

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

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VARIOUS Districts

Section 49-p, Article III of the Texas Constitution (Constitutional Provision) and Transportation Code, Section 222.004 (Section 222.004), and other applicable law, including Government Code, Chapter 1371, and HB 1 General Appropriation Bill, 82nd Legislature, Regular Session, authorize the Texas Transportation Commission (commission) to issue general obligation bonds, notes and other public securities (bonds) and to enter into credit agreements. The commission may issue general obligation bonds for one or more of the following purposes: 1) to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects including loans for highway improvement projects; 2) to pay (a) the costs of administering projects authorized under Section 222.004 and HB 1 General Appropriation Bill, 82nd Legislature, (b) the costs or expense of the issuance of the bonds or (c) all or part of a payment owed or to be owed under a credit agreement and 3) refunding outstanding bonds.

Pursuant to Minute Order 112100 adopted by the commission on January 28, 2010, the commission approved a "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (Master Resolution) to establish a general obligation financing program in an initial aggregate principal amount not to exceed \$5 billion pursuant to which the commission may issue bonds and execute credit agreements secured by and payable from the general revenues of the State pursuant to the Constitutional Provision and Section 222.004.

Pursuant to the "First Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" also approved by Minute Order 112100, the commission issued \$815,420,000 aggregate principal amount of "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Taxable Series 2010A (Build America Bonds – Direct Payment) and \$162,390,000 aggregate principal amount of "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2010B."

In furtherance of financing highway improvement projects and the allocation of funding by the commission pursuant to Minute Order No. 112823 adopted on September 29, 2011 the commission has determined it to be in the best interest of the State to issue additional general obligation bonds for highway improvement projects.

The Master Resolution, together with the "Second Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (Second Supplement), prescribes the terms, provision and covenants related to the issuance of additional general obligations bonds in one or more series entitled "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds" with such series designation as set forth in the Second Supplement, in the aggregate principal amount not to exceed \$4,000,709,953.34.

Under the Second Supplement, the Department Representative, as defined in the Second Supplement, is authorized to determine the method of sale for the bonds, and shall further determine such price, interest rate or rates and such terms of the bonds, as prescribed in the award certificate in accordance with the Second Supplement.

The commission understands that a preliminary official statement (POS) and final official statement (Official Statement) in substantially the form of the POS will be distributed in connection with the public offering and sale of the bonds, which POS does, and which Official Statement will, include a description of the general obligation pledge of the State's full faith and credit.

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Under the Second Supplement, the Department Representative is authorized to price all or a portion of the bonds as variable rate bonds, which may require the use of liquidity provider(s), tender agents, remarking agents and other entities performing similar functions in connection with any such variable rate bonds.

Pursuant to Minute Order 112801 dated August 25, 2011, the commission approved a revised Derivative Management Policy which policy established a Derivative Committee to review and make recommendations regarding the commission's use of derivative financial products. The commission is authorized to enter into credit agreements related to the bonds with some or all of the existing swap providers previously approved by the commission and any qualified swap providers as determined by the Department Representative in compliance with the Derivative Management Policy when, in the judgment of the Department Representative, and in accordance with the commission's Derivative Management Policy, Government Code, Chapter 1371, and the Second Supplement, the transaction is expected to benefit the commission and the State.

Government Code, Section 1231.041 provides that a state agency may not issue a state security, including a bond, unless the Texas Bond Review Board (Board) approves the issuance. Government Code, Section 1231.042 provides that, in order to obtain the approval of the Board to issue a state security, a state agency must apply to the Board in the manner prescribed by the Board.

There remains \$1 billion in general obligation bonds previously approved by the Board on July 30, 2010; however, additional Board approval is necessary for the issuance of any additional general obligation bonds above \$1 billion.

Department staff is in the process of determining which highway improvement projects may include private business use or other issues that may require the issuance of taxable bonds or obtaining State volume cap through application to the Board's private activity bond program.

IT IS THEREFORE ORDERED by the commission that the chairman of the commission and executive director of the department are authorized and directed to execute and deliver the bonds and such other documents and certificates necessary to carry out the intent of this order and the Department Representative, on behalf of the commission, is authorized and directed to execute and deliver the Second Supplement, any bond purchase contract, award certificate and paying agent agreement (collectively, Program Documents), and the Program Documents are approved in substantially the form presented to the commission with such changes as the Department Representative executing the same may approve, such approval to be conclusively evidenced by execution of the Program Documents.

IT IS FURTHER ORDERED by the commission that the Department Representative, on behalf of the commission, is authorized and directed to execute and deliver any remarketing agreement, liquidity agreement, tender agent agreement and similar agreements necessary for any variable rate bonds (collectively, Variable Rate Documents), and the Variable Rate Documents and similar agreements in connection with any variable rate bonds are approved in substantially the form previously approved by the commission in connection with the Outstanding Mobility Fund Debt, as defined in the Second Supplement, with such changes as the Department Representative executing the same may approve, such approval to be conclusively evidenced by execution of the Variable Rate Program Documents.

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IT IS FURTHER ORDERED by the commission that any necessary ancillary documents in connection with the issuance of the bonds, the Program Documents and the Variable Rate Documents, if any, are hereby approved, and the Department Representative, on behalf of the commission, is authorized and directed to execute and deliver such documents, including the application and submission to the Board, as necessary.

IT IS FURTHER ORDERED by the commission that the Department Representative, on behalf of the Commission, is hereby authorized to enter into master swap agreements similar to the master swap agreements executed in connection with the Outstanding Texas Mobility Fund Debt and any appropriate confirmation for any interest rate swap transaction relating to bonds with any or all of the existing swap providers previously approved by the commission and any other qualified swap providers as determined by the Department Representative in compliance with the Derivative Management Policy, with such changes as the Department Representative executing the same may approve, such approval to be conclusively evidenced by execution of the confirmation in accordance with the Derivative Management Policy and the Second Supplement.

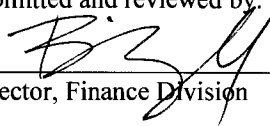
IT IS FURTHER ORDERED by the commission that the POS and the Official Statement are approved for distribution with such changes as the Department Representative executing the same may approve, such approval to be conclusively evidenced by execution of the POS and the Official Statement, and the POS and Official Statement are deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (rule) with such omissions as permitted by the rule.

IT IS FURTHER ORDERED that the Department Representative, on behalf of the commission, is authorized to make application to the Board from time to time as necessary to receive further approval for additional bonds or State volume cap in connection with certain projects funded with the proceeds of the bonds.

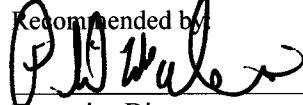
IT IS FURTHER ORDERED by the commission that the highway improvement projects to be financed with the proceeds of the bonds issued pursuant to the Master Resolution and the Second Supplement, and in accordance with, Minute Order 112823 adopted on September 29, 2011, are necessary highway improvements and related structures, including the bike/pedestrian bridge at MoPac (Loop 1) near Barton Creek in Austin, for the efficient and safe functioning of the state highway system.

IT IS FURTHER ORDERED by the commission that each member of the commission, each Department Representative, the Executive Director and General Counsel of the department are authorized and directed to perform all such acts and execute such documents, certificates, notices and applications, including execution of certifications to the underwriters, the Attorney General, the Comptroller of Public Accounts, the Board and other parties, as may be necessary to carry out the intent of this order and other orders of the commission relating to the general obligation financing program established by the Master Resolution, the Second Supplement, the Program Documents and the Variable Rate Documents, if any.

Submitted and reviewed by:



Director, Finance Division

Recommended by:


Executive Director
112974 JAN 26 12

Minute Date
Number Passed

**SECOND SUPPLEMENTAL RESOLUTION TO THE
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
HIGHWAY IMPROVEMENT GENERAL OBLIGATION FINANCING PROGRAM**

ADOPTED JANUARY 26, 2012

**SECOND SUPPLEMENTAL RESOLUTION TO THE
 MASTER RESOLUTION ESTABLISHING THE
 TEXAS TRANSPORTATION COMMISSION
 HIGHWAY IMPROVEMENT GENERAL OBLIGATION FINANCING PROGRAM**

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**SECOND SUPPLEMENTAL RESOLUTION TO THE
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
HIGHWAY IMPROVEMENT GENERAL OBLIGATION FINANCING PROGRAM**

THE STATE OF TEXAS .
TEXAS TRANSPORTATION COMMISSION .

WHEREAS, the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), pursuant to minute order No. 112100 adopted on January 28, 2010 approved a "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (referred to herein as the "Master Resolution"); and

WHEREAS, in order to enable the Commission to effectively provide for the financing of the highway improvement projects authorized by Article III, Section 49-p of the Texas Constitution, Section 222.004 of the Texas Transportation Code and any other applicable provisions of State law, the Master Resolution establishes a general obligation financing program pursuant to which the Commission can issue bonds, notes and other public securities, including refunding bonds, and enter into credit agreements secured by and payable from a general obligation pledge of the State; and

WHEREAS, in furtherance of financing highway improvement projects in accordance with the allocation of funds approved by the Commission pursuant to Minute Order 112823 adopted on September 29, 2011 the Commission has determined it to be in the best interest of the State to issue one or more series of additional general obligation Bonds, as hereinafter defined; and

WHEREAS, the Commission further finds and determines that all terms and conditions for the issuance of the Bonds herein authorized have been or can be met and satisfied; and

WHEREAS, the Bonds authorized to be issued by this Second Supplement are to be issued and delivered pursuant to the Acts, as hereinafter defined, and other applicable laws.

