code ("Section 404.024"). Section 201.942, Texas Transportation Code, charges the Commission with the responsibility of investing the Fund. In furtherance of such investment responsibility, the Commission has executed an investment agreement with the Comptroller, acting by and through the Texas Treasury Safekeeping Trust Company ("Safekeeping Trust"), to assist the Commission, when requested by the Commission, with investing all or any portion of the Fund. See "FUND ADMINISTRATION AND INVESTMENT" herein. The Commission has adopted an investment policy which includes the Fund (the "Investment Policy") in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code

(the "PFIA"). Therefore, the Commission is authorized to invest or cause to be invested funds on deposit within the Fund in those permitted investments authorized under Section 404.024, as further modified by the Investment Policy. The Investment Policy and State law are subject to further change and amendment.

Based on the current Investment Policy and current law, the Fund may be invested in the following: (i) direct obligations of the United States or its agencies and instrumentalities (including senior debt obligations of GNMA, FNMA or FHLMC); (ii) 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"; (iii) certain collateralized mortgage obligations that have a stated maturity of ten years or less 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 (such transactions not to exceed ten percent of the total of each investment portfolio under the Investment Policy); (iv) other obligations, the principal and interest of which are unconditionally guaranteed by the State or the United States or their respective agencies and instrumentalities; (v) 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 "A" or its equivalent (such transactions not to exceed ten percent of the total of each investment portfolio under the Investment Policy); (vi) certificates of deposit issued by a state or national bank designated as a State depository that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or their successors; (b) secured by obligations described in clauses (i) through (v) above; or (c) secured in any other manner and amount provided by law for deposits of the Commission (investment in certificates of deposit may not exceed 20 percent of the total investment portfolio); (vii) a fully collateralized repurchase or reverse repurchase agreement that has a defined termination date, is secured by obligations described in (i) through (v) above; requires collateral levels to be at least 104 percent of the principal and accrued but unpaid interest obligations under the agreement when the collateral type is U.S. Treasury obligations or obligations of GNMA, or 105 percent of the principal and accrued but unpaid interest obligations under the agreement when the collateral type is obligations of FNMA or FHLMC; requires the securities purchased by the Commission to be pledged to the Commission, held in the Commission's name, and deposited at the time the investment is made with the Commission or with a third party selected and/or approved by the Commission; requires the securities purchased by the Commission to be segregated and marked to market at least weekly with any deficiency in collateral level being cured within two business days; and is placed through a primary government securities dealer or financial institutions doing business in the State (such entity or its parent must be rated in the "A" category, without regard to gradation or numerical modifier, by at least two nationally-recognized rating agencies (S&P, Moody's and Fitch); (viii) certain bankers acceptances with a stated maturity of 270 days or fewer from the date of issuance, if liquidated in full at maturity, eligible for collateral for borrowing from a Federal Reserve Bank, and accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank are rated not less than "A-1" or "P-1" or an equivalent rating by at least one nationally-recognized credit rating agency (such transactions not to exceed five percent of the total Commission investment portfolio under the Investment Policy); (ix) 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 at least (a) two nationally-recognized 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 bank organized and existing under the laws of the United States or any state; (x) with certain restrictions, a no-load money market mutual fund that is registered with and regulated by the SEC and (a) provides the Commission with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, has a dollar-weighted average stated maturity of 90 days or fewer, and includes in its investment objectives the maintenance of a stable net asset value of $1.00 for each share; or (b) has an average weighted maturity of less than two years, is invested exclusively in obligations permitted for investment under the Investment Policy, is continuously rated as to investment quality by at least one nationally-recognized investment rating firm of not less than "AAA" or its equivalent, and conforms to State law relating to the eligibility of investment pools to receive and invest funds of investing entities; (xi) bonds issued, assumed, or guaranteed by the State of Israel; (xii) certain securities lending programs; (xiii) an eligible investment pool that is established by the Safekeeping Trust and invests solely in such obligations authorized under State law provided that the pool is rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally-recognized rating service, operates like a mutual fund, has a portfolio consisting only of dollar-denominated securities, and operates under a qualified advisory board.

The Commission may invest in a securities lending program if (i) the securities loaned under the program are 100% collateralized (including accrued income), a loan made under the program allows for termination at any time, and a loan made under the program is secured by either (a) obligations that are described in clauses (i) through

(v) and (xi) of the second paragraph under this subcaption, (b) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally-recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (i) through (v) and (ix) through (xi) of the second paragraph under this subcaption, or in certain forward purchase contracts; (ii) securities held as collateral under a loan are pledged to the Commission, held in the name of the Commission, and deposited at the time the investment is made with a third party designated by the Commission; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The Commission is specifically prohibited from investing in: (i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (interest only bond); (ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (principal only bond); (iii) collateralized mortgage obligations that have a stated final maturity date of greater than ten years; (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (inverse floaters); or (v) investments of any type that are denominated in a foreign currency. In addition, the Commission is not authorized to invest in the aggregate more than 15% of the monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in clause (x)(b) of the second paragraph under this subcaption, any portion of bond proceeds, reserves and other funds held for debt service, in mutual funds described in clause (x)(b) of the second paragraph under this subcaption, or invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in (x) of the second paragraph under this subcaption in an amount that exceeds ten percent of the total assets of the mutual fund. Further, reverse repurchase agreements must not have a term of more than 90 days, and the investment of reverse repurchase agreement funds must be in obligations with a term no greater than the term of the reverse purchase agreement.

Under State law, the Commission 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 Commission funds, the maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Commission funds must be invested consistent with a formally adopted "Investment Strategy" that specifically addresses each fund's investment. Each Investment Strategy will describe its objectives concerning: (i) suitability of the investment to the financial requirements of the Commission, (ii) preservation and safety of principal, (iii) liquidity, (iv) marketability of each investment if the need arises to liquidate prior to maturity, (v) diversification of the portfolio, and (vi) yield.

Under State law, the Commission'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 Commission's investment officers must submit an investment report to the Commission including: (i) the book value and market value for each investment at the beginning and end of the reporting period; (ii) if the funds are pooled and invested, a summary statement, prepared in accordance with generally accepted accounting principles, presenting the beginning market value of the pool portfolio, changes in market value during the reporting periods, the ending market value of the portfolio, and fully accrued interest for the reporting period; (iii) the maturity date of each investment, if applicable; (iv) a statement of intent if some or all securities are intended to be held to maturity; (v) any variations from the investment strategy of the Commission; (vi) recommended amendments to current specific investment strategies; and (vii) an analysis of current market conditions.

Under State law, the Commission is additionally required to: (i) annually review its adopted policies and strategies, (ii) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (iii) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Commission to disclose the relationship and file a statement with the Texas Ethics Commission and the Commission; (iv) require the qualified representative of firms offering to engage in an investment transaction with the Commission to: (a) receive and review the Commission's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Commission and the business organization that are not

authorized by the Commission's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Commission's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Commission and the business organization attesting to these requirements; (v) perform a biennial audit of the management controls on investments and adherence to the Commission's investment policy; (vi) provide specific investment training for the Commissioners, Chief Financial Officer, and investment officers; (vii) require local government investment pools to conform to the disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (viii) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Commission.

FUND ADMINISTRATION AND INVESTMENT

The Commission and the Comptroller have entered into the "Texas Mobility Fund Administration Agreement" (the "Administration Agreement") and the "Investment Agreement" (the "Investment Agreement") with respect to the Program. Set forth below are summaries of certain provisions of (i) the Administration Agreement, which provides for the administration of the proceeds of the Bonds and other obligations secured by the Fund and availability of funds for the payment thereof, and (ii) the Investment Agreement which provides for the management, disbursement, safekeeping, and investment of certain funds and securities in the Fund to the extent that the Department requests the assistance of the Safekeeping Trust in the investment of such funds. These summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Administration Agreement and the Investment Agreement, respectively. Copies of the Administration Agreement and the Investment Agreement are available for examination at the offices of the Department.

Texas Mobility Fund Administration Agreement

Establishment of Accounts and Subaccounts. The Comptroller is required to establish and maintain accounts and funds within the Fund for the application of money with respect to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Creation of Accounts and Subaccounts Within the Mobility Fund."

Payment of Parity Debt. The Department will cause the transfer of money from the Interest and Sinking Account for the payments due on any particular series of Parity Debt for payment to the Paying Agent/Registrar. If the Commission and the Comptroller determine that there are not sufficient funds in the Fund available for payments due on Parity Debt, including the Bonds, the Comptroller, upon receipt of a warrant drawn from money available pursuant to the Constitutional Provision must transfer an amount of immediately available funds sufficient, together with funds then on deposit in the Fund, to pay such Parity Debt, at such time as will permit such Parity Debt to be timely paid.

Investments. Money held in the Fund will be invested in accordance with State law. At the request of the Department, the Comptroller, acting through the Safekeeping Trust, may assist the Department with the custody and investment of all or any portion of the Fund pursuant to the Investment Agreement. See " - Texas Mobility Fund Investment Agreement" below.

Certification. Certification Needed to Issue Additional Parity Debt. Under current State law, additional Parity Debt obligations may not be issued unless the Comptroller projects that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the Bonds are scheduled to be Outstanding, will be equal to at least 110% of the Annual Debt Service Requirements on the obligations proposed to be issued and all outstanding Parity Debt obligations. As provided in the Master Resolution, for the purposes of this certification, the Department's Chief Financial Officer will certify the outstanding and proposed Annual Debt Service Requirements. Certain payment obligations of the Commission that constitute Parity Debt (such as the Commission's obligation to reimburse the provider of any Credit Agreement for amounts drawn pursuant to such Credit Agreement, including the Liquidity Facility Provider for amounts drawn on the Liquidity Facility) and certain amounts, such as the anticipated BAB Subsidy Payments expected to be on deposit in the Interest and Sinking Account, are excluded from existing debt service requirements included in the Comptroller's certification. See "MOBILITY FUND REVENUE FINANCING PROGRAM - Application of Certain BAB Subsidy Payments". Under current State law, short-term obligations to be issued for the Program may not be issued unless the Comptroller: (i) assumes that the short-term obligations will be refunded and refinanced to mature over a 20-year period with level principal

requirements and bearing interest at then current market rates, as determined by the Comptroller and (ii) projects that the amount of money dedicated to the Fund pursuant to Article III, Section 49-k(e), Texas Constitution, and required to be on deposit in the Fund pursuant to Article III, Section 49-k(f), Texas Constitution, and the investment earnings on that money, during each year of the assumed 20-year period, will be equal to at least 110% of the Annual Debt Service Requirements.

Certification Needed to Determine Impact of Substituted Revenues. While Dedicated Revenues are pledged to the payment of Outstanding Parity Debt, the Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the Legislature dedicates a substitute source that is projected by the Comptroller to be of a value equal to or greater than the source being reduced, rescinded, or repealed and (ii) the Commission institutes a pledge of the State's full faith and credit to the payment of Outstanding Parity Debt. Revenues from any revenue source substituted by the Legislature will become part of Dedicated Revenues. For the Comptroller's latest projection of Dedicated Revenues estimating the net effect of legislative/executive actions impacting Dedicated Revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table 1: Texas Mobility Fund Historical and Estimated Revenues" and "- Table 2: Projected Debt Service Coverage for Parity Debt".

Texas Mobility Fund Investment Agreement

Investment of Mobility Fund Balances. Money held in the Fund may be invested (and reinvested) in any investments permitted by law for the investment of money on deposit in the State Highway Fund and in compliance with the Commission's Investment Policy. Pursuant to the Investment Agreement, investments may be made by the Comptroller, acting by and through the Safekeeping Trust, as determined by the Department. The money and investments of the Fund may be commingled with other funds held by the Safekeeping Trust to obtain the highest and best investment yield.

Treatment of Profits and Losses. All earnings and profits from an investment in the Fund must be credited to and deposited as received in the account or fund for which the investment was made. Likewise, all losses resulting from an investment will be charged against the account or fund for which the investment was made. If an investment is made for more than one account or fund, profits and losses will be credited or charged, as appropriate, pro rata among the accounts or funds for which the investment was acquired.

Liability. None of the Comptroller, the Safekeeping Trust, nor any Comptroller employee will be held liable for any action or omission to act pursuant to the Investment Agreement unless such action or omission to act is due to negligence or willful misconduct.

THE COMMISSION AND THE DEPARTMENT

The Commission

The State created the "State Highway Commission" on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of state highways and promoting the construction of a state highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the Legislature changed the name of the State Highway Commission to the "State Highway and Public Transportation Commission." In 1991, the Legislature changed the name again to the "Texas Transportation Commission," as it remains today. The Commission is the Department's policy-making body and is composed of five commissioners appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. Commissioners serve overlapping six year terms. One member is designated by the Governor as the Chair and serves as the chief executive officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person's spouse is employed by or manages a business that is regulated by or regularly receives funds from the Department; directly or indirectly owns or controls more than 10% interest in a business that is regulated by or receives funds from the Department; uses or receives a substantial amount of goods, services, or funds from the Department; or is registered, certified, or licensed by the Department.

The current members of the Commission are listed below.

Ted Houghton, Chairman

Mr. Houghton was appointed to the Commission by Governor Perry in December of 2003, and appointed as Chairman of the Commission in October of 2011. A native of El Paso, Mr. Houghton is self-employed in the

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

Ned S. Holmes, Commissioner

Ned S. Holmes was appointed to the Commission by Governor Perry in January of 2007. Mr. Holmes is chairman and CEO of Parkway Investments, a company that develops and manages real estate nationwide. He is a member of the Urban Land Institute, and he has previously served on the City of Houston's planning commission. Mr. Holmes served as chairman of the Port of Houston Authority from 1988 to 2000. In April 2003, Mr. Holmes was appointed by Governor Perry to the Texas Parks and Wildlife Commission. He resigned that position to serve on the Texas Transportation Commission. He also served as chairman, board member, and as an executive committee member of the Greater Houston Partnership, and as chairman of Commercial Bancshares, Inc. from 1986 to 2000, when the company merged with Prosperity Bancshares. He was chairman of Prosperity Bancshares, Inc. from 2001 to 2006. Mr. Holmes received his bachelor's degree and law degree from The University of Texas at Austin.

Fred Underwood, Commissioner

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

William Meadows, Commissioner

Mr. Meadows was appointed to the Commission by Governor Perry in April of 2008. Mr. Meadows is chairman of Hub International Rigg. He also served as vice chairman of the North Texas Tollway Authority. He is a past appointee to the Texas Water Development Board and formerly served as a city council member and mayor pro-tempore for the City of Fort Worth. Mr. Meadows currently serves as a trustee of the Hatton Sumners Foundation and the Southwestern Exposition and Livestock Show. He is a past board member of the Fort Worth Chamber of Commerce, Southwestern University, Fort Worth Country Day School, and Fort Worth Museum of Science and History. Mr. Meadows received a bachelor's degree from Southwestern University and attended the Harlaxton Institute in Grantham, England.

Jeff Austin, III, Commissioner

Mr. Austin was appointed to the Commission by Governor Perry in October of 2011, and is Vice Chairman of Austin Bank and Texas NA. He is a board member of First State Bank in Athens, Texas, and of Capital Bank in Houston, Texas, and a past president of First State Bank, Frankston. He is a board member and past chair of the Texas Bankers Association, a board member of the Bob Bullock Texas History Museum, a member of the American Bankers Association Government Relations Committee and the Bank CEO Network, an executive committee member and past director of the Texas Lyceum, and a Board member and a Past President and Scoutmaster of the East Texas Area Council of Boy Scouts. He was the presiding officer of the North East Texas Regional Mobility Authority, and board chair of the Tyler Area Chamber of Commerce. He is also a past board member of the Tyler Economic Development Corporation, the Better Business Bureau of East Texas, the University of Texas Tyler Business School Advisory Board, the UT Tyler Health Center Development Board, and the Trinity Mother Frances Hospital Foundation. Mr. Austin received a bachelor's degree and a master's degree in Business Administration from the University of Texas at Tyler, and is a graduate of the Southern Methodist University Southwestern Graduate and Intermediate Schools of Banking, and the Harvard Business School Advanced Management Program.

The Department

The Department is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the Legislature to administer federal funds for highway construction and maintenance. In

1975, the Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create the Department. In 2009, the Texas Legislature created the Department of Motor Vehicles as a separate State agency, and moved vehicle title and registration; motor carrier registration and enforcement; licensing of motor vehicle dealers, manufacturers, distributors, and other similar entities; and auto theft reduction efforts from the Department to the Department of Motor Vehicles.

The mission of the Department is to provide safe, effective, and efficient movement of people and goods, and the Department's vision is to be a progressive State transportation agency recognized and respected by the citizens of the State for: (i) providing comfortable, safe, durable, cost-effective, environmentally-sensitive, and aesthetically appealing transportation systems that work together; (ii) ensuring a desirable workplace that creates a diverse team of all kinds of people and professions; (iii) using efficient and cost-effective work methods that encourage innovation and creativity; and (iv) promoting a higher quality of life through partnerships with the citizens of the State and all branches of government by being receptive, responsible, and cooperative.

The Department is charged with (i) developing and maintaining a statewide multimodal transportation network, (ii) the licensing and regulation of motor vehicles, and (iii) other transportation-related duties. The Department's operations can be divided into five major categories:

(1) ***Plan It:*** Includes all planning, design, right-of-way acquisition for highways and other modes of transportation, and transportation research that saves lives and money.

(2) ***Build It:*** Includes highway and bridge construction and airport improvements.

(3) ***Use It:*** Includes items like public transportation, traffic safety, rail safety, and travel information.

(4) ***Maintain It:*** Includes the maintenance of roadways, bridges, airports, gulf waterways and ferry systems.

(5) ***Manage It:*** Includes central and regional administration, information resources, and other support services.

The Department is headquartered in Austin, Texas, with 29 divisions/offices, four regional offices, and 25 district offices located throughout the State. Each district is responsible for the planning, design, construction, maintenance, and operation of its area's transportation systems.

The Department is managed by an Executive Director, subject to and under the direction of the Commission. On October 17, 2011, Phil Wilson assumed the Executive Director position, and in November 2011, John Barton assumed the Deputy Executive Director and Chief Engineer position.

Phil Wilson, Executive Director

The Commission selected Phil Wilson as the Department's Executive Director, effective October 17, 2011. Wilson most recently served as Senior Vice President of public affairs for Luminant, an electric generation company headquartered in Dallas, and previously served as Texas Secretary of State. As Texas Secretary of State, Mr. Wilson was responsible for elections, and acted as the Governor's chief liaison on the Texas-Mexico border and issues with Mexico. He has also served as Chairman of the Governor's Competitiveness Council, where he helped identify ways the State could improve its economic position for continued long-term success. Mr. Wilson's public service also includes time as an aide to U.S. Senator Phil Gramm and on the senior staff of Governor Perry. During his time as Texas Secretary of State, Mr. Wilson led a number of transportation-related programs, including the Border Colonia Access Program and the Texas Interagency Work Group on the Texas and Mexico Border Affairs initiative. The Texas Secretary of State also serves as the State's chief economic development officer, and in that role, Wilson worked with Department professionals in bringing new opportunities to the State. As a chair of the Governor's Competitiveness Council, Mr. Wilson and his colleagues on the Council made several transportation recommendations to improve the State's competitiveness, including proposals to reexamine public-private partnerships, expand inland ports, repair and maintain the State's existing infrastructure, and advancement of rail relocation efforts.

John Barton, Deputy Executive Director and Chief Engineer

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

James M. Bass, Chief Financial Officer

As the Department's Chief Financial Officer ("CFO"), Mr. Bass has financial oversight responsibility for the Department. Mr. Bass also oversees management of the Department's financial planning operations division (the "Finance Division"), which now includes programming and scheduling of all transportation projects and letting management activities associated with project delivery, following the Department's reorganization in November 2007. In addition, recently announced changes in organizational responsibilities and executive administration of the Department gave the CFO oversight of toll operations, innovative finance and debt management (including the State Infrastructure Bank and investment functions), and grant management. Under his direction, the Finance Division develops and implements systems and policies related to accounting, forecasting, budgeting, payment for goods and services, and the processing of receipts and revenues. Mr. Bass began his career with the Department in 1985 in the Fort Worth District where he maintained records and audited field measurements. He also worked part-time as an engineering aide for the Austin District while earning his bachelor's degree in accounting from the University of Texas at Austin. After graduation in 1991, Mr. Bass served as an accounting clerk in the Finance Division. In 1997, Mr. Bass became a manager in the Budget and Forecasting Branch, and in that position was responsible for preparation of the Department's Legislative Appropriations Request and Operating Budget, and working with the Texas Legislative Budget Board, State Auditor's Office, and the Comptroller. He also worked on the Department's Cash Forecasting System for the State Highway Fund. Mr. Bass was named Finance Division Director in 1999 and his title was changed to Chief Financial Officer in 2005.

Brian Ragland, Finance Director

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

John Muñoz, Deputy Director, Finance Division

As Deputy Director of the Finance Division, Mr. Muñoz develops and implements systems and policies related to accounting, forecasting, budgeting, debt management, payment for goods and services, and the processing

of receipts and revenues. He is also a lead participant for the Department in the comprehensive development agreement process. During his 23 year tenure with the Department, Mr. Muñoz has worked in the audit, budgeting, payment processing, and administrative operations. Prior to his employment with the Department, Mr. Muñoz worked for the predecessor firm to KPMG performing audit and tax work. Mr. Muñoz earned a bachelor's degree in accounting from The University of Texas at Austin in 1986 and is also a Certified Public Accountant and Certified Internal Auditor.

Bob Jackson, General Counsel

Mr. Jackson assumed the position of General Counsel on September 15, 2006. Under his direction, the Office of General Counsel renders legal advice to the Commission and the Department. He also drafts Department rules, reviews legislation, serves as counsel at Commission meetings, and presides over public hearings. Mr. Jackson, who joined the Department 27 years ago as a planner in the Management Information, Policy and Research Section, has practiced law for 21 years. He earned his bachelor's degree in Government and Geography in 1980 and his master's degree in Public Affairs in 1985 from The University of Texas at Austin. He earned his law degree from the University of Houston Law School in 1990.

Sunset Review

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

Organizational Review of the Department

In 2009, pursuant to a recommendation from the Legislature, the Commission engaged Grant Thornton LLP ("Grant Thornton"), an independent accounting firm, to conduct a top-down management and organizational review of the Department. The final report was delivered to the Commission on May 26, 2010. Following receipt of this report, the Commission created the TxDOT Restructure Council to review and evaluate recommendations from the Grant Thornton report and other audits and reviews. On January 5, 2011, the TxDOT Restructure Council presented its final report of recommendations and priorities to the Commission including a recommendation to create two new positions of Chief Administrative Officer and Chief Information Officer. These two new positions have been filled. The Department is also pursuing a modernization program to implement the recommendations of the TxDOT Restructure Council. Additional information regarding the TxDOT Restructure Council and its final report can be found at http://ftp.dot.state.tx.us/pub/txdot-info/restructure/report_010511.pdf. (This website address is included herein as an active textual reference only, and the information contained on (or accessed through) such website is not incorporated herein and should not be construed as part of this Remarketing Memorandum.)

Recent Organizational Changes of the Department

In November 2011, the Executive Director streamlined the Department's organizational structure to allow the Department to more efficiently serve the public and in response to sunset review, Grant Thornton, and TxDOT Restructure Council recommendations. Each of the districts will now be categorized as metro, urban, or rural, and franchise models will be developed for each type of district to provide standards and methods for how each type of district will operate and work with its customers. Each district will then be free to manage within its applicable franchise model, but will report directly to the Executive Director. The resulting organization chart is currently considered to be transitional; the structure of the Department is expected to change further during 2012.