NOW THEREFORE, BE IT RESOLVED BY THE TEXAS TRANSPORTATION COMMISSION THAT:

**ARTICLE I
BONDS ISSUED UNDER GENERAL
OBLIGATION FINANCING PROGRAM**

Section 1.01. DEFINITIONS. (a) Definitions. The capitalized terms used herein (except in the FORM OF BONDS set forth in Exhibit "B" hereto) and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to this Second Supplement. The recitals to this Second Supplement and the exhibits hereto are incorporated herein and made a part hereof for all purposes.

(b) Construction of Terms. If appropriate in the context of this Second Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, words of the masculine, feminine, or neuter gender shall be considered to include the other genders, and words importing persons shall include firms, associations, and corporations.

Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF BONDS. By adoption of the Master Resolution, the Commission has established the Texas Transportation Commission Highway Improvement General Obligation Financing Program for the purpose of enabling the Commission to provide for the financing of the highway improvement projects including loans for highway improvement projects authorized by the Constitutional Provision, the Enabling Act, the General Appropriations Act and any other applicable provisions of State law pursuant to which the Commission may issue and enter into obligations, including bonds, notes and other public securities and Credit Agreements, secured by and payable from a pledge of and lien on all or part of the Security. This Second Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds and Credit Agreements. This Second Supplement is subject to the terms of the Master Resolution and the terms of the Master Resolution are incorporated herein by reference and as such are made a part hereof for all purposes.

Section 1.03. SECOND SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Second Supplement shall be deemed to be and shall constitute a contract between the Commission and the Owners from time to time of the Bonds and Credit Agreements, and the pledge made in this Second Supplement by the Commission and the covenants and agreements set forth in this Second Supplement to be performed by the Commission shall be for the equal and proportionate benefit, security, and protection of all Owners from time to time of the Bonds and Credit Agreements without preference, priority, or distinction as to security or otherwise of any of the Bonds and Credit Agreements authorized hereunder over any of the other Bonds by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Second Supplement and the Master Resolution.

Section 1.04. LIMITATION OF BENEFITS WITH RESPECT TO THIS SECOND SUPPLEMENT. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Second Supplement, the Bonds or the Credit Agreements is intended or should be construed to confer upon or give to any person other than the Commission, the Owners, the Paying Agent/Registrar, and the Tender Agent any legal or equitable right, remedy, or claim under or by reason of or in respect to this Second Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Second Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Commission, the Owners, the Paying Agent/Registrar and the Tender Agent as herein and therein provided.

ARTICLE II
BOND AUTHORIZATION AND SPECIFICATIONS

Section 2.01. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS. The Bonds designated "**TEXAS TRANSPORTATION COMMISSION STATE OF TEXAS HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS**" in one or more Series (the "Bonds") are hereby authorized to be issued pursuant to this Second Supplement in the maximum aggregate principal amount of \$4,000,709,953.34 (i) to pay, or reimburse the State Highway Fund for the payment of, all or part of the costs of highway improvement projects including making loans for highway improvement projects; (ii) to pay: (a) the costs of administering projects authorized under the Enabling Act; (b) the cost or expense of the issuance of the Bonds; or (c) all or part of a payment owed or to be owed under a credit agreement and (iii) refunding any Bonds as further specified in the Award Certificate. Each Series of the Bonds shall be either Taxable Bonds or Tax-Exempt Bonds, designated by the year in which it is awarded pursuant to Section 2.02 below and each Series within a year may have a letter designation following the year all as further provided in the Award Certificate. If the initial Series of Bonds awarded pursuant to Section 2.02 is in calendar year 2012 such initial Series shall be designated as 2012A. Any Bonds issued as Variable Rate Bonds may include a designation of such, if necessary or convenient. Any Bonds issued as Refunding Bonds may include a designation of such. Additionally, portions of the Bonds may be issued in subseries bearing different terms, CUSIP numbers and may bear such additional designations, if any, as may be set forth in the Award Certificate of the Department Representative with respect to the initial issuance or thereafter, portions of the Bonds may be converted and remarketed in subseries in accordance with Exhibit "D" pursuant to a certificate of the Department Representative. The authority for the Department Representative to execute and deliver the Award Certificate for a Series of Bonds or to execute any Credit Agreements including any Swap Agreement transactions pursuant to 7.11 of this Resolution shall expire at 5:00 p.m. C.S.T. on January 26, 2013. Bonds priced on or before January 26, 2013 may be delivered to the initial purchaser after such date. The Bonds are authorized pursuant to authority conferred by and in conformity with State law, particularly the provisions of the Acts.

The Bonds may be in the form of Taxable Bonds or Tax-Exempt Bonds and either Fixed Rate Bonds or Variable Rate Bonds as provided in Section 2.02 and the FORM OF BONDS in Exhibit "B" to this Second Supplement.

Section 2.02. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS. (a) Terms of Bonds. For each Series of Bonds, there shall initially be issued, sold, and delivered hereunder fully registered Bonds, without interest coupons, in the form of Taxable Bonds or Tax-Exempt Bonds, Fixed Rate Bonds or Variable Rate Bonds with such terms and bearing interest as provided in Exhibit "D" and the Award Certificate relating to each Series, numbered consecutively for each Series of Bonds from R-1 upward (or VR-1 upward in the case of Variable Rate Bonds), payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner"), in Authorized Denominations maturing not later than thirty years after the date of issuance, serially or otherwise on the dates, in the years, and in the principal amounts and dated, all as set forth in the Award Certificate of the Department Representative relating to each Series.

(b) Award Certificate. As authorized by Chapter 1371, the Department Representative is hereby authorized, appointed, and designated to act on behalf of the Commission in selling and delivering the Bonds of each Series and carrying out the other procedures specified in this Second Supplement, including determining and fixing the Bonds as Taxable Bonds or Tax-Exempt Bonds and either Fixed Rate Bonds or Variable Rate Bonds and the initial Mode or Modes of each Series, the date of the Bonds of each Series, the purpose of the Bonds (whether for paying costs to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects including loans for highway improvement projects; (ii) to pay: (a) the costs of administering projects authorized under the Enabling Act; (b) the cost or expense of the issuance of the Bonds; or (c) all or part of a payment owed or to be owed under a Credit Agreement and (iii) refunding any Bonds or any combination thereof) as further specified in the Award Certificate, any additional or different designation or title by which the Bonds of each Series shall be known, the price at which the Bonds of each Series will be sold, the years in which the Bonds of each Series will mature, the principal amount to mature in each of such years, the aggregate principal amount of each Series or portion of a Series to be issued in a Mode, the rate or rates of interest to be borne by each maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds of each Series shall be subject to redemption, if any, prior to maturity at the option of the Commission, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds of each Series, including procuring municipal bond insurance with a Bond Insurer, if any, all of which shall be specified in a certificate of the Department Representative (the "Award Certificate"); provided that (i) the price to be paid for the Bonds of each Series shall not be less than 90% of the aggregate original principal amount thereof plus accrued interest thereon, if any, and (ii) none of the Bonds shall bear interest at a rate greater than the Maximum Rate.

In satisfaction of Section 1201.022(a)(3), Texas Government Code, the Commission hereby determines that the delegation of the authority to each Department Representative to approve the method of sale and final terms and conditions of each Series of the Bonds as set forth in this Second Supplement is, and the decisions made by a Department Representative pursuant to such delegated authority and incorporated in an Award Certificate will be, in the Commission's and Department's best interests and shall have the same force and effect as if such determination were made by the Commission, and each Department Representative is hereby authorized to make and include in an Award Certificate an appropriate finding to that effect.

In connection with any Bonds, the Commission, acting through the Department Representative may execute Credit Agreements including interest rate swap transactions under a Swap Agreement pursuant to Section 7.11 if, in the written opinion of the Department Representative set forth in the Award Certificate, the Swap Agreement results in a benefit to the State and the Commission in accordance with the Commission's Derivative Management Policy and Section 7.11 of this Second Supplement.

It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds of a Series shall not be delivered unless prior to delivery (i) the Award Certificate relating to that Series of Bonds has been executed and (ii) the Bonds of such Series have been rated by a nationally-

recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations for Bonds initially issued as Fixed Rate Bonds or one of the three highest categories of short-term obligations for Bonds initially issued as Variable Rate Bonds as required by Chapter 1371. Each Award Certificate is hereby incorporated by reference into and made a part of this Second Supplement.

The designation of which improvements are to be financed or refinanced with the proceeds of a Series of Bonds shall be set forth in the Requisition Certificate substantially in the form set forth in Exhibit "C" to this Second Supplement.

Pursuant to the provisions of Chapter 1371 and subsection (b) of this Section 2.02, the Commission delegates to the Department Representative the continuing authority, under the terms of this Second Supplement, to establish, alter, or consent to changes in interest rates, interest rate Modes, and interest rate periods, and pursuant to Chapter 1201, Government Code, a Department Representative is authorized to execute and enter into, on behalf of the Commission and as appropriate for the respective Mode, one or more Remarketing Agreements, and a Tender Agent Agreement approved pursuant to Exhibit "D" of this Second Supplement, and to enter into any other certificate, document, or other instrument, or to take any other action, including the making of any finding or determination, that the Department Representative determines is necessary or appropriate to carry out the provisions of this Second Supplement or to take all such action or perform such functions as contemplated by this Second Supplement or any, Remarketing Agreements, Tender Agent Agreement or other agreements necessary to effectuate all the Modes and provisions in Exhibit "D".