Other Financing Programs

In recent years, the Commission has implemented programs designed to accelerate development and construction of highways through the issuance of debt secured by and payable from the Mobility Fund and through the issuance of the State Highway Fund revenue bonds, obligations and other commitments. In addition, the Commission has implemented a policy designed to fund more projects over longer periods of time in order to fund

as many projects as possible through its "Strategic Priority Funds," thereby decreasing the annual cost by extending the period in which a project will be paid. The Commission is using a number of different vehicles to implement this strategy, including pass-through toll agreements and toll equity agreements. (Under previous practice, the Commission utilized its Strategic Priority Funds to develop and construct a relatively small number of projects within a three year time frame.)

Set forth below is a summary of several of the financing programs and financing alternatives that have been utilized and are available to the Commission (in addition to the Program) to finance, assist in the financing, or otherwise facilitate the development and construction of, highway projects. THE FINANCING PROGRAMS AND THE FUNDING SOURCES DESCRIBED BELOW ARE NOT PART OF THE MOBILITY FUND AND SUCH PROGRAMS DO NOT PROVIDE A SOURCE OF SECURITY FOR OBLIGATIONS OF THE MOBILITY FUND, INCLUDING PARITY DEBT. NEITHER THE MOBILITY FUND, THE DEDICATED REVENUES, NOR THE SECURITY ARE PLEDGED TO SECURE PAYMENT OF ANY OBLIGATIONS DESCRIBED UNDER THIS CAPTION.

Texas Turnpike Authority. The "Texas Turnpike Authority Division" (the "TTA") is a division of the Department and is controlled and governed by the Commission. As originally created in 1997, TTA had a separate board of directors, but this board was abolished by the Legislature in 2001, and all duties of the board were given to the Commission. The Commission, using the resources of TTA and the other resources of the Department, has the statutory authority to study, plan, design, construct, finance, operate, and maintain turnpikes in all 254 counties in the State. The projects of TTA are part of the State Highway System. The Commission has the authority to issue turnpike revenue bonds to pay all or a part of the costs of a turnpike project, to enter into certain comprehensive development agreements for projects, and to acquire right-of-way. There are currently three issues of debt outstanding associated with the TTA and the Central Texas Turnpike System: First Tier Revenue Bonds, Series 2002-A; First Tier Revenue Refunding Put Bonds, Series 2009; and a Secured Loan Agreement entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA"), evidenced by a 2002 TIFIA bond. As of August 31, 2011, such debt obligations total approximately $2.2 billion and no additional TTA debt has been issued since that date. Bonds issued by the Commission under the TTA are not part of the Program and are not secured by the Security.

State Highway Fund – Senior Obligations. The Texas Constitution (Article III, Section 49-n) and the Texas Transportation Code (Section 222.003) were amended in 2003 to authorize the Commission to issue bonds and other public securities and enter into credit agreements related thereto (collectively, "State Highway Fund Revenue Obligations") secured by a pledge of and payable from revenue deposited to the credit of the State Highway Fund ("State Highway Fund") to fund improvements to the State Highway System. Under current law, $6 billion maximum aggregate principal amount of State Highway Fund Revenue Obligations is authorized to be issued pursuant to Section 222.003. As of August 31, 2011, the Commission had issued $4.6 billion of State Highway Fund Revenue Obligations, of which an aggregate principal amount of $4,078,455,000 was outstanding. Approximately $1.4 billion of State Highway Fund Revenue Obligations remain authorized but unissued under current law. State Highway Fund Revenue Obligations are not part of the Program and are not secured by the Security.

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

The Commission established a commercial paper program pursuant to Section 201.115 in 2005 in the maximum authorized amount of $500 million. The Department intends to utilize the commercial paper program to facilitate efficient cash management operations in the State Highway Fund in response to fluctuations in the cash balance of the State Highway Fund as a result of the cyclical nature and uncertain timing of deposits into and payments out of the State Highway Fund. As of August 31, 2011, no commercial paper notes were outstanding.

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

SB 1, 82nd Legislature, First Called Session (2011), provides for the delay of the distribution from the State's General Revenue Fund to the State Highway Fund of the last two months of motor fuels taxes collected at the end of Fiscal Year 2013 until the beginning of the following fiscal year. The Department expects that commercial paper or other short term borrowing will be used to address this temporary cash flow shortfall to the State Highway Fund, if necessary. Obligations issued by the Commission pursuant to Section 201.115 or Sections 201.961, et seq. are not part of the Program and would not be secured by the Security.

State Highway Fund - Other Obligations and Commitments. In addition to the State Highway Fund financing programs described above, there are a number of obligations and commitments that the Commission and the Department have incurred and expect to incur in the future and that are to be paid or are expected to be paid from the State Highway Fund. Some of these long-term obligations and commitments are described below.

- *Central Texas Turnpike System.* The Central Texas Turnpike System is a Department project that has been completed, but the Department anticipates making contributions to on-going operations and maintenance expenses for this project over the next three years at approximately $40 million per year.

- *Toll Equity Obligations.* Section 222.101 of the Texas Transportation Code authorizes the Department to spend money, including the State Highway Fund, for the construction, maintenance, and operation of toll facilities. Under Texas Transportation Code, Section 222.103 ("Section 222.103"), and pursuant to the terms and conditions established by the Commission, the Department may participate in the acquisition, construction, maintenance, or operation of a toll facility with a public or private entity authorized by State law to construct or maintain a toll facility. Section 222.103 requires the Commission to recoup any money spent by the Department for the cost of a toll facility owned by a private entity. In contrast, Section 222.103 provides the Commission with the option of requiring repayment of any money spent by the Department for the cost of a publicly-owned toll facility. Thus, money provided by the Department under Section 222.103 may be in the form of loans (to either public or private entities) or grants (to public entities only).

Current law limits the amount of money that the Department may grant each fiscal year under Section 222.103 to no more than the amount that, together with amounts granted for the preceding four fiscal years, results in an average annual expenditure of $2 billion. Toll equity loans under Section 222.103 are not included in the calculation of the limitation. The Commission anticipates entering into additional toll equity agreements in the future, and it is currently anticipated that all toll equity obligations will be funded from dedicated funds.

As of August 31, 2011, toll equity grants and loans approved by the Commission totaled $801 million and $4,274 million, respectively, of which $448 million had been disbursed. The Department is obligated to disburse up to approximately $442 million pursuant to such toll equity agreements for the period Fiscal Year 2012 through Fiscal Year 2014. The above amounts exclude the amount approved in September 2011 for the Chisholm Trail Parkway ("CTP"), in the supplement (the "Supplement") to the toll equity loan agreement (the "TELA") with the North Texas Tollway Authority (the "NTTA"). The toll equity loan commitment provided by the Commission under the TELA, including the Supplement, for NTTA's "Special Projects System," which includes State Highway 161 and the CTP project, is an amount not to exceed $6,020,333,650 (the "Maximum Available Aggregate Amount"). The Maximum Available Aggregate Amount represents the aggregate amount of project costs that the Department may pay or reimburse under applicable law, and represents the aggregate amount of funds that the Department may be required to advance.

The payments by the Department pursuant to any toll equity loan agreement (including the TELA and the Supplement) is subject to appropriation, and such payments are subordinate to (i) State Highway Fund Revenue Obligations, which will have a prior lien on State Highway Fund revenues, and (ii) subordinate obligations issued or

incurred as described above, and payable from the State Highway Fund. Toll equity obligations are not part of the Program and are not be secured by the Security.

- *Pass-Through Toll Agreements*. Pursuant to Section 222.104, Texas Transportation Code, the Department may enter into an agreement with a public or private entity that provides for the payment of a per vehicle fee or a per vehicle mile fee that is determined by the number of vehicles using a highway ("Pass-Through Tolls") to the public or private entity as reimbursement for the design, development, financing, construction, maintenance, or operation of a toll or non-toll facility on the State Highway System by the public or private entity. The Department may use any available funds for the purpose of making a Pass-Through Toll payment. It is currently anticipated that all Pass-Through Toll commitments will be paid from the State Highway Fund.

As of August 31, 2011, the Department had executed 32 pass-through toll agreements with terms ranging from four to 20 years and total payments due from the Department of approximately $1.7 billion. The $1.7 billion will be paid out in either semiannual or annual payments, and the total minimum reimbursement per year is approximately $116 million and the total maximum reimbursement per year is approximately $192 million. Pass-through toll obligations are not part of the Program and are not secured by the Security.

State Infrastructure Bank. Under Subchapter D of Chapter 222, Texas Transportation Code, the Commission may issue revenue bonds for the purpose of providing money for the "State Infrastructure Bank." Such revenue bonds are special obligations of the Commission payable only from income and receipts of the State Infrastructure Bank and do not constitute a debt of the State or a pledge of the full faith and credit of the State. Obligations issued by the Commission for the State Infrastructure Bank are not part of the Program and would not be secured by the Security. No State Infrastructure Bank revenue obligations have been issued to date.

Private Activity Bonds. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), amended section 142 of the Internal Revenue Code to permit the use of up to $15 billion of tax-exempt private activity bonds ("PABs") to finance facilities for qualified highway or surface freight transfer projects. On October 30, 2008, the Commission approved the creation of the Texas Private Activity Bond Surface Transportation Corporation (the "Corporation") as a transportation corporation under Chapter 431, Texas Transportation Code, for the purpose of issuing PABs for transportation projects developed or to be developed under comprehensive development agreements entered into by the Department. On December 17, 2009, the Corporation issued its $400,000,000 "Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project), Series 2009 (Tax-Exempt)" and on June 22, 2010, the Corporation issued $615,000,000 of its "Senior Lien Revenue Bonds (LBJ Infrastructure Group LLC IH-635 Managed Lanes Project) Series 2010 (Tax-Exempt)". PABs issued by the Corporation are not part of the Program, are not secured by the Security, and are not a debt of the State, Commission, or the Department. Any additional PABs that may be issued in the future by the Corporation would not be issued as part of the Program and would neither be secured by the Security nor be a debt of the State, Commission, or the Department.

State General Obligation Bonds to Fund Highway Improvements. Pursuant to Article III, Section 49-p(a), Texas Constitution, and Section 222.004, Texas Transportation Code, the Commission has the authority to issue State general obligation bonds in an amount not to exceed $5 billion to provide funding for highway improvement projects. In 2010, the Commission issued $977,810,000 of its Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, and is currently preparing to issue up to an additional $4 billion in Highway Improvement General Obligation Bonds. These bonds and other such bonds that may be issued in the future were not and will not be issued as part of the Program, and are not and will not be secured by the Security, but they will be secured by the full faith and credit of the State.

LEGAL MATTERS

Legal Opinions

Attached hereto as "APPENDIX C - Original Opinion of Bond Counsel", is the form of opinion that Bond Counsel rendered in connection with the initial delivery of the Bonds. As a condition to the remarketing of the Bonds upon the substitution of the liquidity facility, McCall, Parkhurst & Horton L.L.P. will render an opinion to the Commission, the Remarketing Agent and the Tender Agent to the effect that the substitution (i) is permitted under the Acts, the Master Resolution and the Second Supplement and (ii) will not adversely affect any exclusion of interest on any Bond from gross income of the owner for federal income tax purposes. See "APPENDIX D - Form

of Supplemental Opinion of Bond Counsel". The payment of legal fees to Bond Counsel in connection with the remarketing of the Bonds is contingent on the sale and delivery thereof.

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

Litigation

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Commission, threatened) that affects the validity of the Bonds or the pledge of the Pledged Revenues.

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Bonds or the Security for the Bonds. In the opinion of the State Comptroller of Public Accounts, based on information provided by the State Attorney General as to the existence and legal status of such proceedings, none of such proceedings, except for those disclosed in APPENDIX A, if finally decided adversely to the State, would have a materially adverse effect on the long term financial condition of the State. See "APPENDIX A – The State."

Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. Currently, the Bonds meet the Public Funds Investment Act rating requirement. See "RATINGS." In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of $1,000,000 or more, and savings and loan associations. The Bonds 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 Commission has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

TAX MATTERS

Original Opinion and Supplemental Opinion

At the time of the original delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Commission, rendered its opinion that, as of the date thereof, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Bonds is excludable from the "gross income" of the owners thereof for federal income tax purposes and (ii) the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). See "APPENDIX C – Original Opinion of Bond Counsel".

As a condition to the remarketing of the Bonds upon the substitution of the Original Liquidity Facility with the Liquidity Facility, McCall, Parkhurst & Horton L.L.P. will render an opinion to the Commission, the Remarketing Agent, and the Tender Agent to the effect that the substitution (i) is permitted under the Acts, the

Master Resolution and the Second Supplement and (ii) will not adversely affect any exclusion of interest on any Bond from gross income of the owner for federal income tax purposes. See "APPENDIX D - Form of Supplemental Opinion of Bond Counsel".

Except as stated above, Bond Counsel to the Commission has not expressed and will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds, including any opinion relating to the status of the Bonds, as of the conversion date, as obligations described in section 103 of the Code.

In rendering its opinions, Bond Counsel to the Commission relied upon (i) information furnished by the Commission, and particularly written representations of officers and agents of the Commission with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, the construction, use and management of projects financed with Bond proceeds and (in the case of the opinion to be rendered on the Substitution Date) the use of the proceeds of and the property financed by the Bonds and (ii) covenants of the Commission with respect to arbitrage, the application of the proceeds received from the issuance and sale of the Bonds and certain other matters. Failure to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of initial issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the Commission with respect to the Bonds or the property financed with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinions of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Commission as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability. See "APPENDIX C – Original Opinion of Bond Counsel."

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds is an item of tax preference, as defined in section 55 of the Code, for purposes of determining the alternative minimum tax imposed on individuals and corporations by section 55 of the Code.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted

cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

State, Local, and Foreign Taxes

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

GENERAL INFORMATION REGARDING THE STATE

Bond Appendix

The Texas Comptroller of Public Accounts prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The Bond Appendix is dated February 2012 and is incorporated herein as described in "APPENDIX A – The State." See "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

2010 State CAFR

The Texas 2010 Comprehensive Annual Financial Report for the year ended August 31, 2010 (the "2010 CAFR") is currently on file with the MSRB through its Electronic Municipal Markets Access ("EMMA") system. The 2010 CAFR is incorporated by reference and made a part of this Remarketing Memorandum as if set forth herein. The 2010 CAFR may be found (i) using the MSRB's internet web site, www.emma.msrb.org, by using the Muni Search function and entering the term "Texas Comptroller" or (ii) at www.window.state.tx.us/fm/pubs/cafr.

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of $250,000, if the resulting annual debt service exceeds 5% of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. See "APPENDIX A – The State" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General Obligation Pledge."

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission Related to the Program

General. In connection with the remarketing of the Bonds, the Commission has entered into a continuing disclosure undertaking for the benefit of the Owners and Beneficial Owners of the Bonds. The Commission is required to observe the provisions of the undertaking for so long as it remains obligated to advance funds to pay the Bonds. Under the undertaking, the Commission will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. This information will be available to investors by the MSRB through its Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

Annual Reports. The Commission will provide certain updated financial information and operating data to the MSRB, in an electronic format as prescribed by the MSRB, annually. The information to be updated includes: (i) any revenue forecast performed by the Comptroller upon the issuance of additional obligations payable from the Fund; (ii) any revenue forecast performed by the Comptroller upon the substitution by the Legislature of any of the Dedicated Revenues with any other revenue source, substantially in the form of Table 1 herein; and (iii) for each fiscal year, an audited financial report of the Fund prepared in accordance with generally accepted accounting principles. The Commission will update and provide this information within six months after the end of each fiscal year.

The Commission 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 information, if the Commission requests an audit and it is completed by the required time. If audited financial information is not available by the required time, the Commission will provide unaudited financial information by the date required, and will provide audited financial information when the audited financial information becomes available. Any such financial information will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Commission may be required to employ from time to time pursuant to State law or regulation.

The Commission's current fiscal year end is August 31. Accordingly, it must provide updated information within six months thereof unless the Commission changes its fiscal year. If the Commission changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices. The Commission will also notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material within the meaning of the federal securities laws; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; (viii) Bond calls, if material within the meaning of federal securities laws; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar events of the Commission; (xiii) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws. In addition, the Commission will provide timely notice of any failure by the Commission to provide information, data, or financial statements in accordance with its agreement described above under "– Continuing Disclosure Undertaking of the Commission Related to the Program - Annual Reports."

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government in compliance with the Rule, and the Comptroller and the Bond Review Board have agreed for the benefit of the Owners of the Bonds, to provide certain updated information and notices while such Bonds remain outstanding. The Commission and the legal and beneficial owners of such Bonds are third-party beneficiaries of the agreement. The State is required to observe this agreement for so long as such Bonds may be paid from money drawn on the State's General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors designated by the SEC under the Rule to be provided such annual financial information and operating data and notices of specified material events (each, a "Repository"). Currently, the MSRB is the sole Repository under the Rule.

In addition, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. This disclosure appendix is incorporated herein as described in "APPENDIX A – The State." The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement of the information to the MSRB. In addition, the Comptroller currently publishes, but is not obligated to publish, a monthly publication, ***Fiscal Notes***, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Owners may subscribe to Fiscal Notes by writing to Fiscal Notes, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained by contacting the Comptroller's ***BBS Window on State Government*** via the Internet at www.cpa.state.tx.us or at www.window.state.tx.us.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to each Repository annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in "APPENDIX A – The State" to this Remarketing Memorandum in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each fiscal year. Currently, the Comptroller will provide such updated information only to the MSRB as the sole Repository under the Rule.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet web site or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current fiscal year end is August 31. Accordingly, the Comptroller must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Material Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its agreement described above under "– Continuing Disclosure Undertaking of the Comptroller - Annual Reports." Each notice described in this paragraph will be provided to the MSRB as the sole Repository under the Rule.

Availability of Information

The Commission and the Comptroller have agreed to provide the foregoing financial and operating information only as described above. The Commission and the Comptroller will be required to file their respective continuing disclosure information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Commission and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Commission's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person's continuing disclosure agreement or from any statement made pursuant to such person's agreement, although Owners of Bonds may seek a writ of mandamus to compel the Commission and the Comptroller to comply with their agreements.

The Commission and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in the identity, nature, status, or type of operations of the Commission or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the initial offering thereof in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Commission, the Comptroller, and the State (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. If the Commission or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "– Continuing Disclosure Undertaking of the Commission Related to the Program - Annual Reports" and "– Continuing Disclosure Undertaking of the Comptroller Related to the Program - Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Commission and the

Comptroller may also amend their continuing disclosure agreements if the SEC amends or repeals the applicable 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 such amendment would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

Compliance With Prior Undertakings

During the last five years, neither the Commission nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with the Rule.

OTHER INFORMATION

Ratings

[The Bonds are currently rated "F-1+" by Fitch Ratings, "VMIG-3" (not on watch) by Moody's Investors Service, Inc., and "A-2" (stable outlook) by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, a subsidiary of The McGraw-Hill Companies, Inc.] 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 the ratings are given, and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by 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 Bonds.

Remarketing

Jefferies & Company, Inc. (the "Remarketing Agent") has agreed, subject to certain customary conditions, to remarket the Bonds for the Commission. The Remarketing Agent will be obligated to remarket all of the Bonds. Pursuant to the provisions of the Resolution, the Remarketing Agent will certify the interest rate on the Bonds to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds in the same Mode in a secondary market transaction on and as of the date of the remarketing, at par.

Forward-Looking Statements

The statements contained in this Remarketing Memorandum, and in any other information provided to the reader by the Commission and the Comptroller that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Commission's and the Comptroller'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 Remarketing Memorandum are based on information available to the Commission and the Comptroller on the date hereof, and the Commission and the Comptroller assume no obligation to update any such forward-looking statements. It is important to note that the Commission's and the Comptroller's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various 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 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 many of which are beyond the control of the Commission and the Comptroller. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Remarketing Memorandum will prove to be accurate.

Certification of Remarketing Memorandum

The financial and other information contained herein have been obtained from the Commission's records and other sources which are deemed reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and the Resolution contained in

this Remarketing Memorandum are made subject to all of the provisions of such statutes, documents, and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes and documents for further information. Reference is made to original documents in all respects.

At the time of payment for and delivery of the Bonds, the Commission will be furnished a letter from the State, signed on behalf of the State by the Comptroller, upon which the Remarketing Agent will be authorized to rely, to the effect that (i) the statements and data appearing in the financial information referred to in APPENDIX A hereto did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein not misleading and have been obtained from sources which she believes to be reliable and (ii) the Comptroller has agreed to provide continuing disclosure for the benefit of the Commission and the legal and beneficial owners of the Bonds, to provide, with respect to the State, updated financial information and operating data of the type referred to in APPENDIX A hereto and timely notice of certain material events.

Financial Advisor

Estrada Hinojosa & Company, Inc. is serving as the Financial Advisor to the Commission (the "Financial Advisor") in connection with the remarketing of the Bonds. The Financial Advisor's fee for services rendered with respect to the remarketing of the Bonds is not contingent upon the sale and delivery of the Bonds. The Financial Advisor has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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Approval of Remarketing Memorandum

The Commission has approved the form and content of this Remarketing Memorandum, and has authorized its use in the remarketing of the Bonds by the Remarketing Agent. Questions regarding this Remarketing Memorandum may be directed to Mr. James M. Bass, Chief Financial Officer, Texas Department of Transportation, 125 East 11th Street, Austin, Texas 78701, (512) 305-9507, telecopy (512) 463-0283, or electronic mail james.bass@txdot.gov.

TEXAS TRANSPORTATION COMMISSION

By *\/s/ James M. Bass*
Chief Financial Officer
Texas Department of Transportation

APPENDIX A

THE STATE

Appendix A dated February 2012 is currently on file with the MSRB, and is hereby incorporated by reference and made a part of this Remarketing Memorandum. Such Appendix A may also be obtained from the Comptroller's web site at www.cpa.state.tx.us/treasops/bondapp.html until the Comptroller posts an updated version of such Appendix A.

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APPENDIX B

SELECT PROVISIONS OF THE RESOLUTION

The following capitalized terms appearing in this Remarketing Memorandum have the meanings set forth below, unless the context otherwise requires. A reference to any of these terms in the singular number includes the plural and vice versa.

Select Definitions in the Master Resolution and the Second Supplemental Resolution

"Alternate Liquidity Facility" means a Credit Agreement issued pursuant to Section 7.01 of the Second Supplemental Resolution to provide liquidity support for the Bonds.

"Alternate Rate" means, as of any Rate Determination Date, The Bond Market Association Municipal Swap Index (the "BMA Index") released by Municipal Market Data to its subscribers. In the event that at any time Municipal Market Data ceases to announce the BMA Index, makes a material change in the method of calculating the BMA Index, or in any other way materially modifies the BMA Index, the Remarketing Agent may make such calculations as may be required to determine the relevant index using a formula and method of calculating such relevant index that it reasonably believes will produce the rate that would have been produced by Municipal Market Data as in effect prior to such cessation, change or modification.