In the event a Department Representative determines that all or a portion of any series of Refunded Bonds should be refunded to defease onerous covenants or to eliminate bond insurers and/or liquidity providers that have been downgraded by one or more rating agencies, such Department Representative shall cause one or more Series of Bonds to be issued to refund all or a portion of such Outstanding General Obligation Bonds and any then Outstanding Bonds as a Department Representative determines is necessary for such purposes. In establishing the aggregate principal amount of the Bonds to be issued to refund such Refunded Bonds, a Department Representative shall establish an amount, not to exceed the amount authorized in Section 2.01, sufficient to provide for the refunding of all such Outstanding General Obligation Bonds and any then Outstanding Bonds so long as the par amount of the Bonds issued for refunding purposes does not exceed the par amount of the Refunded Bonds in accordance with the limitations of the Constitutional Provision.

As required by Section 1207.008, Texas Government Code, the Commission hereby finds and determines that (1) the issuance of refunding Bonds under this section is in the best interests of the Commission, and (2) the refunding of the Refunded Bonds to defease onerous covenants could result in an increase in the total amount of Annual Debt Service Requirements over the period the Bonds issued to refund such Refunded Bonds are scheduled to be Outstanding as will be set forth in the Award Certificate.

In the event a Department Representative determines that all or a portion of any Series of Bonds should be refunded for savings, a Department Representative shall cause one or more Series

of Bonds to be issued to refund all or a portion of such Outstanding General Obligation Bonds and any then Outstanding Bonds as the Department Representative determines is necessary to achieve a present value savings in accordance with the Commission's Debt Management Policy.

The Award Certificate for one or more Series of the Bonds issued to refund the Refunded Bonds shall also identify the Refunded Bonds being refunded by such Bonds.

(c) Sale of the Bonds. To achieve advantageous borrowing costs of the Financing Program, each Series of the Bonds shall be sold on a negotiated, placement or competitive basis as determined by the Department Representative in the Award Certificate. In determining whether to sell each Series of the Bonds by a negotiated, placement or competitive sale, the Department Representative shall take into account the financial condition of the State, any material disclosure issues which might exist at the time, the market conditions expected at the time of the sale, the achievement of any historically underutilized business goals of the Commission, and any other matters which, in the judgment of the Department Representative, might affect the net borrowing costs on each Series of the Bonds.

If the Department Representative determines that a Series of the Bonds should be sold at a competitive sale, the Department Representative shall cause to be prepared a notice of sale and official statement in such manner as the Department Representative deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Bonds, to receive such bids, and to award the sale of the Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale.

If the Department Representative determines that a Series of the Bonds should be sold by a negotiated sale or placement, the Department Representative shall designate the placement purchaser or the senior managing underwriter for the Bonds and such additional investment banking firms as the Department Representative deems appropriate to assure that the Bonds are sold on the most advantageous terms. The Department Representative, acting for and on behalf of the Commission, is authorized to enter into and carry out a bond purchase contract or other agreement for the Bonds to be sold by negotiated sale or placement at such price, with and subject to such terms as determined by the Department Representative pursuant to Section 2.02(b) above. Each bond purchase contract or other agreement shall be substantially in the form and substance previously approved by the Commission in connection with the authorization of Outstanding General Obligation Bonds with such changes as the Department Representative executing the same may approve, such approval to be received by execution of such contract or agreement.

(d) In General. The Bonds of each Series (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds of such Series, (iv) shall have the characteristics, (v) shall be Tax-Exempt Bonds or Taxable Bonds and (vi) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BONDS set forth in Exhibit "B" to this Second Supplement and as determined by the Department Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions shown in the Award Certificate relating to each Series of the Bonds.

(e) Interest. The Fixed Rate Bonds shall accrue interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS set forth in Exhibit "B" to this Second Supplement to their respective dates of maturity or redemption at the rates per annum set forth in the Award Certificate. Each Series of Bonds shall be designated as Tax-Exempt Bonds or Taxable Bonds as set forth in the Award Certificate. Notwithstanding the foregoing, if there is any conflict between any provision of this Second Supplement and Exhibit "D" regarding the calculation of interest on or other provisions of, the Variable Rate Bonds, the provisions of Exhibit "D" are controlling.

The Variable Rate Bonds shall accrue interest and be paid as provided in Exhibit "D".

(f) Payments on Holidays. In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where 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 payment was due.

Section 2.03. PAYMENT OF BONDS; PAYING AGENT/REGISTRAR. The principal of, premium, if any, and the interest on the Fixed Rate Bonds shall be payable, without exchange or collection charges to the Owner thereof, in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts. The Variable Rate Bonds shall be payable as provided in Exhibit "D"

BOKF, NA dba Bank of Texas is hereby appointed as Paying Agent/Registrar for the Bonds. By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar has acknowledged receipt of copies of the Master Resolution and this Second Supplement, and is deemed to have agreed to the provisions thereof and hereof.

The Commission agrees and covenants to cause to be kept and maintained at the designated office of the Paying Agent/Registrar a Security Register, all as provided herein, 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. In addition, to the extent required by law, the Commission covenants to cause to be kept and maintained the Security Register or a copy thereof in the State.

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 covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall 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 shall also give the address of the new Paying Agent/Registrar.

The principal of, premium, if any, and interest on the Fixed Rate Bonds due and payable by reason of maturity, redemption, or otherwise, shall be payable only to the Owner thereof appearing on the Security Register, and, to the extent permitted by law, neither the Commission nor the Paying Agent/Registrar, nor any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Fixed Rate Bonds shall be payable only upon the presentation and surrender of said Bonds to the Paying Agent/Registrar at its designated office. Interest on the Bonds shall be paid to the Owner whose name appears in the Security Register at the close of business on the Record Date and shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar to the address of the Owner appearing in the Security Register on the Record Date or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by, and at the risk and expense of, the Owner.

In the event of a nonpayment of interest on a scheduled payment date on a Fixed Rate Bond, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Fixed Rate Bond appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Section 2.04. REDEMPTION. (a) Generally. The Bonds may be subject to redemption prior to scheduled maturity at such times and with such provisions as provided in an Award Certificate and, with respect to the Variable Rate Bonds, Exhibit "D" and the related Award Certificate for Variable Rate Bonds.

(b) Notices of Redemption and Defeasance. (i) Unless waived by any Owner of the Bonds to be redeemed, the Department Representative shall give notice of redemption or defeasance to the Paying Agent/Registrar at least thirty-five (35) days prior to a redemption date in the case of a redemption (unless a lesser period is acceptable to the Paying Agent/Registrar) and on the defeasance date in the case of a defeasance and the Paying Agent/Registrar shall give notice of redemption or of defeasance of Bonds by mail, first-class postage prepaid at least thirty (30) days, but not more than 60 days, prior to a redemption date and within thirty (30) days after a defeasance date to each Owner and to the MSRB. The Paying Agent/Registrar shall also send a notice of

prepayment or redemption to the Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(ii) Each notice of redemption or defeasance shall contain a description of the Bonds to be redeemed or defeased including the complete name of the Bonds, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the mailing date for the notice, the date of redemption or defeasance, the redemption price, if any, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed or paid, including a contact person telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the Owners of the Bonds shall include a CUSIP number relating to each amount paid to such Owner.

The failure of any Owner of the Bonds to receive notice given as provided in this Section 2.04, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided in this Section 2.04 shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives such notice.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent/Registrar shall provide the notices specified in this Section 2.04 only to DTC. It is expected that DTC shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a participant, or failure on the part of a nominee of a beneficial owner of a Bond to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Series of Bonds.

(c) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Master Resolution or this Second Supplement have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Commission, be conditional upon the satisfaction of such prerequisites and receipt of such moneys 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Commission shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

(d) Purchase in Lieu of Redemption. Notwithstanding anything in this Second Supplement to the contrary, if and to the extent that the Bonds are subject to optional redemption, all or a portion of the Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent/Registrar at the direction of the Department Representative on the date which would be the redemption date if such 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 Bonds on the redemption date for the account of and at the direction of the Department Representative who

shall give the Paying Agent/Registrar notice at least forty-five (45) days prior to the scheduled redemption date for the Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase Bonds in lieu of optional redemption, no notice to the Owners of the Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent/Registrar shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Each Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission and such purchase is not intended to extinguish or merge such debt. The Bonds to be purchased under this Section 2.04(d) which are not delivered to the Paying Agent/Registrar 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.

Section 2.05. REGISTRATION; TRANSFER; EXCHANGE OF BONDS; PREDECESSOR BONDS; BOOK-ENTRY-ONLY SYSTEM; SUCCESSOR SECURITIES DEPOSITORY; PAYMENTS TO CEDE & CO. (a) Registration, Transfer, Exchange, and Predecessor Bonds. The Registrar shall obtain, record, and maintain in the Security Register the name and address of each Owner issued under and pursuant to the provisions of this Second Supplement. Any Bond may, in accordance with its terms and the terms hereof, 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 Registrar.

Upon surrender for transfer of any Bond at the designated office of the Registrar, there shall 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, Bonds may be exchanged for other Bonds of Authorized Denominations and having the same Maturity, bearing the same rate of interest, and of like aggregate principal amount and Series as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the principal office of the Registrar. Whenever any Bonds are so surrendered for exchange, there shall be registered and delivered new Bonds 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 shall be delivered at the principal office of the 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 shall be the valid obligations of the Commission, evidencing the same debt, and entitled to the same benefits under the Master Resolution and this Second Supplement, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Owner, except as otherwise herein provided, and except that the Registrar

shall 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 pursuant to the provisions hereof are hereby defined to be "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 therefor. Additionally, the term "Predecessor Bonds" shall include 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 or Bonds have been registered and delivered pursuant to Section 3.05 hereof.

Neither the Commission nor the Registrar shall be required to issue or transfer to an assignee of a Owner any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Bond; provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the unredeemed balance of a Bond called for redemption in part.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Security Register at any time shall be deemed and treated as the absolute Owner thereof for all purposes of this Second Supplement, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Commission and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Book-Entry-Only System. The Bonds of each Series issued in exchange for the Initial Bond for such Series issued as provided in Section 2.06 shall be issued in the form of a separate single fully-registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC, and except as provided in this subsection (c) or the Award Certificate relating to a Series of Bonds, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Commission and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Commission and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Owner as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Owner as shown on the Security Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Second Supplement to the contrary but to the extent permitted by law, the Commission and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Security Register as the

absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the Owners, as shown in the Security Register as provided in this Second Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Owner, as shown in the Security Register, shall receive a Bond certificate evidencing the obligation of the Commission to make payments of principal, premium, if any, and interest pursuant to this Second Supplement. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Second Supplement with respect to interest checks being mailed to the Owner at the close of business on the Record Date the words "Cede & Co." in this Second Supplement shall refer to such new nominee of DTC.

(d) Successor Securities Depository; Transfers Outside Book-Entry-Only System. In the event that the Commission determines to discontinue the book-entry-only system through DTC or a successor or DTC determines to discontinue providing its services with respect to a Series of Bonds, the Commission shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository, and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds of such Series shall no longer be restricted to being registered in the Security Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Second Supplement.

(e) Payments to Cede & Co. Notwithstanding any other provision of this Second Supplement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Commission to DTC.

(f) Blanket Issuer Letter of Representations. The Commission heretofore has executed and delivered to DTC a "Blanket Issuer Letter of Representations" with respect to the utilization by the Commission of DTC's book-entry-only system and the Commission intends to utilize such book-entry-only system in connection with each Series of the Bonds.

Section 2.06. INITIAL BOND. The Bonds of each Series shall initially be issued as a fully registered bond, being one bond (or two bonds, being one initial Fixed Rate Bond and one initial Variable Rate Bond, if all such bonds are issued) (singularly or collectively, the "Initial Bond"). Each Initial Bond shall be registered in the name of the initial purchaser(s) of the Series of Bonds as set out in the Award Certificate. Each Initial Bond shall be submitted to the Office of the Attorney

General of the State for approval and registration by the Office of the Comptroller of Public Accounts of the State and delivered to the initial purchaser(s) thereof. Immediately after the delivery of the Initial Bond of a Series on the Issuance Date, the Registrar shall cancel the Initial Bond and exchange therefor Bonds in the form of a separate single fully-registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and, except as provided in Section 2.05(d), all of the Outstanding Bonds of such Series shall be registered in the name of Cede & Co., as nominee of DTC.

Section 2.07. FORM OF BONDS. The Bonds (including each Initial Bond), the Registration Certificate of the Comptroller of Public Accounts of the State or the Authentication Certificate, and the form of Assignment to be printed on each of the Bonds shall be substantially in the forms set forth in Exhibit "B" to this Second Supplement with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Second Supplement and the Award Certificate relating to a Series of Bonds, may have such letters, numbers, or other marks of identification and such legends and endorsements (including any reproduction of an opinion of counsel and information regarding the issuance of any bond insurance policy) thereon as may, consistently herewith, be established by the Commission or determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The Bonds shall be typewritten, photocopied, printed, lithographed, engraved, or produced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

ARTICLE III EXECUTION; REPLACEMENT OF BONDS; AND BOND INSURANCE

Section 3.01. EXECUTION AND REGISTRATION. The Bonds shall be executed on behalf of the Commission by the Chairman of the Commission or another member of the Commission under its seal reproduced or impressed thereon and attested by the Executive Director of the Department. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Commission and the Department as of their authorization shall be deemed to be duly executed on behalf of the Commission, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Second Supplement, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Exhibit "B" to this Second Supplement, executed by the Comptroller of Public Accounts of the State or its duly authorized agent by manual signature, or the Paying Agent/Registrar's Authentication Certificate substantially in the form provided in Exhibit "B" to this Second Supplement executed by the manual signature of an authorized officer or employee of

the Registrar, and either such certificate duly signed upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified, registered, and delivered.

Section 3.02. CONTROL AND CUSTODY OF BONDS. The Department Representative shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation and examination by the Attorney General of the State, including the printing and supply of printed Bonds, and shall take and have charge and control of each Initial Bond pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts, and the delivery thereof to the initial purchaser(s).

Furthermore, any one or more of the Chairman of the Commission and a Department Representative are hereby authorized and directed to furnish and execute such documents relating to the Department and the State as may be necessary for the issuance of the Bonds of each Series, the approval of the Attorney General, and the registration by the Comptroller of Public Accounts and, together with the Department's Bond Counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond to the initial purchaser(s) and the initial exchange thereof for Bonds of such Series other than the Initial Bond.

Section 3.03. PRINTED OPINION. The initial purchaser(s)' obligation to accept delivery of the Bonds of each Series is subject to the initial purchaser(s) being furnished the final opinion of McCall, Parkhurst & Horton L.L.P. approving the Bonds of such Series as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Bonds of such Series. If bond insurance is obtained for the Bonds, the Bonds may bear an appropriate insurance legend.

Section 3.04. CUSIP NUMBERS. CUSIP numbers may be printed or typed on the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the Commission nor attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the Bonds.

Section 3.05. MUTILATED, DESTROYED, LOST, AND STOLEN BONDS. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the Commission and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Commission and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the Commission or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Commission shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Series and Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Commission in its discretion may, instead of issuing a new Bond, pay such Bond and the interest due thereon to the date of payment.

Upon the issuance of any new Bond under this Section, the Commission may require payment by the Owner of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Commission, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Second Supplement equally and ratably with all other Outstanding Bonds.

Section 3.06. BOND INSURANCE. (a) Purchase of Insurance. In connection with the sale of any Series of Bonds, the Commission may obtain municipal bond insurance policies from one or more Bond Insurers to guarantee the full and complete payment required to be made by or on behalf of the Commission on some or all of the Bonds as determined by the Department Representative. The Department Representative is hereby authorized to sign a commitment letter with a Bond Insurer and to pay the premium for the bond insurance policies at the time of the delivery of the Bonds out of the proceeds of sale of the Bonds or from other available funds and to execute such other documents and certificates as necessary in connection with the bond insurance policies as he or she may deem appropriate. Printing on Bonds covered by the bond insurance policies a statement describing such insurance, in form and substance satisfactory to a Bond Insurer and the Department Representative, is hereby approved and authorized. An Award Certificate may contain provisions related to the bond insurance policies, including payment provisions thereunder, and the rights of a Bond Insurer, and any such provisions shall be read and interpreted as an integral part of this Second Supplement.

(b) Rights of Bond Insurer(s). As long as a Bond Insurer is not in default on the related bond insurance policy for a Series of the Bonds, the Bond Insurer shall be deemed to be the sole Owner of such Bonds insured by it for all purposes of this Second Supplement or the Master Resolution.

ARTICLE IV PAYMENTS, REBATE FUND AND FUNDS AND SUBACCOUNTS

Section 4.01. PAYMENTS. (a) Accrued Interest. Immediately after the delivery of each Series of Bonds the Commission shall deposit any accrued interest received from the sale and delivery of such Bonds to the credit of the Interest and Sinking Fund to be held to pay interest on such Bonds.

(b) Debt Service Payments. Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for the Bonds as provided in the Award Certificate(s), the Commission shall cause to be available to the Paying Agent/Registrar, from funds that are available for such purpose under the Constitutional Provision, money sufficient to pay such interest on and such principal of the 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 Bonds and shall furnish the Commission with an appropriate certificate of cancellation.

Section 4.02. REBATE FUND. A separate and special fund to be known as the Rebate Fund is hereby established by the Commission pursuant to the requirements of Section 148(f) of the Code and the tax covenants of the Commission contained in Section 5.01 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 Section 5.01. Any moneys held within the Rebate Fund shall not constitute Security under the Master Resolution.

ARTICLE V COVENANTS REGARDING TAX EXEMPTION ON TAX-EXEMPT BONDS

Section 5.01. COVENANTS REGARDING TAX EXEMPTION ON TAX-EXEMPT BONDS. (a) Covenants. The Commission covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Tax-Exempt Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Commission covenants as follows:

(1) to take any action to assure that no more than ten percent (10%) of the proceeds of the Tax-Exempt Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than ten percent (10%) of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Commission, with respect to such private business use, do not, under the terms of this Second Supplement or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than ten percent (10%) of the debt service on the Tax-Exempt Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds five percent (5%) of the proceeds of the Tax-Exempt Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent (5%) is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent (5%) of the proceeds of the Tax-Exempt Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Tax-Exempt Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Tax-Exempt Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Tax-Exempt Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Tax-Exempt Bonds, other than investment property acquired with --

(A) proceeds of the Tax-Exempt Bonds invested for a reasonable temporary period of three (3) years or less until such proceeds are needed for the purpose for which the Tax-Exempt Bonds are issued,

(B) amounts invested in a bona fide debt service funds, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement funds to the extent such amounts do not exceed ten percent (10%) of the proceeds of the Tax-Exempt Bonds;

(7) to otherwise restrict the use of the proceeds of the Tax-Exempt Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Tax-Exempt Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Tax-Exempt Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(9) to assure that the proceeds of the Tax-Exempt Bonds will be used solely for new money projects.