"Annual Debt Service Requirements" means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Parity Debt coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Commission on such Parity Debt, or be payable in respect of any required purchase of such Parity Debt by the Commission) plus (ii) all payments required to be made by the Commission under each Credit Agreement constituting Parity Debt (net of any credits as provided in (7) below) in such Fiscal Year, and minus (iii) all amounts on deposit to the credit of the Interest and Sinking Account from original proceeds from the sale of Parity Debt or from any other lawfully available source (other than moneys that would constitute Pledged Revenues in the subject annual period) and, for such purposes, any one or more of the following rules shall apply at the election of the Commission; provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Parity Debt:

(1) Committed Take Out. If the Commission has entered into a Credit Agreement constituting Parity Debt and constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such debt is subject to required purchase, all pursuant to arrangements whereby the Commission's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharge or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added to such calculation, and the remaining provisions of this definition shall be applied to such added Funded Debt;

(2) Balloon Debt. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, "Principal"), of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Commission) in any Fiscal Year either is equal to at least 25% of the total Principal of such Funded Debt or exceeds by more than 50% the greatest amount of Principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of Principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the Principal of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an Authorized Representative shall deliver to the Commission an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Commission has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of, premium, if any, and interest on Parity Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, if any, or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Parity Debt;

(5) Variable Rate. As to any Parity Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement, at the election of the Commission, the interest rate for such Parity Debt shall be determined to be either (i) an interest rate equal to the average rate borne by such Parity Debt (or by comparable debt in the event that such Parity Debt has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Parity Debt bears interest at tax-exempt rates, an interest rate equal to the 24 month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the Commission determines most closely replicates such index as set forth in a certificate of an Authorized Representative, (iii) if the Parity Debt bears interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, or (iv) that interest rate which, in the judgment of the Chief Financial Officer, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Parity Debt, is the average rate anticipated to be in effect with respect to such Parity Debt or (v) that interest rate which, in the judgment of the Chief Financial Officer, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement in accordance with paragraph 7 of this definition, is the average rate anticipated to be in effect;

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Parity Debt issued as Short-Term Obligations, the debt service on such Parity Debt shall be calculated assuming that such Parity Debt will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates; provided, however, that to the extent permitted by law, if in the judgment of the Chief Financial Officer, as set forth in an Officer's Certificate delivered to the Commission, the result of the foregoing calculation is inconsistent with the reasonable expectations of the Commission, the interest on such Parity Debt shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(7) Credit Agreement Payments. If the Commission has entered into a Credit Agreement in connection with an issue of Parity Debt, payments due under any such Credit Agreement (other than payments for fees and expenses) from either the Commission or the provider of a Credit Agreement shall be included in such calculation, except to the extent that the payments are already taken into account under clauses (1) through (6) above and any payments otherwise included under clauses (1) through (6) above which are to be replaced by payments under such a Credit Agreement, from either the Commission or the provider under a Credit Agreement, shall be excluded from such calculation.

"*Authorized Denominations*" means, [for Bonds in the Weekly Mode] $100,000 and any integral multiple of $5,000 in excess thereof.

"*Authorized Representative*" means the Executive Director, each Deputy Executive Director and each Assistant Executive Director of the Department or such other individuals so designated by the Commission to perform the duties of an Authorized Representative under the Master Resolution.

"*Chief Financial Officer*" means the Chief Financial Officer of the Department, the Deputy Director of the Finance Division of the Department, the Debt Management Director of the Department or such other officer or employee of the Department or such other individual so designated by the Commission to perform the duties of Chief Financial Officer under the Master Resolution.

"Debt" means all indebtedness of the Commission payable from the Security that is also:

(1) indebtedness incurred or assumed by the Commission for borrowed money (including all obligations arising under Credit Agreements) and all other financial obligations of the Commission that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Commission, or that is in effect guaranteed, directly or indirectly, by the Commission through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge, or other security interest upon property owned by the Commission whether or not the Commission has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the Commission, only outstanding Debt shall be included. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Department in prior Fiscal Years.

"Dedicated Revenues" means (i) from the periods and to the extent set forth below, the moneys generated from the below listed sources, each of which has been dedicated by the State legislature to the Mobility Fund pursuant to the Constitutional Provision and other State law; (ii) all moneys hereafter dedicated to the Mobility Fund by the Legislature; (iii) any other moneys substituted pursuant to the Constitutional Provision and Section 2(d) of the Master Resolution; and (iv) all amounts in the Mobility Fund attributable to such moneys, including investment income, as follows:

(1) The "United We Stand" specialty license plate fees provided for in Section 504.628 of the Texas Transportation Code;

(2) Beginning September 1, 2008, $15 of the Motor Vehicle Title Fees provided for in Section 501.138 of the Texas Transportation Code;[1]

(3) 67% of the state traffic fines received by the Comptroller for Fiscal Years 2004 and 2005 as provided for in Section 542.4031 of the Texas Transportation Code and beginning September 1, 2005 to the extent amounts of the dedicated portion of such fines combined with 49.5% of the annual surcharges as provided for in Section 708.053 of the Texas Transportation Code and Section 780.002 of the Texas Health and Safety Code exceeds $250 million in any Fiscal Year;

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[1] The Mobility Fund portion of the Non-attainment Area Fee Amount will increase to $20 on September 1, 2015. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Major Sources."

(4) 49.5% of the collected annual surcharge for Fiscal Years 2004 and 2005 as provided for in Section 708.053 of the Texas Transportation Code and Section 780.002 of the Texas Health and Safety Code and beginning September 1, 2005 to the extent amounts of the dedicated portion of such surcharge combined with 67% of the State traffic fines as provided for in Section 542.4031 of the Texas Transportation Code exceeds $250 million in any Fiscal Year;

(5) Beginning September 1, 2006, the license record fees provided for in Subchapter C of Chapter 521 of the Texas Transportation Code;

(6) Beginning September 1, 2007, the license reinstatement and reissuance fees provided for in Section 521.313 of the Texas Transportation Code;

(7) Beginning September 1, 2007, the license reinstatement and reissuance fees after conviction related to certain fraudulent records provided for in Section 521.3466 of the Texas Transportation Code;

(8) Beginning September 1, 2007, the license and certificate fees provided for in Subchapter R of Chapter 521 of the Texas Transportation Code;

(9) Beginning September 1, 2007, the commercial driver's license or commercial driver learner's permit fees provided for in Section 522.029 of the Texas Transportation Code;

(10) Beginning September 1, 2007, the license reinstatement and reissuance fees after administrative suspension of driver's license for failure to pass test for intoxication provided for in Section 524.051 of the Texas Transportation Code;

(11) Beginning September 1, 2005, the inspection and certification fees provided for in Subchapter H of Chapter 548 of the Texas Transportation Code;

(12) Beginning September 1, 2005, an administrative penalty imposed under Section 644.153 of the Texas Transportation Code;

(13) Beginning September 1, 2007, the reinstatement of license or issuance of new license fees provided for in Section 724.046 of the Texas Transportation Code; and

(14) To the extent permitted under Chapter 370, Texas Transportation Code, any surplus revenue of a regional mobility authority for any given year that such surplus is allocated to the Mobility Fund.

"Department Representative" means The Executive Director or the Chief Financial Officer of the Department.

"Expiration Date" means the scheduled expiration date of the Liquidity Facility, as such date may be extended from time to time as provided therein, or the date on which such Liquidity Facility shall terminate pursuant to an election to terminate by the Commission. The term "Expiration Date" shall not mean any date upon which such Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Series 2005-B Bonds are converted to a Daily Rate Mode, a Weekly Rate Mode, a Commercial Paper Mode or a Term Rate Mode or the expiration of such Liquidity Facility by reason of the obtaining of an Alternate Liquidity Facility.

"Highest Lawful Rate" means the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Commission in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended, or any successor provisions).

"Interest Period" means the period of time that any interest rate remains in effect, which period....(iii) with respect to Series 2005-B Bonds in the Weekly Mode, shall be the periods from and including the Issuance Date (if initially issued in the Weekly Mode) or the Mode Change Date that they began to bear interest at the Weekly Rate to

and including the following Tuesday, and thereafter, commencing on each Wednesday to and including Tuesday of the following week....

"*Liquidity Amount*" means at any time and with respect to: (i) Commercial Paper Rate Bonds, an amount equal to the aggregate principal amount thereof then Outstanding plus an interest amount equal to at least 270 days' interest thereon calculated at the Maximum Rate (for Series 2005-B Bonds other than Purchased Bonds) on the basis of a 365-day year for the actual number of days elapsed; (ii) Series 2005-B Bonds bearing interest at the Daily Rate or the Weekly Rate, an amount equal to the aggregate principal amount of the Series 2005-B Bonds then Outstanding plus an interest amount equal to 35 days' interest thereon calculated at the Maximum Rate (for Series 2005-B Bonds other than Purchased Bonds) on the basis of a 365-day year for the actual number of days elapsed and (iii) Series 2005-B Bonds bearing interest at the Term Rate an amount equal to the aggregate principal amount of the Series 2005-B Bonds then Outstanding plus an interest amount equal to 180 days' interest thereon calculated at the Maximum Rate (for Series 2005-B Bonds other than Purchased Bonds) on the basis of a 360-day year composed of twelve 30-day months.

"*Mandatory Purchase Date*" means (i) the Purchase Date of Series 2005-B Bonds in the Commercial Paper Mode or the Term Rate Mode, (ii) any Mode Change Date, (iii) the Substitution Date, (iv) the Expiration Tender Date and (v) the Termination Tender Date.

"*Maximum Rate*" means, for the Series 2005-B Bonds other than Purchased Bonds, the lesser of (i) 12% per annum or (ii) the Highest Lawful Rate; with respect to Purchased Bonds, as provided in the Liquidity Facility.

"*Maturity*," when used with respect to the Bonds, means the scheduled maturity.

"*Non-Recourse Debt*" means any debt secured by a lien (other than a lien on the Security), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to the Security.

"*Notice Parties*" means the Commission, the Paying Agent, the Remarketing Agent, the Tender Agent, the Rating Agencies, the Auction Agent, all Broker-Dealers and the Liquidity Facility Issuer.

"*Outstanding*" when used with respect to Parity Debt means, as of the date of determination, all Parity Debt theretofore delivered under the Master Resolution or any Supplement, except:

(1) Parity Debt theretofore cancelled and delivered to the Commission or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Debt deemed to be Defeased Debt;

(3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to the Master Resolution or any Supplement; and

(4) Parity Debt under which the obligations of the Commission have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that unless the same is acquired for purposes of cancellation, Parity Debt owned by the Commission and Parity Debt purchased with funds advanced pursuant to a Credit Agreement shall be deemed to be Outstanding as though it was owned by any other owner.

"*Outstanding Principal Amount*" means, as of any record date established by a Registrar in connection with a proposed amendment of the Master Resolution or any Supplement, with respect to all Parity Debt or to a series of Parity Debt that is in the form of bonds, notes, or other similar instruments that have a stated principal amount, the outstanding and unpaid principal amount of such Parity Debt on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted, or compounded interest only at maturity and, with respect to Credit Agreements shall total the amount, if any, then due

under such Credit Agreement if it was to be terminated as of the date of calculation of Outstanding Principal Amount.

"Parity Debt" means all Debt of the Commission which may be issued or assumed in accordance with the terms of the Master Resolution and a Supplement, secured by a first lien on and pledge of the Security.

"Pledged Revenues" means (i) all Dedicated Revenues, (ii) all Repayments included in Pledged Revenues pursuant to a Supplement, (iii) all other amounts received by the Commission under any Collateral Documents, (iv) all Sale Proceeds, and (v) all amounts received by the Commission as income, profits, or gain on investments of money held in the Mobility Fund; provided, however, amounts in the Bond Proceeds Account and any other accounts or subaccounts so excluded pursuant to any Supplement shall not constitute Pledged Revenues.

"*Purchase Date*" means with respect to any Series 2005-B Bond (i) in the Commercial Paper Mode, the Term Rate Mode or the Fixed Rate Mode (for Series 2005-B Bonds in a Fixed Rate Mode described in Section 6.04(b) hereof), the Business Day after the last day of the Interest Period applicable thereto and (ii) during the Daily Mode or Weekly Mode, any Business Day upon which such Series 2005-B Bond is tendered or deemed tendered for purchase pursuant to Section 6.01 of the Second Supplemental Resolution.

"*Purchase Fund*" means the fund that may be established pursuant to Section 6.07 of the Second Supplemental Resolution.

"*Purchase Price*" means, with respect to any Series 2005-B Bonds, 100% of the principal amount thereof plus accrued interest, if any, to and including the date of such purchase, provided however, that if the purchase is made on an Interest Payment Date, the Purchase Price shall not include accrued but unpaid interest, and provided further, however, that the Purchase Price shall not include premium in the case of Series 2005-B Bonds subject to mandatory tender for purchase on a date when such Series 2005-B Bonds are also subject to optional redemption at a premium.

"*Purchased Bond Rate*" means the interest rate on Purchased Bonds as provided in Section 3.03(c) of the Second Supplemental Resolution, and as defined in the Liquidity Facility.

"*Purchased Bonds*" means Series 2005-B Bonds that are purchased on a Purchase Date or Mandatory Purchase Date with immediately available funds transferred to the Tender Agent from amounts available under the Liquidity Facility pursuant to Section 6.09(b) of the Second Supplemental Resolution.

"*Rate Determination Date*" means any date on which the interest rate on any Series 2005-B Bonds is required to be determined, being: (i) in the case of any Commercial Paper Rate Bond, the first day of each Interest Period; (ii) in the case of Series 2005-B Bonds in the Daily Mode, each Business Day; (iii) in the case of Series 2005-B Bonds in the Weekly Mode, for any Interest Period commencing on any Mode Change Date, the Business Day immediately preceding the respective Mode Change Date, and for other Interest Periods thereafter, each Tuesday or, if such Tuesday is not a Business Day, the Business Day next preceding such Tuesday; and (iv) in the case of Series 2005-B Bonds to be, or continue to be, in the Term Rate Mode or Fixed Rate Mode, a Business Day prior to the first day of an Interest Period.

"*Record Date*" means, with respect to Series 2005-B Bonds (i) in a Commercial Paper Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) in the Auction Rate Mode, the Daily Mode or the Weekly Mode, the opening of business on the Business Day next preceding an Interest Payment Date and (iii) in the Term Rate Mode or the Fixed Rate Mode, the 15th day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

"Short-Term Obligations" means an issue or series of Parity Debt the latest scheduled maturity of which is five years or less.

"Stated Maturity" when used with respect to any Parity Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Parity Debt or such installment of interest as a

fixed date on which the principal of such Parity Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt then outstanding or subsequently issued.

"*Substitution D*ate" means the date on which an Alternate Liquidity Facility is to be substituted for a then existing Liquidity Facility in effect pursuant to Section 7.01 of the Second Supplemental Resolution.

"Term of Issue" means with respect to any Balloon Debt a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

"*Termination Date*" means with respect to a Liquidity Facility, both (i) the date on which such Liquidity Facility shall terminate pursuant to its terms or otherwise be terminated prior to its Expiration Date and (ii) the date on which the obligation of the Liquidity Facility Issuer to purchase Series 2005-B Bonds shall terminate; provided, however, that the "Termination Date" shall not mean the date on which such Liquidity Facility shall terminate pursuant to an election to terminate by the Commission or the date on which any automatic termination or suspension thereof occurs without notice, in accordance with the terms of the Liquidity Facility.

"Texas Transportation Commission Mobility Fund Revenue Financing Program" or *"Financing Program"* or *"Program"* means the Texas Transportation Commission Mobility Fund Revenue Financing Program established by the Master Resolution.

"Transportation Assistance Bonds" means obligations purchased by the Commission which may or may not be pledged as part of the Security on an individual basis as further described in the Master Resolution.

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Select Provisions of the Master Resolution

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Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Constitutional Provision, the Enabling Act, and other applicable provisions of State law, the Texas Mobility Fund Revenue Financing Program is hereby established for the purpose of providing a financing structure for the issuance of Debt by the Commission secured by and payable from a pledge of and lien on all or part of the moneys in the Mobility Fund. The Master Resolution is intended to establish a master financing program under which Parity Debt of the Financing Program can be incurred. The Financing Program is initially established in the aggregate principal amount outstanding at any time of not to exceed $6.5 billion, subject to the limitations and requirements of the Constitutional Provision, the Enabling Act and other applicable provisions of State law, the Master Resolution, and each Supplement (the "Controlling Provisions"). Each issue or series of Parity Debt shall be issued pursuant to a Supplement and no Parity Debt shall be issued unless the Commission has complied with the Controlling Provisions. (As amended by the "First Amendment to Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program," approved by the Commission by adoption of Minute Order No. 111083 on September 27, 2007.)

Each Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of each issue or series of Parity Debt and any other matters related to Parity Debt not inconsistent with the Controlling Provisions.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Parity Debt shall be secured by and payable solely from a first lien on and pledge of the following (collectively, the "Security"): (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently

established and so designated as being included within the Security pursuant to Section 3(g) hereof; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement and, (vi) any applicable guarantee pursuant to subsection (c) hereof. With respect to any applicable series of Parity Debt, the term "Security" shall also include all amounts in any reserve account or subaccount applicable to such Parity Debt pursuant to Section 3(f) hereof, including any reserve fund surety policy or other Credit Agreement entered into for the benefit of such account or subaccount. The Commission hereby assigns and pledges the Security to the payment of the Annual Debt Service Requirements on Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, and the Security is further pledged to the establishment and maintenance of any accounts or subaccounts within the Mobility Fund which may be provided to secure the repayment of Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, in accordance with the Master Resolution and any Supplement. Pursuant to the Constitutional Provision, the amounts constituting Security are appropriated when received by the State, shall be deposited into the Mobility Fund, and may be used for the purposes provided by State law, including the Constitutional Provision and the Enabling Act.

(b) Credit Agreements. The Commission may execute and deliver one or more Credit Agreements (i) to additionally secure Parity Debt or an issue or series or part of any issue or series of Parity Debt or (ii) in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Parity Debt or an issue or series or part of an issue or series of Parity Debt or interest on an issue or series or part of an issue or series of Parity Debt without regard to whether a Credit Agreement was contemplated, authorized or executed in relation to the initial issuance, sale or delivery of Parity Debt. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute: (i) Parity Debt secured by a pledge of the Security on parity with all Parity Debt (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt or (iii) partially on a parity with Parity Debt and partially as Subordinated Debt.

(c) State Guarantee. As authorized by subsection (g) of the Constitutional Provision and by Section 201.944 of the Texas Transportation Code, in addition to the security interest in the lien and pledge granted in subsection (a)(i) through (v) of this Section, the Commission may, at its option, pursuant to any Supplement applicable to a particular series or issue of Parity Debt, guarantee on behalf of the State the payment of such Parity Debt by pledging the full faith and credit of the State to the payment of such Parity Debt in the event that the revenue and moneys dedicated to and on deposit in the Mobility Fund are insufficient to provide for the payment of such Parity Debt.

(d) Dedicated Revenues. While moneys in the Mobility Fund are pledged to the payment of any outstanding Parity Debt or Subordinated Debt, Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the State legislature by law dedicates a substitute or different source that is projected and certified by the Comptroller to be of equal or greater value than the source or amount being reduced, rescinded, or repealed; and (ii) the Commission implements the State guarantee pursuant to subsection (c) hereof for the payment of outstanding Parity Debt. Revenues from any such revenue source substituted by the State legislature pursuant to this subsection shall constitute Dedicated Revenues.

(e) Perfection. Chapter 1208, Texas Government Code, applies to the issuance of Parity Debt and the pledge of the Security granted by the Commission under this Section and in any applicable Supplement, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while Parity Debt is outstanding and unpaid such that the pledge of the Security granted by the Commission under this Section and in any applicable Supplement is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve for the owners of Parity Debt the perfection of the security interest in said pledge, the Commission agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 3. FUND ACCOUNTS. (a) Creation of Accounts. The Commission hereby establishes and affirms the creation of the following accounts within the Mobility Fund held by the Comptroller, to-wit:

(i) the Mobility Fund General Account (the "General Account");

(ii) the Mobility Fund Portfolio Account (the "Portfolio Account");

(iii) the Mobility Fund Interest and Sinking Account (the "Interest and Sinking Account"); and

(iv) the Mobility Fund Bond Proceeds Account (the "Bond Proceeds Account").

(b) General Account. Subject to the provisions of Section 4 of the Master Resolution, moneys in the General Account may be used for any lawful purpose for which the Mobility Fund may be used pursuant to the Constitutional Provision, the Enabling Act, and other State law.

(c) Portfolio Account. Any Transportation Assistance Bonds acquired for the Mobility Fund pursuant to Section 7(b) hereof, upon acquisition thereof by the Commission, will be promptly deposited into the Portfolio Account and held therein until paid.

(d) Interest and Sinking Account. Moneys in the Interest and Sinking Account shall be used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the Commission shall maintain such account as long as Parity Debt is Outstanding.

(e) Bond Proceeds Account. Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

(f) Reserve Accounts or Subaccounts. The Commission may establish a reserve account within the Mobility Fund and/or any other account or subaccount pursuant to the provisions of the applicable Supplement for the purpose of paying or securing a particular issue or series of Parity Debt or any specific group of issues or series of Parity Debt and the amounts, once deposited into said accounts or subaccounts, shall no longer constitute Security for all Parity Debt but shall be held solely for the benefit of the owners of the particular issue or series or group of issues or series of Parity Debt for which such account or subaccount was established. Each such account or subaccount shall be designated in such manner as is necessary to identify the Parity Debt it secures and to distinguish such account or subaccount from any other accounts created for the benefit of any other Parity Debt. Any such reserve accounts or subaccounts shall be established in the Supplement related to such series or issue of Parity Debt. The Commission may, in its discretion, provide in the applicable Supplement for a surety bond, insurance policy or other Credit Agreement, to the extent then authorized by law, to be held for the benefit of such a reserve account or subaccount.

(g) Other Accounts. The Commission reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts within the Mobility Fund for such other purposes as the Commission may determine from time to time. The Commission may, at its option, declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

Section 4. FLOW OF FUNDS. (a) Application of Certain Pledged Revenues. All Pledged Revenues shall be deposited in the General Account immediately upon receipt by the Department, the Comptroller or other applicable State agency. Except as provided in subsection (b) below, all Pledged Revenues are hereby and shall be pledged, appropriated, deposited, and transferred from the General Account to the other Accounts and Subaccounts in the Mobility Fund to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the Commission relating to the Financing Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;

SECOND: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;

THIRD: any amounts to be deposited into any other fund, account or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;

FOURTH: to the extent required by any resolution or other instrument adopted or approved by the Commission pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, premium, and interest shall be deposited to any account or subaccount created for such purpose; and

FIFTH: all remaining Pledged Revenues shall be retained in the General Account.

(b) Repayments and Sale Proceeds. Notwithstanding the foregoing subsection (a), the Commission may direct and apply all Repayments and Sale Proceeds relating to Transportation Assistance Bonds pledged as Security pursuant to Section 7(b) of the Master Resolution in such a manner and to the extent necessary to protect the tax-exempt status of interest on any Parity Debt under the Code.

Section 5. GENERAL REPRESENTATIONS AND COVENANTS. The Commission further represents, covenants, and agrees that while Parity Debt or interest thereon is Outstanding:

(a) Payment of Parity Debt. The Commission will duly and punctually pay or cause the Comptroller to pay, solely from the Security, (i) the Annual Debt Service Requirements on, and other payments with respect to, each and every Parity Debt on the dates and at the places, as such Parity Debt accrues or matures, or becomes subject to mandatory redemption prior to maturity and such payments will be made in the manner provided in said Parity Debt and the Supplement governing its issuance, according to the true intent and meaning thereof and (ii) the fees and expenses related to Parity Debt, including the fees and expenses of the Paying Agent and any registrar, trustee, remarketing agent, tender agent, or credit provider.

(b) Performance. The Commission will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Master Resolution and in each Supplement, and in each and every Parity Debt or evidence thereof and will take such action as is reasonably possible to cause the Comptroller and each other agency of the State to perform each and every duty imposed upon the Comptroller or such agency by law with respect to the Mobility Fund and Parity Debt.

(c) Redemption. The Commission will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Debt which by its terms is mandatorily required to be redeemed prior to maturity, when and as required.

(d) Determination of Annual Debt Service Requirements. For all purposes of the Master Resolution, the judgment of the Chief Financial Officer shall be deemed final in the determination of the Annual Debt Service Requirements of the Financing Program.