(b) Rebate Fund. With respect to the Tax-Exempt Bonds, in order to facilitate compliance with the above covenant in subsection (a)(8), a "Rebate Fund" has been established in Section 4.02 of this Second Supplement by the Commission for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders.

(c) Proceeds. With respect to the Tax-Exempt Bonds, the Commission understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Tax-Exempt Bonds. It is the understanding of the

Commission that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Tax-Exempt Bonds, the Commission will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of Bond Counsel, will not adversely affect the exemption from federal income taxation of interest on the Tax-Exempt Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Tax-Exempt Bonds, the Commission agrees to comply with the additional requirements to the extent necessary, in the opinion of Bond Counsel, to preserve the exemption from federal income taxation of interest on the Tax-Exempt Bonds under section 103 of the Code. In furtherance of such intention, the Commission hereby authorizes and directs the Department Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Commission, which may be permitted by the Code as are consistent with the purpose for the issuance of the Tax-Exempt Bonds.

Section 5.02. 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 Tax-Exempt 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 Tax-Exempt Bonds, or (ii) the date the Tax-Exempt Bonds are retired, unless the Commission obtains an opinion of Bond Counsel that such expenditure will not adversely affect the tax-exempt status of the Tax-Exempt 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 5.03. DISPOSITION OF PROJECTS. The Commission covenants that the property financed with the Tax-Exempt 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 an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Tax-Exempt 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.

ARTICLE VI AMENDMENTS AND MODIFICATIONS

Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS. Subject to the provisions of the Master Resolution, this Second Supplement and the rights and obligations of the Commission and of the Owners, this Second Supplement may be modified or amended at any time without notice to or the consent of any Owner, solely for any one or more of the following purposes:

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

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Second Supplement, 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 this Second Supplement;

(iii) To supplement the Security for the Bonds or a Credit Agreement;

(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;

(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 the Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners; 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.

Section 6.02. AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS. (a) Amendments. Subject to the other provisions of this Second Supplement and the Master Resolution, the Owners aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Section 6.01 hereof, to this Second Supplement that 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 all the Owners, the amendment of the terms and conditions in this Second Supplement 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 Outstanding Bonds;

(iii) Reduce the amount of the principal payable on 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;

(v) Affect the rights of the Owners of less than all Bonds then Outstanding; or

(vi) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment.

(b) Notice. If at any time the Commission shall desire to amend this Second Supplement pursuant to Subsection (a), 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 (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 the Paying Agent/Registrar for inspection by all Owners. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing to each Owner. A copy of such notice shall be provided in writing to each rating agency maintaining a rating on the Bonds.

(c) Receipt of Consents. Whenever at any time the Commission shall receive an instrument or instruments executed by all of the Owners or the Owners aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which 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.

(d) Consent Irrevocable. Any consent given by any Owner pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the Commission, but such revocation shall not be effective if the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount prior to the attempted revocation consented to and approved the amendment. Notwithstanding the foregoing, any consent given at the time of and in connection with the initial purchase of Bonds shall be irrevocable.

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Security Register kept by the

Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 6.03. EFFECT OF AMENDMENTS. Upon the adoption by the Commission of any resolution to amend this Second Supplement pursuant to the provisions of this Article, this Second Supplement 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 Outstanding Bonds shall thereafter be determined, exercised, and enforced under the Master Resolution and this Second Supplement, as amended.

ARTICLE VII MISCELLANEOUS

Section 7.01. DISPOSITION OF BOND PROCEEDS AND OTHER FUNDS. Proceeds from the sale of each Series of Bonds shall, promptly upon receipt thereof, be applied by the Department Representative as follows:

- (i) any underwriting discount or fees and any Credit Agreement fees for each Series of Bonds may be retained by and/or wired directly to such parties;
- (ii) any accrued interest shall be deposited as provided in Section 4.01; and
- (iii) an amount sufficient to pay the remaining costs of issuance of each Series of the Bonds and the cost of highway improvement projects being financed with the proceeds of each Series of Bonds shall be deposited in a separate subaccount for each Series within the Proceeds Fund or the State Infrastructure Bank account as directed by the Department Representative.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be deposited into the Interest and Sinking Fund and applied to the payment of principal of and interest on the Bonds.

Section 7.02. MAILED NOTICES. (a) General Notice. Except as otherwise required herein, all notices required or authorized to be given to the Department, any Bond Insurer (as defined in, and pursuant to, Section 3.06 hereof), the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent, Liquidity Provider or Rating Agencies pursuant to this Second Supplement shall be in writing and shall be sent by electronic means or registered or certified mail, postage prepaid, to the following addresses or otherwise given in a manner deemed, in writing, acceptable to the party to receive the notice:

1. to the Department:
Texas Department of Transportation
125 East 11th Street

Austin, TX 78701
Attn: Chief Financial Officer
Telephone: (512) 305-9507
Facsimile: (512) 463-0283
Email: james.bass@txdot.gov

2. to the Paying Agent/Registrar:
BOKF, NA dba Bank of Texas
111 Congress, Suite 400
Austin, Texas 78701
Attn: Jose Gaytan, Vice President/Relationship Manager
Telephone: (512) 279-7850
Facsimile: (512) 279-7853
Email: jgaytan@bankoftexas.com

3. to the Tender Agent:

Attn: _____, _____
Telephone: (____) ____ - ____
Facsimile: (____) ____ - ____
Email: _____

4. To the Remarketing Agent:
As set forth in the Remarketing Agreement.

5. To the Liquidity Facility:
As set forth in the Liquidity Facility

(b) Rating Agency Notice. The Commission shall give prior written notice to the Rating Agencies of any of the following events:

(i) Change of Paying Agent, Tender Agent, the Liquidity Facility Issuer or Remarketing Agent;

(ii) Any material changes to the Master Resolution or this Supplement that affect the Variable Rate Bonds;

(iii) Any changes to the Liquidity Facility or any agreement with the Liquidity Facility Issuer, Remarketing Agent, or Tender Agent pertaining to the Variable Rate Bonds;

(iv) Any expiration, termination or extension of the Liquidity Facility or the obtaining of an Alternate Liquidity Facility pertaining to the Variable Rate Bonds;

(v) Any action in connection with a change of Mode as provided in Exhibit "D"; and

(vi) Any redemption, defeasance or mandatory tender of all the Outstanding Variable Rate Bonds.

or to such other addresses as may from time to time be furnished to the parties, effective upon the receipt of notice thereof given as set forth above.

Section 7.03. DEFEASANCE OF BONDS. (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased Bonds within the meaning of the Master Resolution and this Second Supplement, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such 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) 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 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 Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as Bonds shall be deemed to be a Defeased Bond hereunder, as aforesaid, such 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 Bonds as aforesaid when proper notice of redemption of such 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 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 Bonds or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such 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 Interest and Sinking 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 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular 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 Bonds shall have become due and payable, the Paying Agent/Registrar for such Defeased Bonds shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Department 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 Bonds or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such 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 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 Bonds to be paid at its maturity, the Commission retains the right under State law to later call that Defeased Bonds for redemption in accordance with the provisions of this Second Supplemental Resolution and the Award Certificate relating to the Defeased Bonds, the Commission may call such Defeased Bonds 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 Bonds as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bonds and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bonds.

(f) Interest Rate. Notwithstanding anything elsewhere in this Second Supplement, any Variable Rate Bonds shall be deemed to be paid and discharged only if the amount held under Section 7.03 (a) shall be sufficient to provide for the payment of such Variable Rate Bonds assuming the highest possible interest rate (as established in accordance with this Second Supplement) to Maturity or the redemption date thereof.

Section 7.04. PAYING AGENT/REGISTRAR AGREEMENT. The Department Representative is authorized to enter into and carry out the Paying Agent/Registrar Agreement by and between the Department and the Paying Agent/Registrar with respect to each Series of Bonds in substantially the form approved by the Commission.

Section 7.05. FURTHER PROCEDURES. Each Department Representative is hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Commission all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this

Second Supplement, each Series of Bonds, the sale and delivery of each Series of Bonds, and fixing all details in connection therewith, and the Paying Agent/Registrar Agreement, and to approve the Official Statement, or supplements thereto, in connection with each Series of Bonds. In connection with the issuance and delivery of each Series of Bonds, the above-stated officers, with the advice of General Counsel and Bond Counsel to the Department, are hereby authorized to approve, subsequent to the date of the adoption of this Second Supplement, any amendments to the above named documents, and any technical amendments to this Second Supplement as permitted by Section 6.01 (v) or (vi) and a Department Representative is hereby authorized to execute this Second Supplement to evidence approval of such changes.

Section 7.06. NONPRESENTMENT OF BONDS. If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, if moneys sufficient to pay such Bond shall have been deposited with the Paying Agent/Registrar, it shall be the duty of the Paying Agent/Registrar to hold such moneys, without liability to the Commission, any Owner, or any other person for interest thereon, for the benefit of the Owner of such Bond.