(e) Lawful Authority. The Commission is lawfully authorized to pledge the Security herein pledged in the manner prescribed herein, and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in subsection (g) of this Section and in Section 6 of the Master Resolution, the Commission (i) will not do or suffer any act or thing whereby the pledge of the Security might or could be impaired and (ii) will take all actions to the extent necessary to ensure that the Comptroller does not do or suffer any act or thing whereby the pledge of the Security might or could be impaired.

(g) No Additional Encumbrance. The Commission shall not incur additional Debt secured by the Security in any manner, except as permitted by the Master Resolution in connection with Parity Debt, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Master Resolution and any Supplement. Any Debt incurred by the Commission without satisfying the conditions for the issuance of Parity Debt, as set forth in the Master Resolution, is hereby declared to be Subordinated Debt junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Master Resolution and any Supplement whether such status is noted or not.

(h) Mobility Fund. The Commission will administer the Mobility Fund in accordance with the Enabling Act, the Constitutional Provision, and any other applicable provision of State law.

(i) Investments and Security. Moneys in all accounts and subaccounts established pursuant to the Master Resolution and any Supplement will be held uninvested or invested and secured in the manner prescribed by State law for such funds and in accordance with the applicable Supplement and written policies adopted by the Commission. The investments of each account and subaccount shall be made under conditions that will timely provide money sufficient to satisfy the Commission's obligations hereunder and under any Supplement. Money in all accounts and subaccounts established pursuant to the Master Resolution and any Supplement may be combined for investment purposes, as directed by the Commission. Such treatment does not constitute a commingling of the money in such accounts and subaccounts and the Commission shall keep or cause to be kept full and complete records indicating the money, investments and securities credited to each such account and subaccount. Any profits or losses from investments shall be credited or charged, respectively, on a pro rata basis among the accounts and other sources of money from which such investment was made.

(j) Records; Annual Audit. The Commission will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Mobility Fund. Each year while any Parity Debt is Outstanding, the Commission covenants that as soon as practicable, but in no event more than one hundred twenty (120) days after the last day of each Fiscal Year, beginning with the end of the first Fiscal Year in which Parity Debt is issued, it will prepare or cause to be prepared a financial report of the Mobility Fund for such Fiscal Year in accordance with generally accepted accounting principles, certified by a Certified Public Accountant. The Commission shall promptly furnish such audited financial report to the municipal bond rating agencies then maintaining a rating on Parity Debt and to any owner of Parity Debt who shall request the same, and shall file or make available such audited financial report as required by each Supplement. In addition, a copy of each such audited financial report shall be retained on file in the Department's administrative offices and open to the inspection of the owners of Parity Debt, and their respective agents and representatives, at all reasonable times during regular business hours, for at least 365 days following the preparation thereof.

(k) Inspection of Records. The Commission will permit any owner or owners of twenty-five percent (25%) or more of the then Outstanding Principal Amount of Parity Debt at all reasonable times to inspect all records, accounts, and data of the Commission and the Department relating to the Mobility Fund and the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

Section 6. ISSUANCE OF PARITY DEBT. (a) General. The Commission reserves and shall have the right and power to issue or incur Parity Debt for any purpose authorized by law, including the refunding of Parity Debt, Subordinated Debt, or other obligations of the Commission issued to finance the costs of a project authorized to be financed under the Financing Program, pursuant to the provisions of the Master Resolution and Supplements to be hereafter authorized. The Commission hereby covenants and agrees to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Parity Debt.

(b) Parity Debt Issued as Long-Term Obligations. Provided that the Commission is in compliance with the requirements of any then applicable provisions of State law, the Commission may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt constituting Long-Term Obligations if, in the applicable Supplement, the Commission finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the Commission shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the Commission an Officer's Certificate stating that, to the best of his or her knowledge, the Commission, the Department and the

Comptroller have not failed to comply with the covenants contained in the Master Resolution and any Supplement, to any material extent, and are not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions hereof, thereof, or under any Credit Agreement that constitutes Parity Debt and (ii) to the extent then required by law, the Commission has received all required certifications of the Comptroller with respect to such Parity Debt.

(c) Parity Debt Issued as Short-Term Obligations. Provided that the Commission is in compliance with the requirements of any then applicable provisions of State law, the Commission may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt constituting Short-Term Obligations if, in the applicable Supplement, the Commission finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the Commission shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the Commission an Officer's Certificate stating that, to the best of his or her knowledge, the Commission, the Department and the Comptroller have not failed to comply with the covenants contained in the Master Resolution and any Supplement, to any material extent, and are not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions hereof, thereof or under any Credit Agreement that constitutes Parity Debt and (ii) to the extent then required by law, the Commission has received all required certifications of the Comptroller with respect to such Parity Debt.

(d) Credit Agreements. To the extent permitted by law, the Commission may execute and deliver one or more Credit Agreements (i) upon the delivery to the Commission of an Officer's Certificate to the effect that the Credit Agreement is in the best interest of the Commission and (ii) compliance with the requirements of subsection (b) or (c) of this section as the case may be, if the Credit Agreement is to constitute Parity Debt. Each Credit Agreement shall be approved by the Commission, to the extent required by law, either pursuant to a Supplement or by other action. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) Parity Debt secured by a pledge of the Security on parity with other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt, or (iii) partially Parity Debt and partially Subordinated Debt.

(e) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the Commission in accordance with State law.

(f) Increase in Financing Program. The principal amount of the Financing Program, as authorized by Section 1, may be increased by the Commission upon a finding by the Commission to the effect that the Dedicated Revenues will be sufficient to pay all amounts to be payable from Dedicated Revenues. The increase in the principal amount of the Financing Program does not relieve the Commission from any of the Controlling Provisions, including specifically the other requirements of this Section 6 relating to the issuance or incurrence of Parity Debt by the Commission.

Section 7. TRANSPORTATION ASSISTANCE BONDS. (a) Purchase of Transportation Assistance Bonds. To the extent then authorized by State law, including specifically, Section 222.103, Texas Transportation Code, the Commission may use available moneys in the Mobility Fund to provide participation by the State, by loan, in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects or otherwise as provided by law. The Commission may evidence such a loan by the purchase of Transportation Assistance Bonds from the entity receiving such a loan.

(b) Pledge of Transportation Assistance Bonds. The Commission, pursuant to a Supplement, may pledge the Repayments relating to particular Transportation Assistance Bonds to the payment of Parity Debt and such Transportation Assistance Bonds shall be held in the Portfolio Account of the Mobility Fund and the Repayments shall be deposited into the General Account.

Section 8. WAIVER OF CERTAIN COVENANTS. The Commission may omit in any particular instance to comply with any covenant or condition set forth in Sections 5 and 6 hereof if before or after the time for such compliance the Holders of the same percentage in Outstanding Principal Amount, the consent of which would be required to amend the applicable provisions to permit such noncompliance, shall either waive such compliance in the particular instance or generally waive compliance with such covenant or condition, but no such waiver shall

extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Commission and the duties of the Commission in respect of any such covenant or condition shall remain in full force and effect. For the purpose of this Section, the Commission may determine in each Supplement the treatment of who may act as an "owner", "Holder", or "Bondholder" and other matters relating to such Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

Section 9. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Commission contained in the Master Resolution and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Mobility Fund, and the Department to the full extent authorized or permitted by the Constitution and State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Commission or agent or employee of the Department in his or her individual capacity and neither the members of the Commission, nor any officer, employee, or agent of the Department shall be liable personally on Parity Debt when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. SPECIAL OBLIGATIONS; ABSOLUTE OBLIGATION TO PAY PARITY DEBT. All Parity Debt and the interest thereon shall constitute special obligations of the Commission payable from the Security, and except as provided in Section 2(c) hereof, the owners of Parity Debt shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than those specified in the Master Resolution or any Supplement. The obligation of the Commission to pay or cause to be paid the amounts payable under the Master Resolution and each Supplement out of the Security shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the Commission might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is Outstanding.

In addition, the obligation of the State, to the extent that the full faith and credit of the State is pledged to the payment of an issue or series of Parity Debt pursuant to the Constitutional Provision and Section 2(c) of the Master Resolution, to pay or cause to be paid the amounts payable under the Master Resolution and each Supplement shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the State might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is Outstanding.

Section 11. REMEDIES. Pursuant to the Constitutional Provision and as allowed by other law, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any owner of Parity Debt in the event of default in connection with any covenant contained herein or in any Supplement, or default in the payment of Annual Debt Service Requirements due in connection with any Parity Debt, or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State.

Section 12. DEFEASANCE OF PARITY DEBT. Each Supplement authorizing Parity Debt may provide by its respective terms the circumstances and conditions under which such Parity Debt may be considered Defeased Debt.

Section 13. AMENDMENT OF RESOLUTION. (a) Amendment Without Consent. The Master Resolution and the rights and obligations of the Commission and of the owners of the Outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Commission contained in the Master Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Commission in the Master Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Master Resolution, upon receipt by the Commission of an approving Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Master Resolution;

(iii) To supplement the Security for the Outstanding Parity Debt or to change the definition of Dedicated Revenues as may be altered by the State Legislature from time to time in accordance with the Constitutional Provision and State law;

(iv) To make such other changes in the provisions hereof as the Commission may deem necessary or desirable and which shall not, in the judgment of the Commission, materially adversely affect the interests of the owners of Outstanding Parity Debt;

(v) To make any changes or amendments requested by the State Attorney General's Office or the State Bond Review Board as a condition to the approval of a series or issue of Parity Debt, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the owners of the Outstanding Parity Debt;

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the owners of the Outstanding Parity Debt; or

(vii) To change the principal amount of the Financing Program as provided in Section 6(f).

(b) Amendments With Consent. Subject to the provisions of Section 13(g) of the Master Resolution, the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to the Master Resolution which may be deemed necessary or desirable by the Commission; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Debt (unless such amendment shall be determined by the Commission to affect only the owners of certain Parity Debt, in which case such amendment shall not be made without the approval of the owners so affected), the amendment of the terms and conditions in the Master Resolution so as to:

(i) Grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or

(ii) Materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or

(iv) Make any change in the maturity of any Outstanding Parity Debt; or

(v) Reduce the rate of interest borne by any Outstanding Parity Debt; or

(vi) Reduce the amount of the principal payable on any Outstanding Parity Debt; or

(vii) Modify the terms of payment of the amounts required to meet any financial obligations of the Commission relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or

(viii) Amend this subsection (b) of this Section.

(c) Notice. If at any time the Commission shall desire to amend the Master Resolution pursuant to subsection (b) of this Section, the Commission shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State of Texas (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Registrar for any Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on any Parity Debt.

(d) Receipt of Consents. With respect to any amendment undertaken pursuant to subsection (b) above, whenever at any time the Commission shall receive an instrument or instruments executed by all of the owners or the owners of a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Commission may adopt the amendatory resolution in substantially the same form.

(e) Effect of Amendments. Upon the adoption by the Commission of any resolution to amend the Master Resolution pursuant to the provisions of this Section, the Master Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Commission and all the owners of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under the Master Resolution, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Debt pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section or the date of such consent, whichever is later, and shall be conclusive and binding upon all future owners of the same Parity Debt during such period. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Debt and the Commission, but such revocation shall not be effective if the owners of the requisite amount of the Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given by an owner at the time of and in connection with the initial sale or incurrence of an issue or series Parity Debt by the Commission shall be irrevocable.

(g) Ownership. For the purpose of this Section, the Commission may determine in each Supplement the treatment of who may act as an "owner", "Holder", or "Bondholder" and other matters relating to all Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the Commission to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Debt under such Supplement a priority over the owners of any other Outstanding Parity Debt.

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Select Provisions of the Second Supplemental Resolution[2]

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Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT.

(b) Series 2005-B Bonds Are Parity Debt. As required by Section 6 of the Master Resolution governing the issuance of Long-Term Obligations such as the Bonds, the Commission hereby finds that, upon the issuance of the Bonds, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. The Bonds are hereby declared to be Parity Debt under the Master Resolution.

(c) State Guarantee. The Commission hereby exercises the authority provided for in subsection (g) of the Constitutional Provision, Section 201.944, Texas Transportation Code, and Section 2(c) of the Master Resolution and guarantees on behalf of the State the payment of the Series 2005-B Bonds, including any Purchased Bonds, by pledging the full faith and credit of the State to the payment of the Series 2005-B Bonds, including any Purchased Bonds, in the event that the revenue and moneys dedicated to and on deposit in the Mobility Fund are insufficient to provide for the payment of the Series 2005-B Bonds.

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Section 4.03. DETERMINATION OF INTEREST RATE DURING WEEKLY MODE. The interest rate for Series 2005-B Bonds in a Weekly Mode for each Interest Period shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the sole judgment of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Series 2005-B Bonds in the Weekly Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the rate available by Electronic Means to each other Notice Party by 4:00 p.m., on the Business Day immediately succeeding the Rate Determination Date. The Interest Period while Series 2005-B Bonds are in the Weekly Mode will begin on and include Wednesday, and continue through and include the next succeeding Tuesday. The determination of each interest rate by the Remarketing Agent shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Paying Agent, the Liquidity Facility Issuer, the Commission and the Owners of the Series 2005-B Bonds.

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Section 4.05. ALTERNATE RATE FOR INTEREST CALCULATION. If the Remarketing Agent fails to determine the interest rate(s) or Interest Periods with respect to the Series 2005-B Bonds, or if the method of determining the interest rate(s) or Interest Periods with respect to the Series 2005-B Bonds shall be held to be unenforceable by a court of law of competent jurisdiction, then the Series 2005-B Bonds shall thereupon (until such time as the Remarketing Agent again makes such determination, or until there is delivered to the Commission and the Remarketing Agent a Favorable Opinion of Bond Counsel) bear interest and operate as follows: the Series 2005-B Bonds constituting maturing Commercial Paper Rate Bonds shall be converted to the Weekly Rate Mode and Series 2005-B Bonds in the Daily Mode, Term Rate Mode and Weekly Rate Mode shall bear interest at the Alternate Rate for subsequent weekly periods.

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Section 4.07. CHANGES IN MODE. (a) Changes. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode, the Series 2005-B Bonds may be changed to a different Mode at the times and in the manner hereinafter provided.

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[2] References in the following excerpts to the "Series 2005-B Bonds" are the "Bonds" referred to and described in the body of this Remarketing Memorandum.

Any Series 2005-B Bonds converted to a Fixed Rate Mode shall not be changed to any other Mode except as provided in Section 6.04 hereof.

(b) Notice of Intention to Change Mode. The Commission shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, together with the proposed Mode Change Date. Such notice shall be given at least 20 days prior to the Mode Change Date if the Current Mode is the Auction Rate Mode, the Daily Mode, the Weekly Mode or the Commercial Paper Mode; such notice shall be given at least 35 days prior to the Mode Change Date if the Current Mode is the Term Rate Mode or the Fixed Rate Mode for Series 2005-B Bonds described in Section 6.04 hereof.

(c) General Provisions Applying to Changes from One Mode to Another.

(i) The Mode Change Date must be a Business Day.

(ii) Additionally, the Mode Change Date:

A. From the Commercial Paper Mode shall be the last Purchase Date for the Commercial Paper Rate Bonds with respect to which a change is to be made;

B. From a Term Rate Mode shall be the Purchase Date of the current Interest Period;

C. From an Auction Rate Mode shall be an Interest Payment Date; provided, however, in the case of a Special Auction Period of 92 or more days, such date shall be the Interest Payment Date following the last day of such Special Auction Period;

D. From a Fixed Rate Mode pursuant to Section 6.04 hereof shall be the Purchase Date of the current Interest Period; and

E. From a Daily Rate Mode to a Weekly Rate Mode or from a Weekly Rate Mode to a Daily Rate Mode shall be an Interest Payment Date.

(iii) On or prior to the date the Department Representative provides the notice to the Notice Parties pursuant to Section 4.07(b) hereof, the Department Representative shall deliver to the Notice Parties a Counsel's Opinion to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.

(iv) No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Paying Agent and the Remarketing Agent two (2) Business Days prior to the Mode Change Date, or such later time as is acceptable to the Commission, the Paying Agent, any Broker-Dealer and the Remarketing Agent:

A. Except in the case of a change in Mode pursuant to Section 4.04(c) or Section 4.07(c)(v) hereof, a Favorable Opinion of Bond Counsel dated the Mode Change Date; and

B. With respect to a change in the Mode from an Auction Rate Mode to any other Mode, a certificate of an authorized officer of the Tender Agent to the effect that all of the Series 2005-B Bonds tendered or deemed tendered have been purchased at a price equal to the Purchase Price thereof.

C. With respect to a change in Mode to the Daily Rate Mode, Weekly Rate Mode, Commercial Paper Rate Mode or Term Rate Mode, a Liquidity Facility with the necessary Liquidity Amount for such New Mode.

D. With respect to a change in Mode that requires a new Liquidity Facility (or an amendment to an existing Liquidity Facility), the receipt from each Rating Agency of a confirmation of the ratings assigned

to the Series 2005-B Bonds upon the delivery of such new Liquidity Facility (or amendment to such existing Liquidity Facility).

(v) If all conditions to the Mode Change are met, the Interest Period(s) or the Auction Period for the New Mode shall commence on the Mode Change Date and the Interest Rate(s) (together, in the case of a change to the Commercial Paper Mode, with the Interest Period(s)) shall be determined by the Remarketing Agent or the Auction Agent, as the case may be, in the manner provided in Sections 4.01, 4.02, 4.03,4.04,4.05 and 4.06 hereof, as applicable.

(vi) With respect to a change in the Mode from any Mode other than an Auction Rate Mode to any other Mode, in the event the foregoing conditions of this Section 4.07(c) have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Series 2005-B Bonds that are the subject of the Mode Change Notice will be changed to Series 2005-B Bonds in the Weekly Mode on the Mode Change Date provided that a Liquidity Facility must be in effect; provided, however, that, if the Series 2005-B Bonds subject to the Mode Change Notice are in the Term Rate Mode that are not supported by a Liquidity Facility, then such Series 2005-B Bonds shall continue in the Term Rate Mode for the same duration on the Mode Change Date.

(vii) With respect to a change in the Mode from an Auction Rate Mode to any other Mode, in the event the foregoing conditions have not been satisfied, the Series 2005-B Bonds that are subject to the Mode Change Notice will continue to bear interest in the Auction Rate Mode and the Auction Period Rate for the Auction Period commencing on the failed Mode Change Date shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period until the next succeeding Auction Date when the Auction Period Rate shall be established according to the provisions hereof.

(d) Serial Bonds. The Commission may, in the notice given pursuant to Section 4.07(b) hereof in connection with any Mode change of Series 2005-B Bonds to the Term Rate Mode or Fixed Rate Mode, provide for serial maturities of all or some of the Series 2005-B Bonds subject to such Mode change. The principal amount of and interest on such serial bonds and the maturity dates thereof shall be set forth in the notice given pursuant to Section 4.07(b) hereof. The interest rate for such serial bonds maturing on a particular date may be different from the interest rate or rates established for other Series 2005-B Bonds.

(e) No Partial Mode Changes. All Series 2005-B Bonds shall be in the same Mode, provided that in the event that the Series 2005-B Bonds are issued in subseries bearing additional designations in accordance with Section 2.01 hereof. Series 2005-B Bonds of any such subseries shall be in the same Mode and references herein to Series 2005-B Bonds shall be deemed to refer to Series 2005-B Bonds of such subseries, all as shall be set forth in the applicable certificate of a Department Representative.

(f) Mandatory Conversion to Fixed Rate Mode or a Term Rate Mode. The Commission covenants to take such steps as are required under this Second Supplement to, as soon as reasonably possible, change the Mode on the Series 2005-B Bonds to a Fixed Rate Mode or, a Term Rate Mode that does not require a Liquidity Facility upon the occurrence of the following events:

(i) upon the Liquidity Facility Issuer's failure to transfer amounts available under the Liquidity Facility to pay the Purchase Price of the Series 2005-B Bonds following compliance with the conditions precedent in the Liquidity Facility by the Tender Agent; or

(ii) upon the occurrence of an Expiration Date or Termination Date of the Liquidity Facility that is then currently in effect with respect to Series 2005-B Bonds in a Mode that requires a Liquidity Facility, and such Expiration Date or Termination Date occurs prior to a Substitution Date; or

(iii) if during the term that the Series 2005-B Bonds are Outstanding the Remarketing Agent fails to remarket the Series 2005-B Bonds on two separate occasions within a twelve-month period; or

(iv) if the Commission fails to provide a Liquidity Facility for the Series 2005-B Bonds during any period that the Series 2005-B Bonds are in a Mode which requires the support of a Liquidity Facility; or

(v) if for any reason while the Series 2005-B Bonds are in an Auction Rate Mode, auctions are suspended or otherwise are not held on two consecutive Auction Dates, or if on two consecutive Auction Dates there are not sufficient clearing bids, or if for any reason the Auction Period Rate on the Series 2005-B Bonds would be either (a) a Maximum Auction Rate (as defined in Exhibit D hereto) that equals or exceeds the Maximum Rate or (b) a Default Rate (as defined in Exhibit D hereto) that equals or exceeds the Maximum Rate for two consecutive Auction Periods.

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Section 5.01. OPTIONAL REDEMPTION. .....(c) Daily Mode or Weekly Mode. Series 2005-B Bonds in the Daily Mode or Weekly Mode shall be subject to redemption at the option of the Commission (acting through the Department Representative), in whole or in part, on any Interest Payment Date, at the redemption price (100 percent of the principal amount), plus accrued interest to the Redemption Date.

(g) Purchase in Lieu of Redemption. Notwithstanding anything in this Second Supplement to the contrary, if and to the extent that the Series 2005-B Bonds are subject to optional redemption pursuant to this Second Supplement, all or a portion of the Series 2005-B Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent at the direction of the Department Representative on the date which would be the redemption date if such Series 2005-B Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Series 2005-B Bonds on the redemption date for the account of and at the direction of the Department Representative who shall give the Paying Agent notice at least ten (10) days prior to the scheduled redemption date (forty-five (45) days prior to the scheduled redemption date for Series 2005-B Bonds in Fixed Rate Mode) accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent is so directed to purchase Series 2005-B Bonds in lieu of optional redemption, no notice to the Owners of Series 2005-B Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Series 2005-B Bonds if such Series 2005-B Bonds had been redeemed rather than purchased. Each Series 2005-B Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission. Series 2005-B Bonds to be purchased under this Section 5.01(g) which are not delivered to the Paying Agent on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former Owner on the purchase date. The Commission shall cause to be delivered a preference opinion with respect to funds used to optionally redeem Series 2005-B Bonds.

(h) Redemption of Purchased Bonds. Purchased Bonds are subject to redemption, at the option of the Commission (acting through a Department Representative), in whole or in part on any Business Day, at a redemption price equal to the principal amount of the Purchased Bonds to be redeemed plus accrued interest thereon to the redemption date. Purchased Bonds shall also be subject to mandatory redemption in accordance with the terms of the Liquidity Facility. Notice of redemption, identifying the principal amount of Purchased Bonds to be redeemed, shall be given by a Department Representative to the Paying Agent, the Liquidity Facility Issuer and the Owner of the Purchased Bonds (if other than the Liquidity Facility Issuer) at such Owner's last address appearing on the Security Register for the Series 2005-B Bonds, ten (10) days before the redemption date. Notwithstanding any provision of this Second Supplement to the contrary, no additional notice of redemption need be provided. All Purchased Bonds so called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been deposited with the Paying Agent and, thereafter, except as provided in the Liquidity Facility, the Liquidity Facility Issuer shall have no rights in respect thereof except to receive payment of the redemption price from the Paying Agent and a new Purchased Bond for any unredeemed portion of such Purchased Bond. If less than all of the Purchased Bonds are to be redeemed, the Paying Agent shall select the Purchased Bonds or portions thereof to be redeemed by lot in Authorized Denominations, unless ownership of such Purchased Bonds is then determined by a book entry at a securities depository, in which event the selection of the Purchased Bonds or portions thereof to be redeemed shall be made in accordance with arrangements among the Commission, the Paying Agent and the securities depository. If there shall be called for redemption less than the entire principal amount of a Purchased Bond, the Commission shall execute and the Paying Agent shall authenticate and deliver (without charge to the Owner) Purchased Bonds in any Authorized Denominations, upon surrender of such called Purchased Bonds in exchange for the unredeemed principal amount of such Purchased Bond. If less than

all of the Series 2005-B Bonds shall be redeemed, the Commission shall redeem all Purchased Bonds prior to the optional redemption of any other Series 2005-B Bonds.

Section 5.02. REDEMPTION FROM AMORTIZATION INSTALLMENTS, (a) Mandatory Redemption. The Series 2005-B Bonds shall be subject to mandatory redemption and payment prior to maturity on such dates and in such years, at such price(s) plus accrued interest to the redemption date in accordance with a mandatory amortization installment schedule to be approved by a Department Representative prior to the issuance of the Series 2005-B Bonds, which schedule shall be set forth in the Series 2005-B Bonds.

(b) Credit for Optional Redemption. The Paying Agent shall make timely selection of such Series 2005-B Bonds or portions thereof to be so redeemed in Authorized Denominations of principal amount in such equitable manner as the Paying Agent may determine and shall give notice thereof without further instructions from the Commission. At the option of the Commission, to be exercised on or before the 45 day next preceding each amortization installment redemption date, the Commission may: (i) deliver Series 2005-B Bonds to the Paying Agent for cancellation; or (ii) elect to receive a credit in respect to the mandatory redemption obligation under this Section 5.02 for any Series 2005-B Bonds which prior to such date have been paid (other than through the operation of the requirements of this Section 5.02) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation under this Section 5.02. Each Series 2005-B Bond of a maturity so delivered or previously purchased or redeemed shall be credited at 100 percent of the principal amount thereof on the obligation to redeem Series 2005-B Bonds of such maturity on the next mandatory redemption date applicable to Series 2005-B Bonds of such maturity that is at least 45 days after receipt by the Paying Agent of such instructions from the Commission, and any excess of such amount shall be credited on future mandatory redemption obligations for Series 2005-B Bonds of such maturity in chronological order or such other order as the Commission may designate, and the principal amount of Series 2005-B Bonds of such maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this Section 5.02 shall be reduced accordingly. If the Commission intends to exercise any option granted by the provisions of this clause (b) of Section 5.02, the Commission will, on or before the 45 day next preceding the applicable mandatory redemption date, furnish the Paying Agent a written certificate indicating to what extent the provisions of said clauses (a) or (b) are to be complied with in respect to such mandatory redemption payment.

Section 5.03. REDEMPTION IN PART. In the event of redemption of less than all the Series 2005-B Bonds, then, subject to the provisions of this Section 5.03 below, the Series 2005-B Bonds or portions thereof to be redeemed shall be selected by the Paying Agent by lot in such manner as the Paying Agent in its discretion may determine; provided, however, the Series 2005-B Bonds to be redeemed shall be in Authorized Denominations; and provided, further, any Series 2005-B Bonds which are Purchased Bonds shall be redeemed prior to any other Series 2005-B Bonds. To the extent that the principal amount of Purchased Bonds redeemed exceeds the semiannual installment amount required to be paid by the Commission as described in Section 5.05 hereof, such excess amount of Purchased Bonds redeemed shall be credited towards the Commission's next semiannual installment. New Series 2005-B Bonds representing the unredeemed balance of the principal amount thereof shall be issued to the Bondholder thereof, without charge therefor. Any new Series 2005-B Bond issued pursuant to this Section 5.03 shall be executed by the Commission and authenticated by the Paying Agent and shall be in any Authorized Denominations in an aggregate unpaid principal amount equal to the unredeemed portion of such Series 2005-B Bond surrendered. The Commission may designate in writing to the Paying Agent the partial redemption of an entire subseries of Series 2005-B Bonds. Otherwise, to the extent that a particular maturity of Series 2005-B Bonds is in multiple subseries and is redeemed in part, the Paying Agent shall partially redeem Series 2005-B Bonds of such maturity on a pro-rata basis from each subseries.

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Section 6.01. OPTIONAL TENDER OF SERIES 2005-B BONDS IN DAILY MODE AND WEEKLY MODE. .....(b) Weekly Mode. Subject to the provisions of Section 6.09, the Owners of Series 2005-B Bonds in a Weekly Mode may elect to have such Series 2005-B Bonds (or portions thereof in an Authorized Denomination) purchased at a price equal to the Purchase Price upon delivery of an irrevocable written notice of tender, or irrevocable telephonic notice offender to the Tender Agent and Remarketing Agent, promptly confirmed in writing by Electronic Means to the Tender Agent and the Remarketing Agent at their respective designated offices, not later than 4:00 p.m. on a Business Day not less than seven days before the Purchase Date specified by the Owner. Such

notice shall (i) state the CUSIP number and the principal amount of such Series 2005-B Bond being tendered and (ii) state that such Series 2005-B Bond shall be purchased on the Purchase Date so specified by the Owner. The Tender Agent shall notify the Paying Agent by the close of business on the next succeeding Business Day of the receipt of any notice pursuant to this paragraph.

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Section 6.03. MANDATORY PURCHASE ON ANY MODE CHANGE DATE. Subject to Section 6.09, the Series 2005-B Bonds to be changed to any Mode from any other Mode are subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price.

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Section 6.05. MANDATORY PURCHASE UPON EXPIRATION DATE, TERMINATION DATE AND SUBSTITUTION DATE OF LIQUIDITY FACILITY. Subject to Section 6.09, the Series 2005-B Bonds shall be subject to mandatory tender for purchase on: (i) The second Business Day preceding the Expiration Date of a Liquidity Facility, which second Business Day is hereinafter referred to as an "Expiration Tender Date;" (ii) The fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Liquidity Facility, which fifth calendar day is hereinafter referred to as a "Termination Tender Date," if the Liquidity Facility permits a draw thereon on the Termination Tender Date; and (iii) The Substitution Date for a Liquidity Facility.

Section 6.06. NOTICE OF MANDATORY TENDER FOR PURCHASE, (a) Expiration Tender Date. The Tender Agent shall, at least 15 calendar days prior to the Expiration Tender Date with respect to the Series 2005-B Bonds, give notice to the Series 2005-B Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of the Series 2005-B Bonds on such Expiration Tender Date, if it has not theretofore received confirmation that the Expiration Date has been extended.

(b) Termination Tender Date. The Tender Agent shall, at least 15 calendar days prior to the Termination Tender Date with respect to Series 2005-B Bonds, give notice to the Series 2005-B Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of the Series 2005-B Bonds on such Termination Tender Date if it has not theretofore received a notice executed by the Commission and the provider in connection with a Liquidity Facility stating that the event which resulted in the establishment of the Termination Tender Date has been cured.

(c) Substitution Date. The Tender Agent shall, at least 30 calendar days prior to any Substitution Date with respect to a Liquidity Facility relating to any Series 2005-B Bonds, give notice to the Series 2005-B Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of such Series 2005-B Bonds on such Substitution Date.

(d) Purchase Date or Mode Change Date. The Tender Agent shall, at least 30 calendar days prior to any Purchase Date for Series 2005-B Bonds in a Term Rate Mode or a Fixed Rate Mode or any Mode Change Date if the Current Mode is the Term Rate Mode or the Fixed Rate Mode, and at least 15 days prior to any Mode Change Date if the Current Mode is the Auction Rate Mode, the Daily Mode, the Weekly Mode or the Commercial Paper Mode, give notice to the Series 2005-B Owners and each other Notice Party of the mandatory tender for purchase of such Series 2005-B Bonds on such Purchase Date or Mode Change Date, as applicable.

(e) Notice of Mandatory Tender. Except as provided in Section 6.02 hereof, notice of any mandatory tender of Series 2005-B Bonds shall state that such Series 2005-B Bonds are to be purchased pursuant to Section 6.02, 6.03, 6.04 or 6.05 hereof, shall be provided by the Tender Agent or caused to be provided by the Tender Agent by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Series 2005-B Bonds at the respective addresses shown on the registration books kept by the Tender Agent. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Purchase Date, the Purchase Price, the place and manner of payment, that the Owner has no right to retain such Series 2005-B Bonds and that no further interest will accrue from and after the Mandatory Purchase Date to such Owner. Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Series 2005-B Bonds shall in addition specify the conditions that have to be satisfied pursuant to Section 4.07 hereof in order for the new

Mode to become effective and the consequences that the failure to satisfy any of such conditions would have. In the event a mandatory tender of Series 2005-B Bonds shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. The Tender Agent shall give a copy of any notice of mandatory tender given by it to the other Notice Parties. Any notice mailed as provided in this Section 6.06 shall be conclusively presumed to have been duly given, whether or not the Owner of the Series 2005-B Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Tender Agent to give a notice as provided in this Section 6.06 shall not affect the obligation of the Tender Agent to purchase the Series 2005-B Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

Section 6.07. PURCHASE FUND. A Purchase Fund shall be established by the Commission in connection with the delivery to the Tender Agent of the Liquidity Facility, which Fund shall be held by the Tender Agent and may have such separate accounts as shall be established upon written direction of the Commission to the Tender Agent. Such Purchase Fund and accounts therein shall be used for the purpose of depositing moneys obtained from (a) the remarketing of Series 2005-B Bonds and (b) draws under a Liquidity Facility, and such deposited moneys shall be used solely to pay the Purchase Price of Series 2005-B Bonds or to reimburse a Liquidity Facility Issuer for a drawing on the Liquidity Facility to pay the Purchase Price of Series 2005-B Bonds. Amounts deposited in the Purchase Fund shall be held by the Tender Agent either: (i) uninvested, in the case of draws under the Liquidity Facility or (ii) or invested by the Tender Agent as directed by the Commission in the case of other funds which funds shall not be commingled with any other funds held by the Tender Agent and any investment shall have a maturity so that funds are available for payment when needed but in no event shall the maturity of any investment exceed 30 days. All amounts on deposit in the Purchase Fund are pledged solely to the Owner tendering Series 2005-B Bonds and to the Liquidity Facility Issuer to repay draws under the Liquidity Facility, as applicable, and are specifically excluded from the provision of Section 2 of the Master Resolution.

Section 6.08. REMARKETING OF SERIES 2005-B BONDS; NOTICES, (a) The Remarketing Agent for the Series 2005-B Bonds shall offer for sale and use its best efforts to find purchasers for (i) all Series 2005-B Bonds or portions thereof as to which notice offender pursuant to Section 6.01 has been given, (ii) all Series 2005-B Bonds required to be tendered for purchase and (iii) all Purchased Bonds. Series 2005-B Bonds shall be remarketed at one hundred percent (100%) of principal thereof plus accrued interest thereon. No Series 2005-B Bonds shall be remarketed to the Commission.

(b) (i) The Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 12:00 noon on the Purchase Date or Mandatory Purchase Date of the registration instructions (i.e., the names of the tendering Owners and the names, addresses and taxpayer identification numbers of the purchasers, the desired Authorized Denominations and, in the case of Series 2005-B Bonds in the Commercial Paper Mode, the Daily Mode or the Weekly Mode, any account number for payment of principal and interest furnished by a purchaser to the Remarketing Agent) with respect thereto; and (ii) Unless otherwise permitted by DTC and the Book-Entry-Only system applicable to the Series 2005-B Bonds, the Tender Agent shall authenticate and have available for delivery to the Remarketing Agent prior to 1:30 p.m. on the Purchase Date or Mandatory Purchase Date new Series 2005-B Bonds for the respective purchasers thereof.

(c) (i) On the Business Day immediately preceding the Purchase Date or Mandatory Purchase Date, the Remarketing Agent shall notify the Liquidity Facility Issuer by Electronic Means of the principal amount of Series 2005-B Bonds to be tendered on the next Business Day for which, as of 4:00 p.m. on the immediately preceding Business Day, did not have commitments for purchase; provided, however, that the failure of the Remarketing Agent to provide such notice shall not, in and of itself, negate the obligation of the Liquidity Facility Issuer to purchase Series 2005-B Bonds in accordance with and subject to the terms and provisions of the Liquidity Facility.

(ii) The Remarketing Agent shall at or before 11:00 a.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, (A) notify the Commission and the Tender Agent by Electronic Means of the amount of tendered Series 2005-B Bonds that were not successfully remarketed, and (B) confirm to the Tender Agent the transfer of the Purchase Price of remarketed Series 2005-B Bonds to the Tender Agent in immediately available funds at or before 12:00 noon, such confirmation to include the pertinent Fed Wire reference number.

(iii) In the event that all of the tendered Series 2005-B Bonds are not successfully remarketed, the Tender Agent shall at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, notify the Liquidity Facility Issuer, in accordance with the terms of the Liquidity Facility, by Electronic Means of the amount necessary to be drawn upon the Liquidity Facility to pay the Purchase Price of such tendered Series 2005-B Bonds (for which remarketing proceeds are not then on deposit in the Purchase Fund) not successfully remarketed. No drawings under the Liquidity Facility shall be made for Series 2005-B Bonds held by or on behalf of the Commission, or for Purchased Bonds.

(iv) The Liquidity Facility Issuer shall cause to be transferred to the Tender Agent immediately available funds by 2:30 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, in an amount equal to the Purchase Price requested by the Tender Agent pursuant to Section 6.08(c)(iii) hereof. Immediately available funds received by the Tender Agent from the amount payable under the Liquidity Facility shall be deposited (to the extent a deposit of such funds is necessary) into an account within the Purchase Fund established under Section 6.07 hereof and designated the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds) Purchase Account" until applied in accordance with this Second Supplement. Such funds shall be held and invested as set forth in Section 6.07 hereof.

Section 6.09. RIGHTS TO TENDER AND SOURCE OF FUNDS FOR PURCHASE OF SERIES 2005-B BONDS, (a) On or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Series 2005-B Bonds, the Tender Agent shall purchase such Series 2005-B Bonds from the Bondholders at the Purchase Price. Funds for the payment of such Purchase Price shall be derived in the order of priority indicated below:

(i) Immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Series 2005-B Bonds by the Remarketing Agent; and

(ii) Immediately available funds transferred to the Tender Agent from amounts available under the Liquidity Facility. The Commission shall have no obligation to transfer any funds or monies to the Tender Agent for the payment of the Purchase Price of the Series 2005-B Bonds on a Purchase Date or a Mandatory Purchase Date, and the failure of the Commission to transfer such funds or monies shall not constitute an event of default under the Master Resolution, as supplemented by this Second Supplement.

(b) An Owner shall not have a right to optional tender under Section 6.01 of this Second Supplement so long as there exists an Immediate Termination Event or Suspension Event (both as defined in the Liquidity Facility).

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Section 7.01. LIQUIDITY FACILITY, (a) Initial Liquidity Facility. The Commission has obtained the Liquidity Facility as the initial Credit Agreement for the Series 2005-B Bonds. The reimbursement obligations of the Commission under the Liquidity Facility constitutes Parity Debt under the Master Resolution secured by the Security on a parity with the Series 2005-A Bonds, the Series 2005-B Bonds and all future Parity Debt.

(b) Alternate Liquidity Facility. At any time, the Commission may obtain or provide for the delivery to the Tender Agent of an Alternate Liquidity Facility with respect to the Series 2005-B Bonds. On a Tender Date in connection with the substitution of a Liquidity Facility, the Liquidity Facility being substituted shall be drawn on to pay the Purchase Price of tendered Series 2005-B Bonds, and such Liquidity Facility shall not be released or cancelled until such drawing has been honored. Any such Liquidity Facility shall provide that a Termination Tender Date shall not occur unless the issuer thereof gives to the Commission or Tender Agent written notice thereof at least 30 days prior to the Termination Tender Date. On or prior to the date on which an Alternate Liquidity Facility is obtained or delivered to the Tender Agent, the Commission shall furnish to the Tender Agent and the Remarketing Agent (i) a Favorable Opinion of Bond Counsel, (ii) opinion of counsel for the Alternate Liquidity Facility Issuer as to the validity and enforceability of the Alternate Liquidity Facility, as well as like opinion of foreign counsel if the Liquidity Facility Issuer is not incorporated or formed in the United States, and (iii) ratings from at least two (2) nationally-recognized ratings agencies evidencing the highest category of short-term ratings. As provided in Section 6.05 hereof, all Outstanding Series 2005-B Bonds will become subject to mandatory tender for purchase on the Substitution Date.

(c) Downgrade. The Commission shall obtain, in a reasonably timely manner, an Alternate Liquidity Facility with respect to the Series 2005-B Bonds if the short-term credit rating of the Liquidity Facility Issuer of the then existing Liquidity Facility is downgraded to a rating below the highest short-term credit ratings then listed by Moody's, Fitch and S&P, respectively, unless no Liquidity Facility Issuer has short-term credit ratings of the required levels at a reasonable cost as determined by the Commission. The short-term credit rating of the provider of such Alternate Liquidity Facility shall not be below the highest short-term credit ratings then listed by Moody's, Fitch and S&P, respectively unless no Liquidity Facility Issuer has short-term credit ratings of the required levels at a reasonable cost as determined by the Commission.

(d) Notice. The Commission shall deliver to the Paying Agent and the Tender Agent a copy of any Alternate Liquidity Facility obtained pursuant to this Article VII on the effective date of such Alternate Liquidity Facility. In the event of an extension of the Expiration Date, the Commission shall give the Paying Agent, the Tender Agent and the Remarketing Agent a written notice of the new Expiration Date at least 16 days prior to the Expiration Tender Date. In the event of a substitution of a Liquidity Facility with an Alternate Liquidity Facility, the Commission shall give the Paying Agent, the Tender Agent and the Remarketing Agent a written notice of the Substitution Date at least 31 days prior to such Substitution Date. The Commission shall give the Paying Agent, Tender Agent and Remarketing Agent a written notice of any Termination Tender Date at least 16 days prior to such Termination Tender Date. The Commission shall give the Paying Agent and Tender Agent a written notice of its election to terminate the Liquidity Facility at least 16 days prior to the Expiration Tender Date resulting from its election to terminate such Liquidity Facility.

(e) Amount. The Liquidity Facility shall provide for draws thereon or borrowings therefrom, in the aggregate, in an amount at least equal to the Liquidity Amount for the related Series 2005-B Bonds.

Section 9.01. PAYMENTS. On or before each Principal Payment Date or Interest Payment Date while any of the Series 2005-B Bonds are outstanding and unpaid, commencing on the first Interest Payment Date for the Series 2005-B Bonds as provided in the Award Certificate, the Commission shall make available from the Mobility Fund to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Series 2005-B Bonds,, including Purchased Bonds, as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Series 2005-B Bonds and shall furnish the Commission with an appropriate certificate of cancellation.

Section 9.02. REBATE FUND. A separate and special fund to be known as the Rebate Fund is hereby established by the Commission within the Mobility Fund pursuant to the requirements of Section 148(f) of the Code and the tax covenants of the Commission contained in Article X of this Second Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Second Supplement. Such amounts shall be deposited therein and withdrawn therefrom as is necessary to comply with the provisions of Article X. Any moneys held within the Rebate Fund shall not constitute Security under the Master Resolution.

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Section 10.02. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR PROJECT. The Commission covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 2.01 of this Second Supplement on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the purposes for which the Series 2005-B Bonds are issued have been accomplished. The foregoing notwithstanding, the Commission shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Series 2005-B Bonds, or (ii) the date the Series 2005-B Bonds are retired, unless the Commission obtains a Favorable Opinion of Bond Counsel that such expenditure will not adversely affect the tax-exempt status of the Series 2005-B Bonds. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 10.03. DISPOSITION OF PROJECTS. The Commission covenants that the property financed with the Series 2005-B Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the Commission of cash or other compensation, unless the Commission obtains a Favorable Opinion of Bond Counsel

that such sale or other disposition will not adversely affect the tax-exempt status of the Series 2005-B Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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Section 12.03. DEFEASANCE OF SERIES 2005-B BONDS, (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Series 2005-B Bonds shall be deemed to be Defeased Debt within the meaning of the Master Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Series 2005-B Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) and payment of all obligations then due under the Liquidity Facility including all sums due in connection with Purchased Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Series 2005-B Bonds or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Commission with the Paying Agent/Registrar for such Series 2005-B Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Debt shall have become due and payable or (3) any combination of(l) and (2). At such time as Series 2005-B Bonds shall be deemed to be a Defeased Debt hereunder, as aforesaid, such Series 2005-B Bonds and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Security as provided in the Master Resolution and this Second Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Series 2005-B Bonds as aforesaid when proper notice of redemption of such Series 2005-B Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with the Master Resolution and this Second Supplement. Any money so deposited with the Paying Agent/Registrar for such Series 2005-B Bonds or an eligible trust company or commercial bank as provided in this Section may at the discretion of the Commission also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar for such Series 2005-B Bonds or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Series 2005-B Bonds and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the Commission for deposit to the General Account of the Mobility Fund.

(c) Continuing Duty of Paying Agent and Registrar. Notwithstanding any provision of any other Section of this Second Supplement which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of Series 2005-B Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Series 2005-B Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Debt shall have become due and payable, the Paying Agent/Registrar for such Defeased Debt shall perform the services of Paying Agent/Registrar for such Defeased Debt the same as if they had not been defeased, and the Commission shall make proper arrangements to provide and pay for such services as required by this Second Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Second Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar for such Series 2005-B Bonds or an eligible trust company or commercial bank pursuant to this Section for the payment of Series 2005-B Bonds and such Series 2005-B Bonds shall not have in fact been actually paid in full, no amendment of the

provisions of this Section shall be made without the consent of the registered owner of each Series 2005-B Bonds affected thereby.

(e) Retention of Rights. Notwithstanding the provisions of subsection (a) of this Section, to the extent that, upon the defeasance of any Defeased Debt to be paid at its maturity, the Commission retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of this Second Supplemental Resolution and the Award Certificate relating to the Defeased Debt, the Commission may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) of this Section with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

(f) Interest Rate. Notwithstanding anything elsewhere in this Second Supplement, any Series 2005-B Bonds in a mode other than the Fixed Rate Mode, shall be deemed to be paid and discharged only if the amount held under 12.03(a)(i) or (ii) above shall be sufficient to provide for the payment of such Series 2005-B Bonds assuming the highest possible interest rate on such Series 2005-B Bonds (as established in accordance with this Second Supplement) to the earlier of the first tender date or redemption date thereof.

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Section 12.10. CREDIT AGREEMENT. To the extent permitted by law, the Commission reserves the right to enter into additional Credit Agreements in connection with the Series 2005-B Bonds, upon the written consent of the Liquidity Facility Issuer and written opinion of the Chief Financial Officer that such Credit Agreements are in the best interest of the Commission given the market conditions at the time. The obligations under the Credit Agreements may, pursuant to their terms constitute (i) Parity Debt secured by a pledge of the Security on parity with the Series 2005-B Bonds and other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to the Series 2005-B Bonds and other Parity Debt or (iii) partially Parity Debt and partially Subordinated Debt. The Credit Agreements will constitute a Credit Agreement as defined in the Master Resolution.

Section 12.11. REMEDIES. Pursuant to the Constitutional Provision, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any owner of the Series 2005-B Bonds, including Purchased Bonds, and the Liquidity Facility Issuer provided the Liquidity Facility Issuer is not in default under its Liquidity Facility, in the event of default in connection with any covenant contained in the Master Resolution or in this Second Supplement, or default in the payment of the Annual Debt Service Requirements due in connection with the Series 2005-B Bonds, including any Purchased Bonds, or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, the State and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or this Second Supplement, by all legal and equitable means, including specifically, the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, the State or any appropriate official of the State.