Any moneys so deposited with and held by the Paying Agent/Registrar due to nonpresentment of Bonds must be retained by the Paying Agent/Registrar for a period of at least two years after the final maturity date of the Bonds or advance refunding date, if applicable. Thereafter, to the extent permitted by the unclaimed property laws of the State, such amounts shall be paid by the Paying Agent/Registrar to the Commission, free from the trusts created by this Second Supplement and Owners shall be entitled to look only to the Commission for payment, and then only to the extent of the amount so repaid by the Paying Agent/Registrar.

Section 7.07. EFFECT OF SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS. Whenever this Second Supplement requires any action to be taken on a Saturday, Sunday, or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this Second Supplement the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday, or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

Section 7.08. PARTIAL INVALIDITY. If any one or more of the covenants or agreements or portions thereof provided in this Second Supplement on the part of the Commission should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Second Supplement and the invalidity thereof shall in no way affect the validity of the other provisions of this Second Supplement or of the Bonds, but the Owners of the Bonds shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

Section 7.09. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports. The Commission shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within 195 days after the end of any fiscal year, financial information and operating data as determined by the Department Representative at the time each Series of Bonds are sold. The Award Certificate shall specify such financial information and operating data. Any financial statements to

be so provided shall be (1) prepared in accordance with the generally accepted accounting principles or such other accounting principles as the Comptroller may be required to employ from time to time pursuant to the State law or regulation and (2) audited, if the Comptroller commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Commission shall provide unaudited financial statements within such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

If the Commission changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Commission otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) Event Notices. The Commission shall 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:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if material within the meaning of the federal securities laws;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. 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
- G. Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws;
- H. Bond calls, if material within the meaning of the federal securities laws and tender offers;

- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the Commission;
- M. 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
- N. 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.

The Commission shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Commission to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Limitations, Disclaimers, and Amendments. The Commission shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Commission remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Commission in any event will give notice of any deposit made in accordance with Section 7.03 of this Second Supplement that causes the Bonds no longer to be outstanding.

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

UNDER NO CIRCUMSTANCES SHALL THE COMMISSION BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE COMMISSION, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS

PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Commission in observing or performing its obligations under this Section shall comprise a breach of or default under this Second Supplement for purposes of any other provision of this Second Supplement.

Should the Rule be amended to obligate the Commission to make filings with or provide notices to entities other than the MSRB, the Commission hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Commission under federal and state securities laws.

The provisions of this Section may be amended by the Commission from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Commission, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Second Supplement that authorizes such an amendment) of the outstanding Bonds consents to such amendment or (b) a person that is unaffiliated with the Commission (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the Commission so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Commission may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 7.10. OFFICIAL STATEMENT. The Department Representative is authorized to approve and deem final the Preliminary Official Statement for each Series of Bonds. A Department Representative and the General Counsel are hereby authorized to prepare and complete the Preliminary Official Statement and the Final Official Statement for each Series of Bonds, as necessary.

Section 7.11. CREDIT AGREEMENT. (a) The Department Representative is hereby authorized to enter into ISDA Master Agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., JPMorgan Chase Bank, N.A., Morgan Stanley Capital Services Inc. and/or any other counterparties, provided, at such time, the credit quality of any such entity is in

accordance with the Commission's Derivative Management Policy (the "Swap Agreements"). Such Swap Agreements shall be generally in the form of the "Approved Swap Agreements," as such term is defined in the Fourth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program, adopted by minute order of the Commission on September 28, 2006, provided such agreements shall reflect the security and payment provisions of the Master Resolution, may be in the form of a more recent version or form of the standardized ISDA Master Agreement of the International Swap Dealers Association, Inc., may subordinate any termination obligation of the Commission thereunder to the payment of the principal of and interest on any Bonds (as such term is defined in the Master Resolution) and any other changes as, in the judgment of the Chief Financial Officer, with the advice and counsel of General Counsel and Bond Counsel, are necessary to carry out the intent of the Commission as expressed in this Second Supplement and the Commission's Derivative Management Policy, to receive approval of the proceedings related to such Swap Agreements by the Attorney General of the State of Texas, if required by law, or to incorporate credit rating agency comments relating to the Swap Agreements.

Each Swap Agreement, including the permitted transactions set forth herein, constitutes a "Credit Agreement" as defined in the Master Resolution and Chapter 1371 and shall be secured by and payable solely from a pledge of the Security under the Master Resolution, except to the extent that a Swap Agreement provides that a termination obligation of the Commission thereunder shall be subordinate to the payment of the principal of and interest on any Bonds (as such term is defined in the Master Resolution). The Department Representative is authorized to enter into such agreements and to enter into transactions in furtherance of and to carry out the intent of this Second Supplement and the Commission's Derivative Management Policy.

(b) Pursuant to a Swap Agreement and as authorized by Chapter 1371, the Department Representative is hereby authorized, appointed, and designated to act on behalf of the Commission, to accept and execute confirmations under such Swap Agreement when (1) in his or her judgment, the execution of such confirmation is consistent with the Commission's Derivative Management Policy, and the transaction contemplated in such confirmation shall meet the following limitations and parameters: (i) the term of and the aggregate notional amount of such transaction and all other transactions under the Swap Agreements may not exceed the aggregate principal amount of any maturity of the Bonds (as such term is defined in the Master Resolution) then outstanding, (ii) the interest rate or rates payable by the Commission in such transaction shall not exceed the maximum interest rate permitted under State law, (iii) in his or her judgment, the transaction is expected to (A) reduce the net interest to be paid by the Commission with respect to the relevant Bonds (as such term is defined in the Master Resolution) over the term of the confirmation, (B) alter exposure to market risks and, when used in combination with any Bonds (as such term is defined in the Master Resolution), (C) to enhance the relationship between risk and return, or (D) achieve other policy objectives of the Commission as provided in the Commission's Derivative Management Policy, or (iv) the transaction must be (A) a type of transaction contemplated in the Commission's Derivative Management Policy or (B) a type of transaction described in paragraphs (c) and/or (e) of this Section 7.11, and (v) the authority granted in this paragraph (b) shall expire as provided in Section 2.01 of this Second Supplement. When confirmations are executed on behalf of the Commission, the costs thereof and the amounts payable thereunder shall be paid as provided in the relevant Swap Agreement and the Master Resolution.

(c) The Department Representative may accept and execute confirmations for transactions or the purpose of (1) locking-in a fixed rate on a variable rate debt, (2) creating synthetic variable rate exposure for the purpose of managing debt service payments, (3) hedging risks in the context of a particular financing plan, (4) utilizing a forward starting swap, or to the extent permitted by law, a swaption, (5) asset/liability matching purposes or (6) creating basis risk exposure for purposes of managing debt service payments.

(d) The Department Representative is hereby authorized to enter into amendments to the Swap Agreements to allow confirmations thereunder to be issued and entered into with respect to the Bonds (as such term is defined in the Master Resolution) and to make such other amendments as in the judgment of the Department Representative, with the advice and counsel of the General Counsel and Bond Counsel, are necessary to allow the Commission to achieve the benefits of the Swap Agreements in accordance with and subject to the Commission's Derivative Management Policy and this Section 7.11.

(e) In addition to paragraph (b) of this Section 7.11, the Department Representative may accept and execute confirmations for transactions under one or more of the Swap Agreements upon satisfaction of the following respective conditions:

(1) Floating to fixed rate interest rate swap transactions under which the Commission would pay a fixed rate of interest, not to exceed the maximum rate permitted by State law, and the counterparty would pay a variable rate of interest in a maximum notional amount not to exceed the aggregate principal amount or maturity date of Bonds (as such term is defined in the Master Resolution) then outstanding bearing interest at a variable rate. Prior to entering into such transaction the Chief Financial Officer must determine that (i) it would be beneficial to the Commission to hedge a portion of its variable rate exposure by converting a portion of its variable rate debt to fixed rate debt, (ii) this result could be achieved by refunding the portion of variable rate debt with fixed rate debt or by creating a synthetic fixed rate through the use of a floating to fixed rate interest rate swap with a notional amount equal to the principal amount of bonds being hedged, (iii) the synthetic fixed rate is expected to result in a lower net interest cost than if fixed rate bonds were issued, and (iv) if the variable rate being paid by the Commission on the related Bonds (as such term is defined in the Master Resolution) is computed on a basis different from the calculation of the variable rate under the swap transaction over the stated term of the Swap Agreement, the basis risk of the transaction is expected to be minimal based upon historical relationships.

(2) Fixed to floating rate interest rate swap transactions under which the Commission would pay a variable rate of interest, not to exceed the maximum rate permitted by State law, and the counterparty would pay a fixed rate of interest, with respect to a given principal amount of outstanding Bonds (as such term is defined in the Master Resolution) bearing interest at fixed rates, provided however, that the maximum cumulative notional amount of such fixed to floating interest rate swap transaction shall not exceed the aggregate principal amount or maturity date of Bonds (as such term is defined in the Master Resolution) then outstanding bearing interest at a fixed rate. Prior to entering into such transaction the Department Representative must determine that converting such portion of

the then outstanding fixed rate Bonds (as such term is defined in the Master Resolution) to a variable rate pursuant to the fixed to floating interest rate swap transaction, with the scheduled reduction in the notional amount corresponding to the maturity schedule of the Bonds (as such term is defined in the Master Resolution) being swapped against, would be beneficial to the Commission by lowering the anticipated net interest cost on the outstanding Bonds (as such term is defined in the Master Resolution) to be swapped against.

(3) Basis rate swap transactions under which the Commission would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, provided the rate of interest paid by the Commission shall not exceed the maximum rate permitted by State law, and the counterparty would pay a variable rate of interest computed on a different basis, such as London Inter Bank Offered Rate ("LIBOR"), with respect to a given principal amount of outstanding Bonds (as such term is defined in the Master Resolution), provided however, that the maximum cumulative notional amount of such basis risk interest rate swap transactions shall not exceed 50% of the aggregate principal amount of Bonds (as such term is defined in the Master Resolution) then outstanding. Prior to entering into such transaction, the Department Representative must determine that by entering into the basis risk interest swap transaction (1) the Commission will be able to (i) achieve income from basis spread or upfront cash payments, (ii) preserve call option and advance refunding capability, (iii) lower net interest cost by effecting a synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost by layering tax risk on top of a traditional fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid or mitigate the marked to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments, and (2) the transaction is expected to lower the anticipated net interest cost on the and the maximum maturity date shall not exceed the maturity of the related Bonds (as such term is defined in the Master Resolution) to be swapped against over the stated term of the Swap Agreement.

(4) Interest rate locks, caps, floors, and collars may be executed under one or more of the Swap Agreements for the purpose of limiting the exposure of the Commission to interest rate volatility in connection with the Bonds (as such term is defined in the Master Resolution), including those anticipated to be issued in the future as set forth in a certificate of the Department Representative, provided that the Commission shall not pay a rate of interest that exceeds the maximum rate permitted by State law.

(f) To the extent that the Commission receives any initial payment at the time of entering into a transaction under any agreement authorized by this Section 7.11, such payments shall be applied to pay: (1) debt service on the related obligations related to the transaction or other Bonds (as such term is defined in the Master Resolution), (2) the costs of entering into such transaction, or (3) upon satisfaction or inapplicability of (1) and (2) above, costs of projects which may be financed by the obligations to which the transaction relates authorized by the Constitutional Provision, the Enabling Act and any other applicable provision of State law. To the extent that the Commission receives any net payments as a result of assigning its rights to a termination payment or assigning its rights and obligations under a transaction under any agreement authorized by this Section 7.11, such payments shall be applied to pay: (1) debt service on the related obligations related to the transaction

or other Bonds (as such term is defined in the Master Resolution) or (2) costs of projects which may be financed by the obligations to which the transaction relates authorized by the Constitutional Provision, the Enabling Act and any other provisions of State law.

(g) The Department Representative may delegate to another officer or employee of the Department the authority to physically execute specified Swap Agreements and confirmations if it would be inconvenient for him or her to execute such documents.

Section 7.12. EVENTS OF DEFAULT AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of this Master Resolution is hereby declared to be an Event of Default: (i) the failure to make payment of the principal of or interest on any of the Bonds or Credit Agreements when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the Commission, the failure to perform which materially, adversely affects the rights of the owners of the Bonds or Credit Agreements, including, but not limited to, their prospect or ability to be repaid in accordance with this Master Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Commission.

(b) Remedies. The State has not waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State relating to any series of Bonds or Credit Agreements. Any owner of Bonds or Credit Agreements 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 Bonds or Credit Agreements, 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 this Master Resolution or any Supplement, by 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 7.13. RULES OF INTERPRETATION. For purposes of this Second Supplement, except as otherwise expressly provided or the context otherwise requires:

(a) The words "herein," "hereof" and "hereunder" and other similar words refer to this Second Supplement as a whole and not to any particular Article, Section, or other subdivision.

(b) The definitions in an Article are applicable whether the terms defined are used in the singular or the plural.

(c) All accounting terms that are not defined in this Second Supplement have the meanings assigned to them in accordance with then applicable accounting principles.

(d) Any pronouns used in this Second Supplement include both the singular and the plural and cover both genders.

(e) Any terms defined elsewhere in this Second Supplement have the meanings attributed to them where defined.

(f) The captions or headings are for convenience only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or sections hereof.

(g) Any references to Section numbers are to Sections of this Second Supplement unless stated otherwise.

Section 7.14. NO PERSONAL LIABILITY. No covenant or agreement contained in the Bonds, this Second Supplement, any Credit Agreements or any corollary instrument shall be deemed to be the covenant or agreement of any member of the Commission or any officer, agent, employee or representative of the Commission in his individual capacity, and neither the directors, members, officers, agents, employees or representatives of the Commission nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed in relation to the issuance of the Bonds, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds or execution of such Credit Agreements.

Section 7.15. PAYMENT OF ATTORNEY GENERAL FEE. The Commission hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds of each Series or (ii) \$9,500 per Series, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The Department Representative is hereby instructed to take the necessary measures to make this payment. The Commission is also authorized to reimburse the appropriate Commission funds for such payment from proceeds of the Bonds of each Series.

Section 7.16. REIMBURSEMENT. The Commission expects to pay expenditures in connection with the highway improvement projects prior to the issuance of the Bonds. The Commission finds, considers and declares that the reimbursement of the Commission for the payment of such expenditures will be appropriate and consistent with the lawful objectives of the Commission and, as such, chooses to declare its intention, in accordance with the provisions of Section 1.150-2 of the Treasury Regulations, to reimburse itself for such payments at such time as it issues Bonds to accomplish the purposes set forth in this Second Supplement. All costs to be reimbursed pursuant hereto will be capital expenditures. No Tax-Exempt Bonds will be issued by the Commission in furtherance of this Second Supplement after a date which is later than 18 months after the later of (1) the date the expenditures are paid or (2) the date on which the property, with respect to which such expenditures were made, is placed in service. The foregoing notwithstanding, no Tax-Exempt Bonds will be issued pursuant to this Second Supplement more than three years after the date any expenditure which is to be reimbursed is paid unless the Commission receives an engineering certification that such projects will require five years to be completed. The Department Representative is authorized to execute any reimbursement certifications required with respect to highway improvement projects to be reimbursed with Bond proceeds.

The Commission has caused this Second Supplement to be executed by a Department Representative.

TEXAS TRANSPORTATION COMMISSION

By: _____
Department Representative

EXHIBIT "A"

DEFINITIONS

As used in this Second Supplement, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Acts" - The Constitutional Provision, the Enabling Act, the General Appropriations Act, Chapter 1371, Texas Government Code, as amended and other applicable provisions of State law.

"Alternate Credit Facility" - Any substitute or replacement irrevocable letter of credit, surety bond, insurance policy or similar instrument securing the payment of the principal of, premium, if any, and interest on, and the Purchase Price of, a Series of Variable Rate Bonds, delivered in accordance with the provisions of this Second Supplement in substitution and replacement for the existing Credit Facility for such Series.

"Alternate Liquidity Agreement" - Any substitute or replacement liquidity agreement securing the payment of the Purchase Price of a Series of Variable Rate Bonds, delivered in accordance with the provisions of this Bond Resolution in substitution and replacement for the existing Liquidity Agreement for such Series.

"Alternate Rate" - The rate calculated according to the SIFMA Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index composed of one-day, tax-exempt variable rate demand note produced by Municipal Market Data, Inc. or its successor, or as otherwise designated by SIFMA; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "Alternate Rate" shall mean such other reasonably comparable index selected by the Commission.

"Applicable Spread" - With respect to Index Floating Rate Bonds, (i) during an Initial Index Floating Rate Period, the Initial Index Floating Rate Spread, and (ii) in the case of a Conversion to an Index Floating Rate Mode, the spread determined by the Remarketing Agent pursuant to Section 2.01(H)(1) to be added to or subtracted from the Index.

"Authorized Denominations" - (i) with respect to Fixed Rate Bonds \$5,000 or any integral multiple thereof, (ii) for Bonds in the Flexible Mode, \$100,000 in principal amount or any integral multiple of \$1,000 in excess thereof, (iii) for Bonds in the Daily, Weekly, Monthly, Quarterly, Semiannual or Index Floating Rate Mode, \$100,000 in principal amount or any integral multiple of \$5,000 in excess of \$100,000, and (iv) for Bonds in the Fixed Rate or Multiannual Mode, \$5,000 in principal amount or any integral multiple thereof; provided that with respect to any Taxable Bonds, such term shall mean any authorized denomination for such Taxable Bonds established in the Award Certificate for such Bonds.

"Available Interest Commitment" - With respect to a Liquidity Agreement or Credit Facility, the number of days interest coverage provided by such Liquidity Agreement or Credit Facility.

"Award Certificate" - The Award Certificate of the Department Representative to be executed and delivered pursuant to Section 2.02(b) hereof in connection with each Series of Bonds and in connection with any change in Mode as provided in Exhibit "D".

"Bonds" - The Bonds issued in one or more series pursuant to and governed by this Second Supplement, as described in Article II hereof which includes the Fixed Rate Bonds and Variable Rate Bonds, as applicable, in accordance with the Award Certificate.

"Bond Counsel" - Any attorney or firm of attorneys engaged by the Commission whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bond Insurer" - One or more companies, if any, insuring any Series of Bonds (or any portion thereof) or any successor thereof or assignee thereof as set forth in any Award Certificate.

"Bond Purchase Fund" - Each fund by that name created by Section 3.01 hereof. The Bond Purchase Funds do not constitute a part of the security under the Master Resolution or the Second Supplemental Resolution.