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Section 12.14. REMARKETING AGENT. The Remarketing Agent shall be a corporation or other legal entity organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to perform all duties imposed upon the Remarketing Agent by this Second Supplement, and shall be either (a) a member of the National Association of Securities Dealers, Inc. and registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, or (b) a national banking association, commercial bank or trust company. So long as the Series 2005-B Bonds are held in the Book-Entry-Only System, the Remarketing Agent must be a DTC Participant in the Book-Entry-Only System with respect to the Series 2005-B Bonds. The Remarketing Agent shall perform all of the duties imposed upon it by this Second Supplement and the Remarketing Agreement, but only upon the terms and conditions set forth herein and the Remarketing Agreement, including the following:

(i) set the interest rates on the Series 2005-B Bonds and perform the other duties provided for in Article VI hereof, and remarket Series 2005-B Bonds as provided in Section 6.08 hereof and in the Remarketing Agreement;

(ii) hold all moneys delivered to it hereunder for the purchase of Series 2005-B Bonds in trust solely for the benefit of the person or entity which shall have so delivered such moneys until the Series 2005-B Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iii) keep such books and records as shall be consistent with customary industry practice that shall accurately reflect the transactions hereunder and to make such books and records available for inspection by the Commission and the Liquidity Facility Issuer at all reasonable times;

(iv) deliver any notices required by this Second Supplement to be delivered by the Remarketing Agent; and

(v) perform all other duties of the Remarketing Agent under this Second Supplement and the Remarketing Agreement.

The Remarketing Agent at any time may resign and be discharged of the duties and obligations imposed upon the Remarketing Agent by this Second Supplement, by giving written notice thereof to the Commission, the Paying Agent and the Liquidity Facility Issuer at least thirty (30) days prior to the effective date of such resignation. The Remarketing Agent shall resign immediately at any time that it shall cease to be eligible in accordance with the provisions of this Section.

The Remarketing Agent may be removed at any time by the Commission by an instrument in writing delivered at least fifteen (15) days prior to the effective date of such removal to the Remarketing Agent, the Paying Agent and the Liquidity Facility Issuer.

To the extent and in the manner provided in the Remarketing Agreement, the Remarketing Agent may assign or transfer its rights and obligations to an entity affiliated with the Remarketing Agent.

If the Remarketing Agent shall resign, be removed or become incapable of acting for any cause, the Commission shall, with the consent of the Liquidity Facility Issuer, promptly appoint a successor Remarketing Agent for the Series 2005-B Bonds, subject to the conditions set forth herein, by an instrument in writing delivered to the Trustee, the Liquidity Facility Issuer, and the retiring Remarketing Agent. Every such successor Remarketing Agent appointed pursuant to the provisions of this Section shall meet the eligibility requirements of this Section. Every successor Remarketing Agent appointed hereunder shall execute and deliver to the Commission, the Paying Agent, the Liquidity Facility Issuer and the retiring Remarketing Agent an instrument accepting such appointment, designating its principal office and signifying its acceptance of the duties and obligations imposed upon it hereunder. No resignation or removal of the Remarketing Agent and no appointment of a successor Remarketing Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Remarketing Agent hereunder. The Paying Agent shall give notice of each resignation and each removal of the Remarketing Agent and each appointment of a successor Remarketing Agent by mailing written notice of such event within thirty (30) days of the resignation or removal of the Remarketing Agent or the appointment of a successor Remarketing Agent, to the Commission, the Liquidity Facility Issuer, each Rating Agency maintaining a rating on the Series 2005-B Bonds and the Owners of the Series 2005-B Bonds as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Remarketing Agent and the address of its principal office. In the event of the resignation or removal of the Remarketing Agent, and the appointment of a successor Remarketing Agent, the retiring Remarketing Agent shall pay over, assign and deliver any moneys and Series 2002-B Bonds held by it in such capacity to its successor.

Section 12.15. TENDER AGENT. The Tender Agent shall perform the duties imposed upon the Tender Agent under this Second Supplement and the Tender Agent Agreement, but only upon the terms and conditions set forth herein, including the following:

(i) hold all Series 2005-B Bonds delivered to it hereunder in trust for the benefit of the respective owners which shall have so delivered such Series 2005-B Bonds until moneys representing the purchase price of such Series 2002-B Bonds shall have been delivered to or for the account of or to the order of such owners;

(ii) hold all moneys delivered to it hereunder for the purchase of Series 2005-B Bonds in trust in the Series 2005-B Bonds Purchase Fund solely for the benefit of the person or entity which shall have so delivered such moneys until the Series 2005-B Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iii) keep such books and records as shall be consistent with customary industry practice that shall accurately reflect the transactions hereunder and to make such books and records available for inspection by the Commission, the Remarketing Agent and the Liquidity Facility Issuer at all reasonable times;

(iv) deliver any notices required by this Second Supplement to be delivered by the Tender Agent; and

(v) perform all other duties of the Tender Agent under this Second Supplement.

The Tender Agent, with the written consent of the Commission and the Remarketing Agent (which consents shall not be unreasonably withheld), may appoint as its agent an alternate tender agent by an instrument in writing delivered to the Commission, the Remarketing Agent and the Liquidity Facility Issuer, to act as its agent in performing any of its duties as tender agent hereunder. Any alternate tender agent appointed pursuant to the provisions of this Section shall be a bank or trust company eligible under the law of the State to accept trusts and operate in a fiduciary capacity. Any Tender Agent shall have combined capital surplus and undivided profits of at least $50,000,000. No alternate tender agent shall accept its appointment unless at the time of such acceptance such alternate tender agent shall be qualified and eligible under this Section.

Every alternate tender agent appointed hereunder shall execute and deliver to the Paying Agent, the Commission, the Remarketing Agent and the Liquidity Facility Issuer an instrument accepting such appointment, designating its principal office and accepting the duties and obligations imposed upon it hereunder. No appointment of an alternate tender agent pursuant to this Section shall become effective until the acceptance of appointment by the alternate tender agent hereunder.

The Paying Agent shall give notice of appointment of an alternate tender agent by mailing written notice of such event, within thirty (30) days of the appointment of an alternate tender agent, to the Commission, the Liquidity Facility Issuer, the Remarketing Agent, each Rating Agency maintaining a rating on the Series 2005-B Bonds and the Owners of Series 2005-B Bonds as their names and addresses appear in the Security Register maintained by the Paying Agent. Each notice shall include the name of the alternate tender agent and the address of its principal corporate trust office or designated payment office.

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APPENDIX C

ORIGINAL OPINION OF BOND COUNSEL

LAW OFFICES

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June 8, 2005

TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS
GENERAL OBLIGATION MOBILITY FUND BONDS
SERIES 2005-A
$900,000,000

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined into the legality of and validity of the issue of bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates specified, all in accordance with the "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Master Resolution") as supplemented by the "First Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "First Supplement") (the Master Resolution and the First Supplement are collectively referred to as the "Resolution") adopted by minute order of the Commission on May 4, 2005. Terms used herein and not otherwise defined shall have the meanings given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Commission, the Master Resolution, as supplemented by the First Supplement and the "Second Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Second Supplement"), the Award Certificate and other pertinent instruments relating to the authorization, issuance and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Commission and the Department upon which certificates and documents we rely as to certain matters stated below including the Certification of the Comptroller of Public Accounts of the State of Texas. We have also examined one of the executed Bonds which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Commission is the governing body of the Department, an agency of the State of Texas, created and operating under the Constitution and laws of the State of Texas and is authorized to issue the Bonds under Article III, Section 49-k, Texas Constitution, and Subchapter M of Chapter 201 of the Texas Transportation Code, as amended (the "Enabling Act"), and Chapter 1371, Texas Government Code, as amended. It is further our opinion that the Bonds have been duly authorized; that all conditions precedent to

the delivery of the Bonds have been fulfilled; and that the Bonds have been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to bankruptcy, reorganization and other similar matters affecting creditors' rights. Additionally, it is our opinion that except as may be limited by laws relating to bankruptcy, reorganization and other similar matters affecting creditors' rights. (i) the Bonds are Parity Debt; (ii) the covenants and agreements in the Resolution constitute valid and binding obligations of the Commission, and the Bonds constitute valid and legally binding obligations of the Commission which, together with the Texas Transportation Commission States of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds) (the "Series 2005-B Bonds") and the payment obligations of the Commission pursuant to the Standby Bond Purchase Agreement dated as of May 1, 2005 between the Commission and DEPFA BANK plc, acting through its New York Branch (the "Liquidity Facility") being issued or executed simultaneously with the issuance of the Bonds, are secured equally and ratably, on parity, by a first lien on and pledge of the Security established by the Master Resolution and the First Supplement, and are payable as to principal and interest solely from the sources provided therein, including the Pledged Revenues. The Bonds, the Series 2005-B Bonds and the payment obligations of the Commission under the Liquidity Facility are additionally secured by the State guarantee as authorized in the Master Resolution and exercised in the First Supplement and the Second Supplement; and (iii) the Master Resolution and First Supplement are authorized by law, have been duly executed and delivered, and are valid and legally binding upon the Commission in accordance with their terms and provisions.

THE COMMISSION has reserved the right, subject to the restrictions stated in the Resolution to issue Additional Parity Debt which also may be secured by the Master Resolution on a parity with the Bonds, the Series 2005-B Bonds and the payment obligations of the Commission under the Liquidity Facility. The Commission also has reserved the right to amend the Master Resolution and First Supplement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of all Parity Debt.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Commission with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Commission to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to

our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Commission as the taxpayer. We observe that the Commission has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Commission, the State, or the Texas Mobility Fund, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Commission as to the current outstanding indebtedness of the Commission and the Comptroller of Public Accounts of the State of Texas with respect to the projected revenues of the Texas Mobility Fund. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

McCall, Parkhurst & Horton LLP

APPENDIX D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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TELEPHONE 214 754-9200
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600 CONGRESS AVENUE
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700 N ST MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE 210 225-2800
FACSIMILE 210 225-2984

_____, 2012

Texas Transportation Commission
Dewitt Greer Building
125 East 11th Street, 3rd Floor
Austin, Texas 78701

The Bank of New York Mellon
Trust Company, N.A., as Tender Agent
2001 Bryan Street, 11th Floor
Dallas, Texas 75201

Jefferies & Company, Inc.
Dallas, Texas, as Remarketing Agent
300 Crescent Court, Suite 500
Dallas, Texas 75201

Re: $82,315,000 Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)

Ladies and Gentlemen:

We have been requested to render our opinion with respect to whether the replacement of the Standby Bond Purchase Agreement by and between the Texas Transportation Commission (the "Commission") and Royal Bank of Canada dated as of _____, 2012 relating to the Bonds (the "Alternate Liquidity Agreement") for the existing Standby Bond Purchase Agreement by and between the Commission and DEPFA Bank plc, acting through its New York Branch dated as of May 1, 2005 (the "Replaced Liquidity Agreement"), pursuant to Section 7.01 of the Second Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program adopted by the Commission on May 4, 2005 (the "Second Supplement") which supplements the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program also adopted by the Commission on May 4, 2005, will adversely affect the tax-exempt status of the interest on the above-captioned bonds (the "Bonds"). Capitalized terms not otherwise defined herein have the meaning given in the Second Supplement.

In rendering the opinions set forth below, we have examined the transcript containing certified original executed copies of certain proceedings relating to the original issuance of the Bonds, and certain representations originally provided to our firm, as bond counsel, at the time of the initial issuance of the Bonds relating to the use of the proceeds of, and the facilities financed by, the Bonds, the accuracy of which we have not independently verified. We have also examined certain certificates and documents of the Commission made in connection with the Alternate Liquidity Agreement, the accuracy of which we have also not independently verified. Additionally, we have also examined portions of the

constitution and the statutes of the United States of America and the State of Texas and such applicable court decisions, regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed necessary for the purposes of this opinion.

Based on the foregoing, we are of the opinion that the (i) delivery of the Alternate Liquidity Agreement is permitted under the Acts, the Master Resolution and the Second Supplement and (ii) matters as described above and referred to as the replacement of the Alternate Liquidity Agreement for the Replaced Liquidity Agreement will not, in and of themselves, adversely affect the excludability from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended (the "Code") of interest on the Bonds for federal income tax purposes.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds or relating to the replacement of the Alternate Liquidity Agreement. In particular, but not by way of limitation, we do not hereby affirm, repeat or otherwise republish any opinion that was rendered at the time of initial delivery of the Bonds, relating to the qualification of the Bonds as obligations described in section 103 of the Code or the excludability of interest payable thereon from the gross income of the owners of the Bonds. There can be no assurance given that legislation will not be enacted by this or any future Congress in a form which will adversely affect the tax treatment of ownership of the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Commission as the taxpayer. We observe that the Commission has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

The foregoing opinions represent our legal judgment based on a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

This opinion letter may be relied upon by only the addressees hereof and may not be used or relied upon by any other person for any purposes whatsoever without our prior written consent.

Very truly yours,

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

This Appendix E describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this Appendix E concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Remarketing Memorandum. The Commission believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Commission cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants (defined herein), (ii) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve and act in the manner described in this Remarketing Memorandum. The current rules applicable to DTC are on file with the SEC, and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

DTC is acting as securities depository for the Bonds. The Bonds were initially 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 certificate was issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and was deposited with DTC.

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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, and Fixed Income Clearing Corporation, (NSCC and FICC, 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 U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+" (credit watch negative). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Bonds 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 Commission or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commission or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Remarketing Memorandum. In reading this Remarketing Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Remarketing Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

* * * * * *

APPENDIX F

AUDITED FINANCIAL STATEMENTS OF THE FUND

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TEXAS DEPARTMENT OF TRANSPORTATION

Texas Mobility Fund

(A Debt Service Fund of the Texas Department of Transportation of the State of Texas)

Financial Statements - For Fiscal Year Ended August 31, 2011

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Texas Mobility Fund

A Debt Service Fund of the Texas Department of Transportation

FINANCIAL STATEMENTS
For the Fiscal Year Ended
August 31, 2011

Prepared by:
Finance Division of the Texas Department of Transportation

Texas Mobility Fund
FINANCIAL STATEMENTS
For the Fiscal Year Ended
August 31, 2011

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Texas Mobility Fund
INTRODUCTORY SECTION

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Texas Department of Transportation
DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

December 14, 2011

TO: The Citizens of the State of Texas and the Creditors of the Texas Mobility Bonds

The audited annual financial statements of the Texas Mobility Fund (Mobility Fund) for the year ended Aug. 31, 2011, are submitted herewith. The Master Resolution, dated as of May 4, 2005, as amended and supplemented by the first through eighth Supplemental Master Resolutions (Resolution) requires the preparation and submission of audited annual financial statements. This report was prepared by the Accounting Management staff in the Finance Division of the Texas Department of Transportation (TxDOT).

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

The Texas State Auditor's Office performed an independent audit, in accordance with generally accepted auditing standards, of the Mobility Fund's basic financial statements for the year ended Aug. 31, 2011. The audit opinion is presented in this report preceding the financial statements.

Profile of the Government

This report includes financial statements for the Mobility Fund. The Mobility Fund is part of TxDOT's reporting entity. TxDOT is an agency of the state of Texas created to provide safe, effective and efficient movement of people and goods. TxDOT is managed by an Executive Director and is governed by the five-member Texas Transportation Commission (Commission). TxDOT is organized into 25 districts, 29 divisions and offices, four regional offices and currently has an annual budget of approximately $9 billion and a staff of approximately 12,000, which manages approximately $3.5 billion in annual highway contract lettings.

In 2001, voters approved a Texas constitutional amendment that authorized the creation of the Mobility Fund. In particular, Article III, Section 49-k of the Texas Constitution (Constitutional Provision) created the Mobility Fund within the treasury of the state of Texas.

Legislation enacted under the Constitutional Provision authorized the Commission to issue and sell obligations of the state and enter into related credit agreements that are payable from and secured by a pledge of and a lien on all or part of the money on deposit in the Mobility Fund. As of Aug. 31 2011, the Commission had issued a par amount of $6.26 billion in Mobility Fund bonds.

The Mobility Fund is administered by the Commission as a revolving fund to provide a method of financing for the construction, reconstruction, acquisition and expansion of state highways, including costs of any necessary design and costs of acquisition of rights of way, as determined by the Commission in accordance with standards and procedures established by law. Monies in the Mobility Fund may also be used to provide state participation in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects in accordance with procedures, standards and limitations established by law.

By expediting the delivery of transportation infrastructure, the Mobility Fund is an important tool in meeting TxDOT's goals to address future multimodal transportation needs, enhance safety, maintain the transportation system, promote strategies for congestion relief, enhance system connectivity and facilitate the development and exchange of comprehensive multimodal funding strategies.

Accounting System and Budgetary Controls

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

Information Useful In Assessing the Mobility Fund's Financial Condition

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

In 2003, the 78th Legislature dedicated sources of revenue to the Mobility Fund. The funds generated by these dedicated revenues, as well as funds generated through other pledged revenues, are required to be accounted for in accounts established in the Mobility Fund.

The Commission established the following sub-accounts of the Mobility Fund:

- Mobility Fund General Account – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used.

- Mobility Fund Portfolio Account – any Transportation Assistance Bonds acquired for the Mobility Fund are to be promptly deposited into this account and held therein until paid. As of Aug. 31, 2011, no Transportation Assistance Bonds were held by the Mobility Fund.

- Mobility Fund Interest and Sinking Account – monies in this account are used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as they become due and payable. This account is required as long as Parity Debt is outstanding.

- Mobility Fund Bond Proceeds Account – proceeds from the issuance of Parity Debt are deposited into this account upon the issuance of such Parity Debt. Such proceeds and the interest thereon remain in the bond proceeds account until expended to accomplish the purposes for which such Parity Debt was issued.

- Rebate Account – the fifth Supplemental Resolution established the rebate account. Money on deposit in the rebate account, if any, is paid to the federal government in compliance with arbitrage earnings requirements. Money in the rebate account, if any, does not constitute security.

- Purchase Account – money obtained from the remarketing of the bonds and from draws under a liquidity facility are deposited to the purchase account. Money on deposit in the purchase account is used solely to pay the purchase price of the bonds or to reimburse a liquidity facility issuer for a drawing on the liquidity facility to pay the purchase price of the bonds.

- Reserve Accounts or Subaccounts – these accounts are established as required by any supplements to the Resolution.

TxDOT is responsible for ensuring that accounts maintain the proper minimum balances as set forth in the Resolution and for investing in securities required to meet liquidity requirements.

Risk Financing & Management

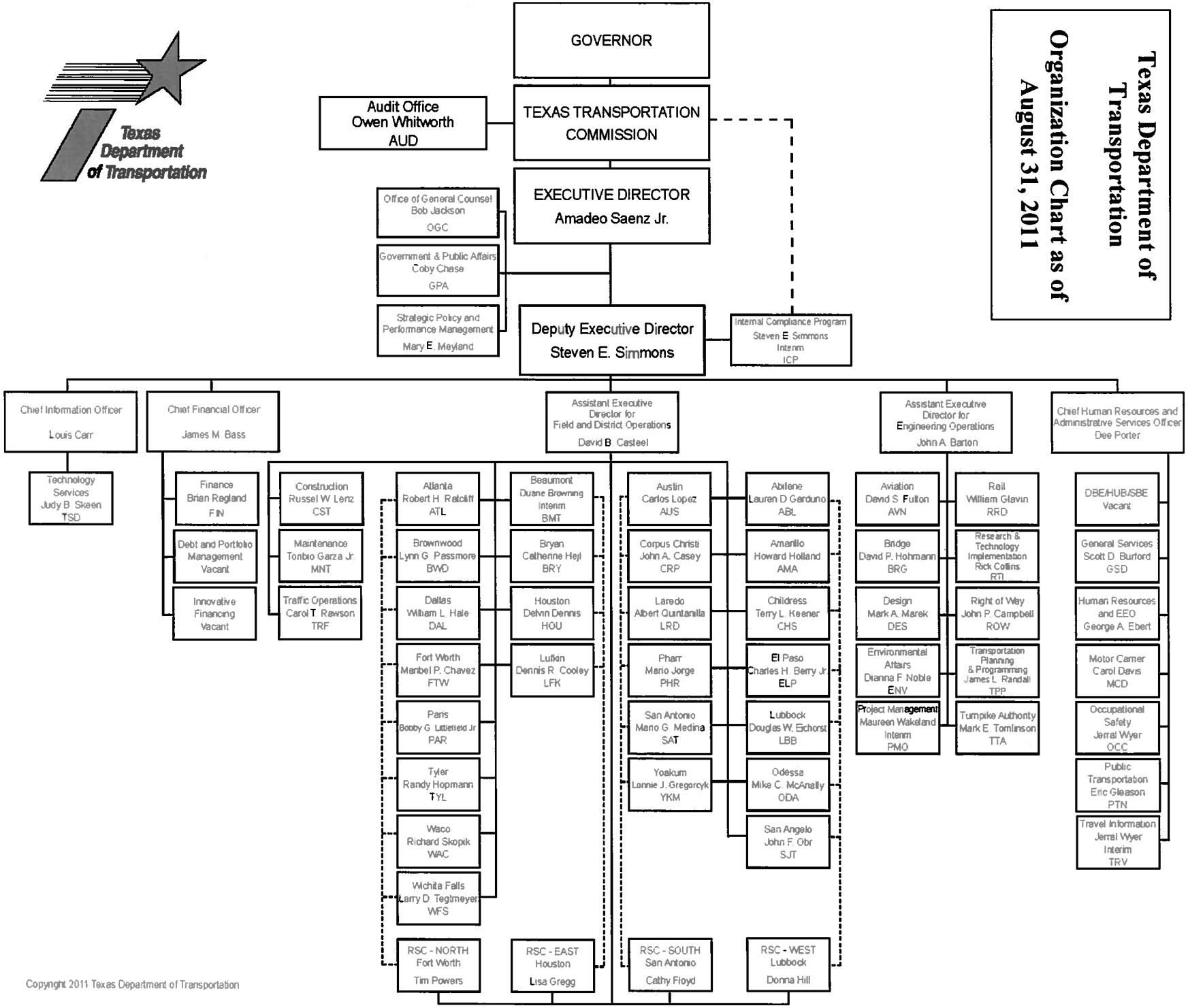
The Mobility Fund does not have any employees. TxDOT employees and contractors perform the work of the Mobility Fund. TxDOT provides all debt financing, accounting and administrative services.

Acknowledgements

Production of this report would not have been possible without the efficient and dedicated staff of TxDOT. We extend special appreciation to Glen Knipstein, Amanda Landry, Silvia G. Morales, Jennifer Wright and the rest of the Finance Division for their professionalism and devotion in preparing this complex financial document.

Phil Wilson
Executive Director

Texas Department of Transportation
Organization Chart as of August 31, 2011



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Commission and Key Personnel
As of August 31, 2011

TEXAS TRANSPORTATION COMMISSION

DEIRDRE DELISI.....Chair
Austin

NED S. HOLMES.....Commissioner
Houston

TED HOUGHTON.....Commissioner
El Paso

WILLIAM MEADOWS.....Commissioner
Fort Worth

FRED UNDERWOOD.....Commissioner
Lubbock

TEXAS DEPARTMENT OF TRANSPORTATION

AMADEO SAENZ, Jr., P.E. .....Executive Director
STEVEN E. SIMMONS, P.E. ..... Deputy Executive Director
DAVID CASTEEL, P.E. .....Assist. Exec. Dir. for District Operations
JOHN A. BARTON, P.E ..... Assist. Exec. Dir. for Engineering Operations
DEE PORTER .....Chief Human Resources & Admin. Services Officer
JAMES M. BASS ..... Chief Financial Officer
LOUIS CARR.....Chief Information Officer
ROBERT W. JACKSON.....General Counsel
COBY CHASE .....Director of Government and Public Affairs

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Texas Mobility Fund
FINANCIAL SECTION

State Auditor's Office
John Keel, CPA
State Auditor

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
Mr. Ted Houghton Chair
Mr. Jeff Austin, III
Mr. Ned S. Holmes
Mr. William Meadows
Mr. Fred Underwood

We have audited the accompanying financial statements of the governmental activities and the major fund of the Texas Mobility Fund (Fund) as of and for the year ended August 31, 2011, which collectively comprise the Fund's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Department of Transportation's (Department) management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Fund's fiscal year 2010 financial statements and, in our report dated December 14, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Fund, a debt service fund of the Department and the State of Texas and do not purport to, and do not, present fairly the financial position of the Department or the State of Texas as of August 31, 2011, or the changes in the Department's or the State's financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Fund as of August 31, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Fund adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In addition, the Fund was reclassified from a special revenue fund to a debt service fund in fiscal year 2011.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The Introductory Section and Supplementary Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the Department's internal control over Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

John Keel, CPA
State Auditor

December 12, 2011

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Management's Discussion and Analysis

As management of the Texas Department of Transportation (TxDOT), we offer readers of the Texas Mobility Fund's (Mobility Fund) financial statements this narrative overview and analysis of its financial activities for the fiscal years ended Aug. 31, 2011, 2010 and 2009. The information presented should be read in conjunction with our letter of transmittal, the financial statements and the accompanying notes to the financial statements.

Highlights

Net Assets

Overall the Mobility Fund continues to report a deficit net assets balance. The deficit net asset balance reported as of Aug. 31, 2011 was approximately $4.99 billion, an increase of $12.9 million from fiscal 2010. The deficit is created because the proceeds of long-term debt issuances are transferred to the state highway fund to accelerate transportation projects, while dedicated fees are used to pay debt service on the Mobility Fund bonds over a 30-year period. The Mobility Fund has no ownership interest in the highway projects that it is helping to accelerate in the state highway fund, and is not responsible for the maintenance of these roadways, which will become part of the Texas state highway system.

Governmental Fund

As of Aug. 31, 2011, the Mobility Fund's governmental fund balance was approximately $1.3 billion, a decrease of $78.3 million from fiscal 2010. Transfers to the state highway fund for fiscal 2011 totaled $141.7 million, a decrease of $122 million, or 46 percent, when compared to fiscal 2010 transfers. Transfers to the state highway fund are decreasing because the Mobility Fund is approaching its currently approved $6.4 billion debt issuance capacity and remaining bond proceeds available for project expenditures are decreasing.

Overview of the Financial Statements

The annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements with the notes to the financial statements and supplementary information.

The Mobility Fund's financial statements combine two types of financial statements into one statement. These two types of financial statements are the fund financial statements and the entity-wide financial statements. The fund financial statements are presented on the first column of the statements and the entity-wide financial statements on the last column. Adjustments between the fund financial statements and the entity-wide financial statements are presented in the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TxDOT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Mobility Fund is reported as a governmental fund.

Financial reports of governmental funds focus on how money flows into and out of the funds and amounts remaining at year end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The fund financial statements provide a detailed short-term view of the Mobility Fund's operations. The reconciliations following the financial statements explain the differences between the Mobility Fund's activities reported in the entity-wide financial statements and the governmental fund financial statements.

The Mobility Fund's $1.3 billion positive fund balance as of Aug. 31, 2011, represents a 5.8 percent decrease from fiscal 2010. Contributing to the lower balance was the decrease in cash in state treasury, which continues to decline as funds are transferred to the state highway fund and debt service payments increase.

Entity-Wide Financial Statements

Entity-wide financial statements provide additional detail about the Mobility Fund's financial position and activities. Some information presented in the entity-wide financial statements differs from the fund financial statements due to the perspective and basis of accounting used.

The focus of the entity-wide financial statements is on the overall financial position and activities of the Mobility Fund. These statements consist of the statement of net assets and statement of activities, which are prepared using the economic measurement focus and the accrual basis of accounting. The statement of net assets combines the Mobility Fund's current financial resources with its long-term obligations. The statement of activities focuses on both the gross and net costs of various activities; these costs are paid by the Mobility Fund's revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific governmental services and includes all current year revenues and expenses. The activity of the Mobility Fund is considered a governmental activity for the purpose of the statement of net assets and statement of activities.

Financial Analysis

The Mobility Fund's overall financial position and operations for the past three years is summarized as follows:

Condensed Statement of Net Assets
August 31, 2011, 2010 and 2009

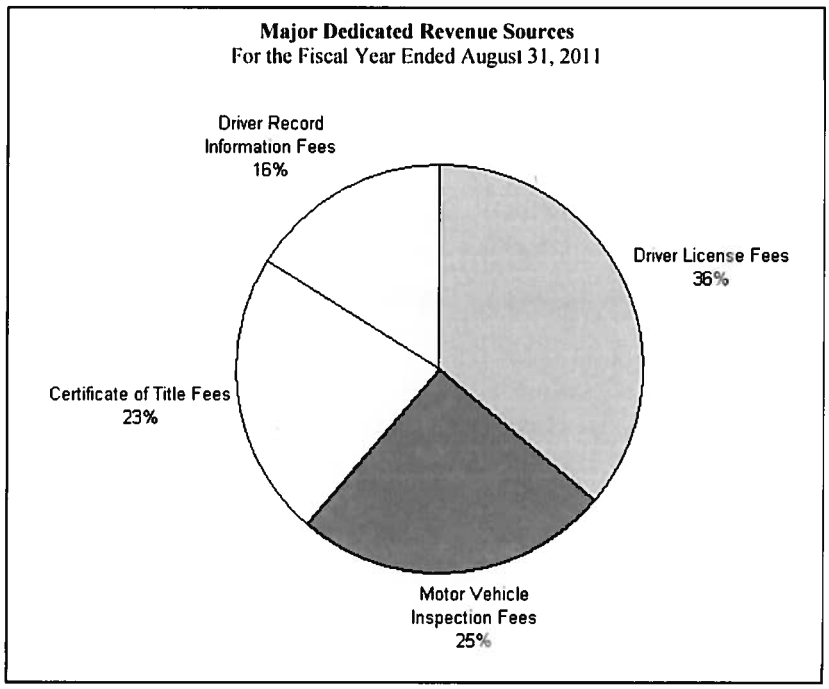
	Governmental Activities		
	2011	2010	2009
Current Assets	$1,291,632,643	$1,400,554,008	$1,584,153,651
Noncurrent Assets	51,137,381	34,757,455	26,835,997
Total Assets	1,342,770,024	1,435,311,463	1,610,989,648
Current Liabilities	187,648,271	211,942,995	166,217,358
Noncurrent Liabilities	6,141,868,627	6,197,224,909	6,245,552,810
Total Liabilities	6,329,516,898	6,409,167,904	6,411,770,168
Net Assets (Deficit):			
Unrestricted	(4,986,746,874)	(4,973,856,441)	(4,800,780,520)
Total Net Assets (Deficit)	$(4,986,746,874)	$(4,973,856,441)	$(4,800,780,520)

Condensed Statement of Activities
For the Fiscal Years Ended August 31, 2011, 2010 and 2009

	2011	2010	2009
Revenues			
Federal Revenue	$23,303,934	$23,303,934	$323,666
Charges for Services - Licenses, Fees and Permits	355,808,529	320,404,949	319,044,133
Operating Grants and Contributions - Interest and Investment Income	28,603,330	20,418,021	15,087,643
Total Revenues	407,715,793	364,126,904	334,455,442
Expenses			
Professional Fees & Services	18,014	420,361	273,859
Debt Service	278,898,592	279,804,292	221,207,466
Other Expenses		4,937	28,546
Total Expenses	278,916,606	280,229,590	221,509,871
Excess of Revenues over Expenses	128,799,187	83,897,314	112,945,571
Transfers Out to the State Highway Fund	(141,689,620)	(263,724,988)	(599,980,487)
Change in Net Assets	(12,890,433)	(179,827,674)	(487,034,916)
Total Net Assets (Deficit) – beginning	(4,973,856,441)	(4,800,780,520)	(4,313,745,604)
Restatement		6,751,753	
Total Net Assets (Deficit) – ending	$(4,986,746,874)	$(4,973,856,441)	$(4,800,780,520)

Current assets continue to decrease due to the transferring out of cash in state treasury to the state highway fund for the funding of eligible transportation projects. The increase of noncurrent assets in fiscal 2011 is due to an increase in fair value of the basis swap agreements associated with the fixed rate debt of the Mobility Fund. The swaps are reported as investment derivatives. Total revenues increased by 12 percent from fiscal 2010, due to a 195 percent increase in the fair value of investment derivatives and an 11 percent increase in dedicated fee revenues.

The major dedicated revenue sources of the Mobility Fund for the year ended Aug. 31, 2011 are summarized in the following chart. A detailed listing of all dedicated revenue sources can be found in the supplementary information section of this report.



Debt Administration

The Mobility Fund bonds are considered to be self-supporting general obligation debt. The issuance of Mobility Fund bonds is limited by debt service coverage requirements, which are certified by the Texas Comptroller of Public Accounts. As of Aug. 31, 2011, the approved debt capacity of the Mobility Fund is $6.4 billion. As of Aug. 31, 2011 the Commission has issued $6.3 billion in bonds towards that amount. All Mobility Fund debt issuances must be approved by the Texas Bond Review Board prior to issuance. See Note 4 for additional information on the Mobility Fund's outstanding debt.

The balance of bonds payable, for fiscal 2011, 2010 and 2009, respectively, is presented below.

	Bonds Payable		
	2011	2010	2009
Current Liabilities:			
General Obligation Bonds Payable	$ 46,770,000	$ 39,645,000	$34,730,000
Premium/Discount	8,586,282	8,682,901	8,762,477
Subtotal – Current Liabilities	55,356,282	48,327,901	43,492,477
Noncurrent Liabilities:			
General Obligation Bonds Payable	6,010,910,000	6,057,680,000	6,097,325,000
Premium/Discount	130,958,627	139,544,909	148,227,810
Subtotal – Noncurrent Liabilities	6,141,868,627	6,197,224,909	6,245,552,810
Total Bonds Payable	$6,197,224,909	$6,245,552,810	$6,289,045,287

Bond Credit Ratings

The Mobility Fund bonds were rated by each of the three major Nationally Recognized Statistical Rating Organizations. Long term ratings do not normally change unless the credit or insurance enhancement deteriorates or improves substantially. The Mobility Fund debt experienced many ratings downgrades with the collapse of several bond insurers in 2008. After the crisis, the rating agencies decided to drop insured ratings if the underlying credit was stronger.

As of Aug. 31, 2011, the Mobility Fund bonds carried a long term rating of AAA, Aaa and AA+ from Fitch Ratings (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's, respectively. In April 2010 Fitch and Moody's recalibrated their ratings on the Mobility Fund debt based on a systematic overhaul of their credit rating approach to the credit quality of state and local governments. Fitch recalibrated their ratings and changed all Mobility Fund long term ratings from AA+ to AAA. Moody's recalibrated their ratings and changed all Mobility Fund long term ratings from Aa1 to Aaa.

Short term ratings are usually reliant upon the supporting liquidity facility and its strength. The Mobility Fund variable rate demand bonds carried the following short term credit ratings as of Aug. 31, 2011.

	Fitch	Moody's	Standard & Poor's
Series 2005-B Variable Rate Interest Bonds	F1+	VMIG 3	A-2
Series 2006-B Variable Rate Interest Bonds	F1+	VMIG 1	n/a

On Oct. 10, 2010 Moody's downgraded the Series 2005-B enhanced short term rating from VMIG 1 to VMIG 3. The downgrade on the short term ratings was a direct result of a credit rating downgrade to Depfa Bank plc. Depfa Bank plc is the liquidity provider for the Series 2005-B bonds.

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

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

EXHIBIT I
TEXAS MOBILITY FUND
Statement of Net Assets and Governmental Fund Balance Sheet
August 31, 2011

	Debt Service Fund*	Adjustments	Statement of Net Assets
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury (Note 3)	$ 1,291,097,973	$	$ 1,291,097,973
Accrued Swap Payment Receivable	532,668		532,668
Prepaid Assets	2,002		2,002
Total Current Assets	1,291,632,643		1,291,632,643
Noncurrent Assets:			
Deferred Charges		24,885,198	24,885,198
Investment Derivative Instruments (Notes 3 & 5)		26,252,183	26,252,183
Total Noncurrent Assets		51,137,381	51,137,381
TOTAL ASSETS	1,291,632,643	51,137,381	1,342,770,024
LIABILITIES			
Current Liabilities:			
Accounts Payable	32,350		32,350
Interest Payable		120,882,113	120,882,113
Unearned Revenue	1,941,995		1,941,995
Due to State Highway Fund	9,435,531		9,435,531
General Obligation Bonds Payable (Note 4)		46,770,000	46,770,000
Premium/Discount (Note 4)		8,586,282	8,586,282
Total Current Liabilities	11,409,876	176,238,395	187,648,271
Noncurrent Liabilities:			
General Obligation Bonds Payable (Note 4)		6,010,910,000	6,010,910,000
Premium/Discount (Note 4)		130,958,627	130,958,627
Total Noncurrent Liabilities	0	6,141,868,627	6,141,868,627
TOTAL LIABILITIES	11,409,876	6,318,107,022	6,329,516,898
FUND BALANCE**			
Nonspendable:	2,002	(2,002)	
Restricted:	1,280,220,765	(1,280,220,765)	
TOTAL FUND BALANCE	1,280,222,767	(1,280,222,767)	
TOTAL LIABILITIES AND FUND BALANCE	$ 1,291,632,643		
Net Assets (Deficit):			
Unrestricted**		(4,986,746,874)	(4,986,746,874)
TOTAL NET ASSETS (DEFICIT)		$ (6,266,969,641)	$ (4,986,746,874)

August 31, 2010

	Special Revenue Fund*	Adjustments	Statement of Net Assets
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury	$ 1,390,311,368	$	$ 1,390,311,368
Federal Receivable	9,709,973		9,709,973
Accrued Swap Payment Receivable	532,667		532,667
Total Current Assets	1,400,554,008		1,400,554,008
Noncurrent Assets:			
Deferred Charges		25,860,599	25,860,599
Investment Derivative Instruments		8,896,856	8,896,856
Total Noncurrent Assets	0	34,757,455	34,757,455
TOTAL ASSETS	1,400,554,008	34,757,455	1,435,311,463
LIABILITIES			
Current Liabilities:			
Accounts Payable	34,889		34,889
Interest Payable		121,613,078	121,613,078
Due to State Highway Fund	41,967,127		41,967,127
General Obligation Bonds Payable		39,645,000	39,645,000
Premium/Discount		8,682,901	8,682,901
Total Current Liabilities	42,002,016	169,940,979	211,942,995
Noncurrent Liabilities:			
General Obligation Bonds Payable		6,057,680,000	6,057,680,000
Premium/Discount		139,544,909	139,544,909
Total Noncurrent Liabilities	0	6,197,224,909	6,197,224,909
TOTAL LIABILITIES	42,002,016	6,367,165,888	6,409,167,904
FUND BALANCE**			
Restricted:	1,358,551,992	(1,358,551,992)	
TOTAL FUND BALANCE	1,358,551,992	(1,358,551,992)	
TOTAL LIABILITIES AND FUND BALANCE	$ 1,400,554,008		
Net Assets (Deficit):			
Unrestricted**		(4,973,856,441)	(4,973,856,441)
TOTAL NET ASSETS (DEFICIT)		$ (6,332,408,433)	$ (4,973,856,441)

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

*The Mobility Fund was reclassified to a debt service fund in fiscal 2011. See Note 1 for more details.

** The classification of fund balance and net assets were changed in fiscal 2011. See Note 1 for more details.

EXHIBIT II

TEXAS MOBILITY FUND

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

For the fiscal year ended August 31, 2011

	Debt Service Fund*	Adjustments	Statement of Activities
REVENUES			
Federal Revenue	$ 23,303,934	$	$ 23,303,934
Charges for Services -			
Licenses, Fees and Permits	355,808,529		355,808,529
Operating Grants and Contributions -			
Interest and Investment Income	11,248,004	17,355,326	28,603,330
TOTAL REVENUES	390,360,467	17,355,326	407,715,793
EXPENDITURES/EXPENSES			
Professional Fees & Services	18,014		18,014
Debt Service:			
Principal	39,645,000	(39,645,000)	0
Interest	286,925,264	(730,964)	286,194,300
Amortization of Premium/Discount		(8,682,901)	(8,682,901)
Amortization of Bond Issue Costs		975,399	975,399
Other Financing Fees	411,794		411,794
TOTAL EXPENDITURES/EXPENSES	327,000,072	(48,083,466)	278,916,606
Excess of Revenues over Expenditures/Expenses	63,360,395	65,438,792	128,799,187
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out to the State Highway Fund	(141,689,620)		(141,689,620)
TOTAL OTHER FINANCING SOURCES (USES)	(141,689,620)	0	(141,689,620)
Net Change in Fund Balance/Net Assets	(78,329,225)	65,438,792	(12,890,433)
Fund Balance/Net Assets (Deficit):			
FUND BALANCE/NET ASSETS (DEFICIT), September 1, 2010	1,358,551,992	(6,332,408,433)	(4,973,856,441)
FUND BALANCE/NET ASSETS (DEFICIT), August 31, 2011	$ 1,280,222,767	$ (6,266,969,641)	$ (4,986,746,874)

For the fiscal year ended August 31, 2010

	Special Revenue Fund*	Adjustments	Statement of Activities
REVENUES			
Federal Revenue	$ 23,627,600	$ (323,666)	$ 23,303,934
Charges for Services -			
Licenses, Fees and Permits	320,404,949		320,404,949
Operating Grants and Contributions -			
Interest and Investment Income	18,272,918	2,145,103	20,418,021
TOTAL REVENUES	362,305,467	1,821,437	364,126,904
EXPENDITURES/EXPENSES			
Professional Fees & Services	420,361		420,361
Debt Service:			
Principal	34,730,000	(34,730,000)	0
Interest	260,764,636	26,183,895	286,948,531
Amortization of Premium/Discount		(8,762,477)	(8,762,477)
Amortization of Bond Issue Costs		975,399	975,399
Other Financing Fees	642,839		642,839
Other Expenditures/Expenses	4,937		4,937
TOTAL EXPENDITURES/EXPENSES	296,562,773	(16,333,183)	280,229,590
Excess of Revenues over Expenditures	65,742,694	18,154,620	83,897,314
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out to the State Highway Fund	(263,724,988)		(263,724,988)
TOTAL OTHER FINANCING SOURCES (USES)	(263,724,988)	0	(263,724,988)
Change in Fund Balance/Net Assets	(197,982,294)	18,154,620	(179,827,674)
Fund Balance/Net Assets (Deficit):			
FUND BALANCE/NET ASSETS (DEFICIT), September 1, 2009	1,556,534,286	(6,357,314,806)	(4,800,780,520)
Restatement		6,751,753	6,751,753
FUND BALANCE/NET ASSETS (DEFICIT), August 31, 2010	$ 1,358,551,992	$ (6,332,408,433)	$ (4,973,856,441)

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

*The Mobility Fund was reclassified to a debt service fund in fiscal 2011. See Note 1 for more details.

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets

The Mobility Fund's governmental fund financial statement is prepared on the modified accrual basis of accounting. Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. Interest on long-term debt that is payable more than 30 days after fiscal year end is not accrued in the fund financial statements. Deferred charges associated with bond issuances are considered a noncurrent resource. Investment derivatives are not reported on the fund financial statements as they are long term in nature. The following reconciliation outlines the line items that create the difference between fund balance and net assets.

	2011	2010
Total Fund Balance - Governmental Fund	$1,280,222,767	$1,358,551,992
Deferred Charges	24,885,198	25,860,599
Investment Derivative Instruments	26,252,183	8,896,856
Interest Payable	(120,882,113)	(121,613,078)
General Obligation Bonds Payable	(6,057,680,000)	(6,097,325,000)
Premium/Discount	(139,544,909)	(148,227,810)
Total Net Assets (Deficit) - Governmental Activities	$(4,986,746,874)	$(4,973,856,441)

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

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. The governmental fund also reports the effect of bond issue costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following reconciliation details the reasons for the difference between the net change in fund balance and the change in net assets.

	2011	2010
Net Change in Fund Balance - Governmental Fund	(78,329,225)	$(197,982,294)
Federal Revenue		(323,666)
Interest and Investment Income	17,355,326	2,145,103
Debt Service Principal	39,645,000	34,730,000
Debt Service Interest	730,964	(26,183,895)
Amortization of Premium/Discount	8,682,901	8,762,477
Amortization of Bond Issue Costs	(975,399)	(975,399)
Change in Net Assets - Governmental Activities	(12,890,433)	$(179,827,674)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements reflect the financial position of the Texas Mobility Fund (Mobility Fund). The Mobility Fund is a debt service fund of the Texas Department of Transportation (TxDOT), an agency of the state of Texas. The Texas Transportation Commission (Commission), the governing body of TxDOT, has the authority to commit the Mobility Fund to various legal agreements.

The Texas Legislature (Legislature) established the Mobility Fund to provide a method of financing the construction, reconstruction, acquisition and expansion of state highways, including costs of any necessary design and costs of acquisition of rights of way. The Mobility Fund may also be used to provide participation by TxDOT in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects.

The Commission may sell obligations of the state that are payable from and secured by a pledge of and a lien on all or part of the money dedicated to and on deposit in the Mobility Fund. As of Aug. 31, 2011, a total of $6,255,100,000 par value of general obligation bonds were issued. The proceeds of the Mobility Fund bonds are used to pay, or reimburse the state highway fund for eligible expenditures.

The Legislature has dedicated to the Mobility Fund certain statutory fee revenues of the state. The Commission may also elect to pledge the general obligation of the state as additional repayment security for the bonds. To date, the dedicated revenues of the Mobility Fund have been sufficient to meet the debt service requirements of the bonds without the necessity of calling on the general obligation pledge.

The Mobility Fund does not have any employees. TxDOT provides all accounting, debt financing and administrative services.

Basis of Presentation

The records of the Mobility Fund are maintained in accordance with the practices set forth in the provisions of the bond Resolutions. The accompanying financial statements present only the financial position and changes in financial position of the Mobility Fund, and are not intended to and do not present fairly the financial position or changes in financial position of TxDOT.

The Mobility Fund implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* in fiscal 2011. As a result, the classification of fund balance has changed. Previously, fund balances were reported as unreserved. The fiscal 2011 fund balance is classified as nonspendable and restricted fund balance. The governmental balance sheet for fiscal 2010 was similarly restated to retroactively reflect the fund balance presentation requirements of GASB 54

Measurement Focus and Basis of Accounting

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Mobility Fund's dedicated revenues are restricted to paying debt service on the outstanding Mobility Fund bond obligations. GASB 54 clarified the definitions of governmental funds and after an analysis it was determined that the activity of the Mobility Fund met the definition of a debt service fund and no longer could be reported as a special revenue fund.

A debt service fund is a type of governmental fund used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest. Debt service funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

The entity-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental adjustments that are necessary to convert fund balance to net assets are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Budgets and Budgetary Accounting

The Mobility Fund budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the governor (the General Appropriations Act). The Mobility Fund has collected revenue budgets for debt service and for in-house design, contracted design, construction and right of way. After mobility-related expenditures are incurred in the state highway fund, the Mobility Fund transfers cash and collected budget as reimbursement to the state highway fund. Since the Mobility Fund budgets are collected budgets, budgets can be increased up to the amount of receipts collected in the Mobility Fund.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets and Liabilities

Cash and Cash Equivalents in State Treasury
Cash and cash equivalents in the state treasury is the balance of funds held in the state Treasury Pool. See Note 3 for more information.

Accrued Swap Payment Receivable
Accrued swap payment receivable represents the August 2011 swap receivable, which was outstanding at the end of the fiscal year. See Notes 4 and 5 for more information on the Mobility Fund's outstanding interest rate swap agreements.

Deferred Charges
Deferred charges consist of the unamortized bond issuance costs incurred on the Mobility Fund bond issuances. Deferred charges related to the unamortized bond issuance costs are amortized using the straight-line method over the life of the bonds. See Note 4 for more details.

Investment Derivative Instruments
Investment derivative instruments represent the fair value at Aug. 31, 2011 of the Constant Maturity Swaps (CMS basis swaps) that are associated with the Mobility Fund's Series 2006-A fixed-rate bonds. See Note 3 for more details.

Accounts Payable
Accounts payable represents the liability for the value of assets or services received during the reporting period for which payment is pending.

Interest Payable

Interest payable represents the amount of interest expense accrued for fiscal 2011 that becomes due Oct. 1, 2012. Interest on long-term debt that is payable more than 30 days after fiscal year end is not accrued in the fund financial statements.

Due to State Highway Fund

The due to state highway fund represents the amount owed for the costs of certain projects incurred as of Aug. 31, 2011, that will receive reimbursement from the Mobility Fund after fiscal year end.

General Obligation Bonds Payable

General obligation bonds are reported at par value and are shown as either current or non-current in the statement of net assets. See Note 4 for more details.

Premium/Discount

Premium/discount represents the net of the unamortized premiums and discounts. Premiums and discounts are amortized over the life of the bonds using the bonds outstanding method of amortization and are reported separately as either current or non-current in the statement of net assets.

Fund Balance/Net Assets

The Mobility Fund's fund balance is classified as nonspendable and restricted. Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

The Mobility Fund's fund balance is restricted due to bond covenants and constitutional provisions. The majority of current year revenues relate to fees pledged for debt service on outstanding bonds. Proceeds from the sale of bonds and interest earned on the bond proceeds account are constitutionally restricted for the purpose of funding transportation projects. The Mobility Fund records transfers out to the state highway fund, which records the expenditures associated with the projects funded with Mobility Fund resources.

The Mobility Fund's fiscal 2011 ending fund balance is further disaggregated by category and amount below.

Mobility Fund **Fund Balance Classification as of August 31, 2011**	
Nonspendable – Prepaid Interest	$ 2,002
Restricted – for Debt Service	404,546,628
Restricted – for Future Mobility Projects	875,674,137
Total Fund Balance	$ 1,280,222,767

The presentation of fund balance required updating as a result of the implementation of GASB 54. Under GASB 54, fund balance classifications depict the nature of constraints on the use of net resources in a governmental fund. Previous fund balance categories focused on providing information about amounts and their availability for appropriation.

On the accrual basis of accounting, the Mobility Fund's liabilities exceed its assets, creating a deficit net assets balance. As such, the net assets as of Aug. 31, 2011 are classified as unrestricted. This classification is a change from prior years and is the correction of a prior error in the classification of net assets. More detail is disclosed in Note 11.

Revenues, Expenditures/Expenses and Transfers

Federal Revenue

Federal revenue relates to the federal interest rate subsidy provided in relation to the Mobility Fund's Build America Bond issuance. Although the amount is recognized as revenue on the financial statements, the subsidy is specifically restricted to use as an offset of debt service costs. Refer to Note 4 for more information on the Mobility Fund's involvement with the Build America Bond program.

Charges for Services - Licenses, Fees and Permits

The major sources of dedicated revenue to the Mobility Fund for fiscal 2011 were driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees. A list of all fiscal 2011 dedicated revenues can be found in the supplementary information section of this report.

Operating Grants and Contributions - Interest and Investment Income

Cash in the state treasury earns interest income at stated rates established by the Texas Comptroller of Public Accounts. Investment income reported is related to the change in fair value of investment derivative instruments.

Expenditures/Expenses

Expenditures/expenses include payments for professional fees, debt service and other financing fees and the amortization of bond premium, discount and issue costs. The receipts associated with the Mobility Fund's investment derivative instruments reduce expenditures by offsetting debt service costs. See Note 5 for more information on these derivative instruments.

Operating Transfers Out to the State Highway Fund

Operating transfers out to the state highway fund reflect the transfer of cash to reimburse the state highway fund for eligible expenditures.

NOTE 2 – CAPITAL ASSETS

The Mobility Fund does not have ownership of any capital assets. The infrastructure built with transfers from the Mobility Fund to the state highway fund becomes part of the state highway system and a capital asset to the state highway fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments – Treasury Pool

The Mobility Fund is established in the state Treasury, thus all monies are pooled with other state funds and invested under the direction of the Comptroller of Public Accounts Treasury Operations Division (Treasury). The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2011. The Comptroller has delegated investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; banker's acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options.

As of Aug. 31, 2011, and Aug. 31, 2010, the Mobility Fund's pro rata share of participation in the Treasury Pool was $1,291,097,973 and $1,390,311,368, respectively. No further detail of this balance is available due to the management policies of the Treasury Pool.

Investment Derivative Instruments

Texas Government Code, Chapter 1371, as amended, authorizes the Commission to enter into credit agreements that include interest rate swap and other similar agreements. The purpose of these agreements is not for speculation or investment purposes. Such agreements are instead used to manage the Commission's asset/liability portfolio by balancing risk exposures related to fluctuating interest rates and other economic variables; minimizing debt service cost; balancing or rebalancing the ratio of fixed and variable rate debt; responding to market conditions or interest rate cycles that offer value to the Commission; and hedging future interest rate conditions.

Per this policy, the Commission is a party to three pay-variable, receive-variable constant maturity swaps (CMS basis swaps) associated with the Texas General Obligation Mobility Fund Series 2006-A bonds. These CMS basis swaps are reported as investment derivatives in this financial report because they do not meet the definition of an effective hedge for accounting purposes.

The CMS basis swaps are reported at their fair value on the statement of net assets. The changes in fair value of investment derivative instruments are reported as investment revenue in the statement of activities. As of Aug. 31, 2011, and Aug. 31, 2010, the fair value of the investment derivative instruments in the Mobility Fund was $26,252,183 and $8,896,856, respectively.

In late calendar year 2009, the slope of the 10-year London Interbank Offered Rate (LIBOR) swap yield curve steepened, which allowed the Commission to negotiate a fixed monthly cash flow annuity benefit on the three CMS basis swaps. The suspension period ends on Dec. 1, 2012. The original terms and the suspension period terms are summarized as follows.

CMS Basis Swaps Notional Amounts and Terms

	Counterparty		
	JPMorgan Chase Bank, N.A	**Goldman Sachs Mitsui Marine Derivative Products**	**Morgan Stanley Capital Services Inc.**
Notional Amount	$200,000,000	$100,000,000	$100,000,000
Original Terms			
Pay	100% of SIFMA	100% of SIFMA	100% of SIFMA
Receive	69.42% of 10 yr LIBOR	69.42% of 10 yr LIBOR	69.42% of 10 yr LIBOR
Suspension Period Terms			
Pay	$0	$0	$0
Receive	$1.590% of Notional Value	1.637% of Notional Value	1.575% of Notional Value

Credit Risk: Credit risk is the risk that a counterparty will not fulfill its obligations according to the swap agreement. The Commission mitigates credit risk associated with swap transactions by only entering into transactions with highly rated counterparties. Upon entering a derivative transaction, the Commission requires that counterparties have a minimum credit rating of AA-/Aa3 by at least one of the three nationally recognized rating agencies and not be on rating/credit watch where a rating downgrade below AA-/Aa3 may be imminent.

Additionally, the Commission diversifies exposure to counterparty credit risk through multiple awards. Although the original notional award amount for the CMS basis swap was $400 million, the actual award was split among three counterparties.

CMS Basis Swaps Counterparty Credit Ratings as of August 31, 2011

Counterparty	Fitch/Moody's/Standard & Poor's
JPMorgan Chase Bank, N.A.	AA-/Aa1/AA-
Goldman Sachs Mitsui Marine Derivative Products	NR*/Aa1/AAA
Morgan Stanley Capital Services Inc.	A/A2/A

*Not Rated

CMS basis swap agreements contain provisions for collateral posting by counterparties in the event of a credit rating downgrade. Collateral postings will be required if a credit rating downgrade causes a counterparty's derivative fair value to exceed contractual thresholds.

Acceptable forms of collateral include cash in the form of U.S. dollars, negotiable debt obligations issued by the U.S. Treasury Department and agency securities. Agency securities include negotiable debt obligations which are fully guaranteed as to both principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, excluding interest only and principal only securities and collateralized mortgage obligations, real estate mortgage investment conduits and similar derivative securities. No collateral was held related to these agreements as of Aug. 31, 2011 and Aug. 31, 2010. The aggregate positive fair value of investment derivatives represents the maximum amount of loss that would be recognized at Aug. 31, 2011 if all counterparties failed to perform as contracted.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the CMS basis swaps or cash flows of those swaps. The fair values and the cash flows of the CMS basis swaps are sensitive to interest rate risk. The interest rate risk on the cash flows was eliminated during the suspension period by establishing the fixed annuity for that period. The Commission mitigates interest rate risk by maintaining the unilateral option to terminate any or all of the swaps at any time should interest rates cause sustained negative cash flows or fair values that warrant termination of the swaps.

NOTE 4 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended Aug. 31, 2011, the following changes occurred in the Mobility Fund's long-term liabilities (including the amortization of premiums and discounts).

Governmental Activities	Beginning Balance 09/01/10	Additions	Amortization	Principal Payments	Ending Balance 08/31/11	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds	$6,097,325,000			$(39,645,000)	$6,057,680,000	$46,770,000	$6,010,910,000
Premium (Discount)	148,227,810		(8,682,901)		139,544,909	8,586,282	130,958,627
Total Bonds Payable	**$6,245,552,810**		**$(8,682,901)**	**$(39,645,000)**	**$6,197,224,909**	**$55,356,282**	**$6,141,868,627**

During the year ended Aug. 31, 2010, the following changes occurred in the Mobility Fund's long-term liabilities (including the amortization of premiums and discounts).

Governmental Activities	Beginning Balance 09/01/09	Additions	Amortization	Principal Payments	Ending Balance 08/31/10	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds	$6,132,055,000			$(34,730,000)	$6,097,325,000	$39,645,000	$6,057,680,000
Premium (Discount)	156,990,287		(8,762,477)		148,227,810	8,682,901	139,544,909
Total Bonds Payable	**$6,289,045,287**		**$(8,762,477)**	**$(34,730,000)**	**$6,245,552,810**	**$48,327,901**	**$6,197,224,909**

General Obligation Bonds Payable

The outstanding debt of the Mobility Fund is designed to be self-supporting from the revenues dedicated to and deposited in the Mobility Fund. The full faith and credit of the state is pledged if such dedicated revenues are not sufficient to make payments due on the debt obligations.

The Mobility Fund bond Resolutions may be amended by the Commission without bondholder consent. As of Aug. 31, 2011, the Commission has authorized up to $6.5 billion of outstanding Mobility Fund debt.

Prior to issuance of Parity debt, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the Mobility Fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. The Texas Bond Review Board (BRB) must approve proposed debt issuances before new Mobility Fund debt can be issued. As of Aug. 31, 2011, the BRB has approved $6.4 billion of Mobility Fund bond issuances.

The Commission is subject to various covenants imposed by the bond resolutions. As of Aug. 31, 2011, the Commission and management believe that they were in compliance with all significant covenants.

Miscellaneous Bond Information
As of August 31, 2011

Description of Issue	Bonds Issued to Date (Par)*	Date Issued	Range of Interest Rates	Maturities First Year	Maturities Last Year	First Call Date
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds						
Series 2005-A Fixed Rate Bonds	$900,000,000	06/08/2005	3.90% 5.00%	2006	2035	04/01/2015
Series 2005-B Variable Rate Bonds	100,000,000	06/08/2005	variable**	2030	2030	***
Series 2006 Fixed Rate Bonds	750,000,000	06/08/2006	3.63% 5.00%	2007	2036	04/01/2016
Series 2006-A Fixed Rate Bonds	1,040,275,000	10/31/2006	4.00% 5.00%	2007	2035	04/01/2017
Series 2006-B Variable Rate Bonds	150,000,000	12/13/2006	variable**	2035	2036	***
Series 2007 Fixed Rate Bonds	1,006,330,000	06/21/2007	4.00% 5.00%	2008	2037	04/01/2017
Series 2008 Fixed Rate Bonds	1,100,000,000	02/28/2008	4.00% 5.00%	2009	2037	04/01/2018
Series 2009-A Fixed Rate Bonds	1,208,495,000	08/26/2009	5.37% 5.52%	2029	2039	***
Total	$6,255,100,000					

* The bonds issued column does not include $61,109,369 of premiums associated with the above bonds.
** Average interest rates on the Series 2005-B and Series 2006-B variable rate bonds are 2.9 percent and 0.97 percent, respectively.
*** The variable rate bonds and the Series 2009-A fixed rate bonds are subject to redemption prior to their respective maturities at the option of the Commission.

The interest rates on the Series 2005-B and Series 2006-B variable rate bonds reset every seven days. The potential volatility for related debt service increases with these interest rate reset provisions.

The interest payments shown below do not reflect the federal interest rate subsidy payment related to the Mobility Fund Build America Bonds Series 2009-A, which will be used to offset debt service cost.

Debt Service Requirements
Governmental Activities

	General Obligation Bonds		
Year	**Principal**	**Interest***	**Total**
2012	$46,770,000	$292,164,300	$338,934,300
2013	53,190,000	289,989,103	343,179,103
2014	60,385,000	287,493,297	347,878,297
2015	67,925,000	284,741,890	352,666,890
2016	75,930,000	281,566,837	357,496,837
2017-2021	519,885,000	1,346,748,146	1,866,633,146
2022-2026	827,915,000	1,193,566,354	2,021,481,354
2027-2031	1,243,655,000	954,361,235	2,198,016,235
2032-2036	1,781,515,000	606,301,899	2,387,816,899
2037-2039	1,380,510,000	153,005,788	1,533,515,788
Total Requirements	$6,057,680,000	$5,689,938,849	$11,747,618,849

* The interest rates in effect as of Aug. 31, 2011 for the Series 2005-B and Series 2006-B variable rate bonds used to calculate the interest debt service requirements were 2.25 percent and 0.15 percent respectively.

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the Mobility Fund's general obligation bonds.

Pledged Future Revenue

	Governmental Activities
Pledged Revenue Required for Future Principal and Interest on Existing General Obligation Bonds	$11,747,618,849
Term of Commitment Year Ending August 31,	2039
Percentage of Revenue Pledged	98%
Current Year Pledged Revenue*	$381,948,192
Current Year Principal and Interest Paid	$326,570,264

* Current year pledged revenue is net of $429,809 of operating expenses and $7,982,466 of interest income earned on the bond proceeds account.

Build America Bonds

The American Recovery and Reinvestment Act of 2009 (ARRA) granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. The Commission issued $1,208,495,000 of Direct Payment BABs during fiscal 2009 (Series 2009-A bonds). The full amount issued remains outstanding at Aug. 31, 2011. ARRA provides federal reimbursements to the Mobility Fund equal to 35 percent of the interest paid on the Direct Payment BABs.

Demand Bonds

The Mobility Fund Series 2005-B and Series 2006-B variable rate bonds are demand bonds. A bondholder may tender any of these bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and related standby bond purchase agreements as of Aug. 31, 2011.

Demand Bonds

Governmental Activities	Bonds Held by Liquidity Providers	Principal Balance Outstanding
General Obligation Bonds		
Series 2005-B	None	$ 82,315,000
Series 2006-B	None	150,000,000
Total		$232,315,000

Demand Bonds – Standby Bond Purchase Agreement Provisions

Governmental Activities	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds			
Series 2005-B	Depfa Bank plc	0.08%	04/08/12
Series 2006-B	State Street Bank and Trust Company & California Public Employees' Retirement System	0.10%	12/13/13

Liquidity facilities provide liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase agreements contain takeout provisions that provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. The table shown below provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions

Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
General Obligation Bonds				
Series 2005-B	$ 92,317,907	3.56%	Daily Fed Fds rate + 1.25%	Semi-annual payments over seven years starting on the first day of the third month of that period
Series 2006-B	158,731,963	4.37%	1% + greater of: 0.5% + Daily Fed Fds rate or Bank prime rate	Semi-annual payments over three years starting the first day of the second month of that period
Total	$251,049,870			

Interest Rate Swaps

Using rates as of Aug. 31, 2011, the debt service requirements of the Series 2006-A bonds and associated net swap payments were estimated and are presented in the following table. The swap payments were projected assuming the current fixed annuity rates, average historical rates and swap index relationships remain the same for their terms. Interest payments and net swap payments will vary in the future in correlation with the underlying interest rate indexes.

CMS Basis Swaps:
Estimated Debt Service Requirements of Fixed Rate Debt Outstanding and Net Swap Payments

	Series 2006-A Fixed-Rate Bonds		Constant Maturity Swaps	
Year	Principal	Interest	Payments	Net Debt Service
2012	$3,215,000	$49,635,50	$(6,392,000)	$46,458,500
2013	4,185,000	49,506,900	(5,816,600)	47,875,300
2014	5,115,000	49,339,500	(5,624,800)	48,829,700
2015	6,045,000	49,134,900	(5,624,800)	49,555,100
2016	6,955,000	48,893,100	(5,624,800)	50,223,300
2017-2021	82,685,000	236,774,50	(28,124,000)	291,335,500
2022-2026	197,085,00	205,325,00	(28,124,000)	374,286,000
2027-2031	346,335,00	144,450,95	(468,733)	490,317,217
2032-2035	384,485,00	44,583,000		429,068,000
Total	**$1,036,105,000**	**$877,643,350**	**$(85,799,733)**	**$1,827,948,617**

NOTE 5 – DERIVATIVE INSTRUMENTS

In October 2006, the Commission entered into constant maturity basis swap transactions (CMS basis swaps) with the expectation of reducing the interest to be paid by the Commission over the term of the Texas Mobility Fund 2006-A fixed-rate bonds. The basis swaps are scheduled to terminate on Sept. 1, 2027, which is before the final maturity of the related bonds.

By entering into the derivative contracts the Commission is able to achieve spread income, preserve call option and advance refunding capability, lower net interest cost by layering tax risk on top of a traditional fixed rate financing and preserve liquidity capacity. Specific risks and the current terms of the CMS basis swaps are detailed in Note 3.

Derivative instruments are recorded at their fair value in the statement of net assets, and the changes in fair value are reported as investment income in the statement of activities. The fair values of the basis swaps were estimated using a proprietary pricing service. The fair values are largely dependent on the relationship of certain indexes and an estimate of where those indexes will be in the future. Given the duration of the swaps, the valuations can change considerably over time.

The $6.4 million cash payment received in fiscal 2011 reduced the interest expense paid on the related bonds. The fair values and notional amounts of the basis swaps and the changes in fair value of such derivative instruments for the year ended Aug. 31, 2011 are as follows:

Summary of Derivative Activity – CMS Basis Swaps

GOVERNMENTAL ACTIVITIES

Counterparty	Change in Fair Value	Fair Value As of 8/31/2011	Notional Amount
JPMorgan Chase Bank, N.A.	$ 8,693,490	$ 13,104,816	$ 200,000,000
Morgan Stanley Capital Services, Inc.	4,361,582	6,532,462	100,000,000
Goldman Sachs Mitsui Marine Derivative Products	4,300,254	6,614,905	100,000,000
Total	$17,355,326	$ 26,252,183	$ 400,000,000

NOTE 6 – EMPLOYEES' RETIREMENT PLANS

The Mobility Fund does not have any employees and does not make contributions to any retirement plans. TxDOT employees provide all accounting and administrative services for the Mobility Fund. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan). The Mobility Fund is not obligated in any form for the funding of the pension benefits provided by the ERS Plan.

NOTE 7 – CONTINUANCE SUBJECT TO REVIEW

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2015, unless continued in existence by the 84th Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2016 to close out its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 8 – RISK FINANCING & RELATED INSURANCE

The Mobility Fund does not have any employees or equipment. TxDOT retains all potential risks associated with Mobility Fund projects and provides all debt financing, accounting and administrative services. Potential risks include property and casualty losses, workers' compensation and health benefit claims, theft and damage of assets.

NOTE 9 –COMMITMENTS AND CONTINGENCIES

Arbitrage earnings, defined as earnings on tax-exempt bond proceeds in excess of the yield on the bonds, must be repaid to the federal government per Internal Revenue Code Section 148(f) (IRC §148). Pursuant to the Master Resolution, a Rebate Fund has been established within the Mobility Fund to which deposits will be made upon the determination by a verification agent that a rebate payment may be due pursuant to IRC §148.

Per IRC §148, the amount of rebate due the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC §148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. For Series 2005-A, Series 2005-B and Series 2006 an initial determination was made that the bonds satisfy the requirements for rebate exception and no arbitrage rebate is due to the federal government. Analysis and determination of rebate payments due, if any, will be made on the remaining series of bonds as the computation dates occur for those bonds.

NOTE 10 – SUBSEQUENT EVENTS

John A. Barton was named interim executive director of TxDOT upon the retirement of Amadeo Sanchez Jr., effective Aug. 31, 2011. On Sept. 29, 2011, the Commission named Phil Wilson as the new executive director of TxDOT effective Oct. 17, 2011. Commission chair Deirdre Delisi resigned from her position on Oct. 6, 2011. The Governor appointed Commissioner Ted Houghton chair on Oct. 7, 2011. On Oct. 10, 2011, the Governor appointed Jeff Austin III to the Commission.

To mitigate credit risk exposure, swap counterparties are required to post collateral should the positive fair market value of the trade rise above a specified threshold based on the counterparty's credit ratings. On Sept. 2, 2011 Morgan Stanley Capital Services Inc. posted $3 million in cash collateral. The amount of collateral held by the Mobility Fund is based upon the fair market value of the trade which is subject to daily market movements. Thus, the amount of collateral required to be held will fluctuate daily.

NOTE 11 – RESTATEMENTS AND ADJUSTMENTS

In fiscal 2011, the presentation of net assets on the accompanying financial statements was reassessed. As a result of this analysis the presentation of net assets was changed to be in conformance with Generally Accepted Accounting Principles. A deficit net assets balance must be reported as unrestricted net assets. Previously, net assets were reported as restricted. The fiscal 2010 presentation of net assets was restated to facilitate financial analysis.

Restatements – Net Asset Allocation	Sept. 1, 2010 as Previously Reported	Restatements	Sept. 1, 2010 as Restated
Net Assets			
Restricted	$ (4,973,856,441)	$ 4,973,856,441	$ 0
Unrestricted		(4,973,856,441)	(4,973,856,441)
Total	$ (4,973,856,441)	$ 0	$ (4,973,856,441)

Texas Mobility Fund
SUPPLEMENTARY INFORMATION

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Texas Mobility Fund Dedicated Revenues
For the Fiscal Year Ended August 31, 2011
(UNAUDITED)

Major Sources of Funds		
Driver License Fees	$	126,527,352
Motor Vehicle Inspection Fees		90,080,018
Certificate of Title Fees		80,282,516
Driver Record Information Fees		57,119,319
	$	354,009,205
Miscellaneous Sources		
Motor Carrier Act Penalties	$	1,794,612
United We Stand License Fees		4,712
Depository Interest		11,248,004
	$	13,047,328
Total Dedicated Revenues	$	367,056,533

Note:
The total above does not include the Build America Bonds federal interest rate subsidy and the investment revenue attributed to the change in fair value of the investment derivative instruments.

Texas
Department
of Transportation

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