"Business Day" - Any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the State or the City of New York or in the city in which the designated office of the Tender Agent or the Securities Depository is located, and with respect to Bonds outstanding in any Mode except the Index Floating Rate Mode, the Multiannual Mode or the Fixed Rate Mode, a day on which the payment office of the Liquidity Provider or the Credit Provider for draws under the Liquidity Agreement or the Credit Facility, as applicable, or the primary office of the Remarketing Agent is located, are required or authorized by law to remain closed, or the New York Stock Exchange is closed.

"Calculation Agent" - The person appointed by the Department Representative to perform the duties of Calculation Agent in connection with the Index Floating Rate Bonds.

"Chief Financial Officer" - The Chief Financial Officer 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 this Second Supplement.

"Code" - The Internal Revenue Code of 1986, as amended.

"Commission-Held Bonds" – Bonds owned by or held in the name of the Commission or its designee or held by the Tender Agent for the account of the Commission or its designee.

"Conversion" or "conversion" - A change from one Mode to another with respect to a Bond, and (i) with respect to a Bond in the Multiannual Mode, a change from one Interest Rate Period to another, or (ii) with respect to a Bond in the Index Floating Rate Mode, a change from one Index Floating Rate Period to another.

"Conversion Date" - The day a Conversion becomes effective.

"CP Bond Fund" - Each fund by that name created by Section 3.04 of Exhibit "D" to this Second Supplement, including within each such fund the "Credit Facility Debt Service Account" and the "Commission Debt Service Account." The CP Bond Funds do not constitute security under the Master Resolution or this Second Supplement.

"CP Bond Purchase Fund" - Each fund by that name created by Section 3.03 of Exhibit "D" to this Second Supplement, including within each such fund the "Remarketing Account" and the "Credit Provider Purchase Account." The CP Bond Purchase Funds do not constitute security under the Master Resolution or this Second Supplement.

"Credit Agreement" - Has the meaning given in the Master Resolution and includes a Credit Facility and a Liquidity Agreement.

"Credit Facility" - The irrevocable letter of credit, surety bond, insurance policy or similar instrument securing the payment of the principal of, premium, if any, and interest on, and the Purchase Price of, a Series of Variable Rate Bonds, designated in the Award Certificate for such Series, until such time as an Alternate Credit Facility has been issued in substitution and replacement for such Credit Facility and thereafter "Credit Facility" shall mean such Alternate Credit Facility. A Credit Facility is not a "Liquidity Agreement" within the meaning hereof.

"Credit Provider" - The bank or other financial institution designated by the Department Representative acting in its capacity as issuer of the initial Credit Facility with respect to a Series of Variable Rate Bonds, and its successors and assigns, and if an Alternate Credit Facility is issued, the issuer of such Alternate Credit Facility, and its successors and assigns.

"Credit Provider Bonds" - Variable Rate Bonds purchased with moneys drawn on a Credit Facility and held for the benefit of a Credit Provider pursuant to Section 3.03 of Exhibit "D" to this Second Supplement.

"Credit Provider Rate" - The rate of interest to be borne by any Series of Variable Rate Bonds while such bonds are Credit Provider Bonds as provided in the Reimbursement Agreement for such Series, but in no case shall such rate of interest exceed the maximum rate permitted by law, including Chapter 1204, Texas Government Code, as amended.

"Daily Mode" - The Mode in which the interest rate on any Bonds is set at the Daily Rate pursuant to Section 2.01(B) of Exhibit "D" to this Second Supplement.

"Daily Rate" - The rate of interest that is set on any Bonds by the Remarketing Agent while they are in the Daily Mode.

"Defeasance Securities" - Means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commission adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to

investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and(iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Commission adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

"Delivery Date" - With respect to a Bond tendered for purchase, the Purchase Date or any subsequent Business Day on which such Bond is delivered to the Tender Agent as provided in the FORM OF BOND.

"Department Representative" - The Chief Financial Officer, the Director of the Finance Division of the Department, the Innovative Finance and Debt Management Officer or such other officer or employee of the Department so designated by the Commission to perform the duties of Department Representative under this Second Supplement.

"DTC" - The Depository Trust Company, New York, New York, or any successor securities depository.

"DTC Participant" - Securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Effective Date" - With respect to a Bond in the Daily, Flexible, Weekly, Monthly, Quarterly, Semiannual, Multiannual, or Index Floating Rate Modes, the date on which a new Interest Rate Period for that Bond takes effect.

"Electronic Notice" - Notice transmitted through a time-sharing terminal, by facsimile transmission, or by telephone (promptly confirmed in writing or by facsimile transmission).

"Favorable Opinion of Bond Counsel" - With respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action is permitted under the Acts, the Master Resolution and this Second Supplement and that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

"Federal Securities" - Direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"Fixed Rate Bonds" - The Bonds of a Series bearing interest at fixed, nonvariable interest rate(s), as established in accordance with Section 2.02 of this Second Supplement and the Award Certificate and does not include Variable Rate Bonds in the Fixed Rate Mode.

"Fixed Rate Conversion Date" - With respect to a Bond, the date upon which the Fixed Rate first becomes effective for the Bond, and shall mean the Issue Date for Bonds initially delivered bearing interest at a Fixed Rate.

"Fixed Rate Mode" - The Mode in which the interest rate on any Bonds is fixed from the Fixed Rate Conversion Date until the Maturity Date.

"Flexible Mode" - The Mode in which the interest rate on any Bonds is set at the Flexible Rate.

"Flexible Rate" - A rate of interest on any Bonds in the Flexible Mode set by the Remarketing Agent pursuant to Section 2.01(A) of Exhibit "D" to this Second Supplement for periods from 1 to 270 days.

"General Appropriations Act" - HB1, General Appropriations Bill, 82nd Legislature, Regular Session.

"General Counsel" - general counsel to the Department, including any duly authorized associate general counsel to the department.

"Highest Lawful Rate" - 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, or any successor provisions).

"Index" - With respect to Index Floating Rate Bonds (i) on any date, the SIFMA Index, or, in the event that Municipal Market Data no longer provides an index satisfying the requirements of the SIFMA Index, the Index shall be the J.J. Kenny Index, or (ii) such other interest rate index designated in the Award Certificate for a Series of Bonds.

"Index Floating Rate" - The rate of interest that is set on any Bonds while they are in the Index Floating Rate Mode pursuant to Section 2.01(H) hereof.

"Index Floating Rate Bonds" - Any Bonds bearing interest at an Index Floating Rate.

"Index Floating Rate Held Bond" - An Index Floating Rate Bond held by or for the account of its Registered Owner or Beneficial Owner after a Mandatory Tender Date in a situation in which the Purchase Price of such Bond has not been paid to the Registered Owner or Beneficial Owner thereof on the Mandatory Tender Date.

"Index Floating Rate Held Bond Rate" - The rate at which an Index Floating Rate Held Bond bears interest during the period from and including the Mandatory Tender Date on which such Bond has not been remarketed until the earlier of its date of maturity and the date it is so remarketed, which rate shall be established in the Award Certificate for such Bond.

"Index Floating Rate Mode" - A Mode in which a Bond bears interest at an Index Floating Rate.

"Index Floating Rate Period" - Each period during which an Index Floating Rate is in effect for a Bond.

"Initial Index Floating Rate" - The Index for the applicable calculation period plus the Initial Index Floating Rate Spread, which shall be in effect for the Initial Index Floating Rate Period.

"Initial Index Floating Rate Period" - For any Series of Bonds initially issued in the Index Floating Rate Mode, the period set forth in the Award Certificate with respect to the applicable Index Floating Rate Bonds. The Initial Index Floating Rate Period may extend to the maturity of the Series of Bonds.

"Initial Index Floating Rate Spread" - With respect to Bonds initially issued in the Index Floating Rate Mode, the spread (expressed in basis points) to be added or subtracted from the Index as set forth in the Award Certificate delivered in connection with such Bonds.

"Interest Accrual Date" shall mean the first day of any Interest Rate Period and thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date.

"Interest Payment Date" - The following dates upon which interest is payable on the Variable Rate Bonds (i) when used with respect to any particular Bond accruing interest at a Flexible Rate, the day after the last day of each Interest Rate Period applicable thereto (provided that Interest Payment Dates shall not be more frequent than once every five Business Days); (ii) when used with respect to Bonds accruing interest at Daily, Weekly, Monthly or Index Floating Rates, the first Business Day of each calendar month following a month in which interest at such rate has accrued; (iii) when used with respect to Bonds accruing interest at a Quarterly Rate, the first day of the immediately succeeding January, April, July, or October after Conversion to the Quarterly Rate, and thereafter April 1, July 1, October 1, and January 1; (iv) when used with respect to Bonds accruing interest at a Semiannual, Multiannual, or Fixed Rate, the first day of the immediately succeeding July or January after the Conversion to a Semiannual, Multiannual, or Fixed Rate and thereafter January 1 and July 1; and (v) the Maturity Date; provided, however, that if the Bonds are initially issued in a Semiannual Mode, a Multiannual Mode, or a Fixed Rate Mode, the initial Interest Payment Date, if any, may be set forth in the Board Representative's Certificate.

"Interest Rate Period," "Rate Period," or "Period" - When used with respect to any particular rate of interest for a Bond, the period during which such rate of interest determined for such Bond will remain in effect as described in this Second Supplement, provided that, with respect to Bonds in the Flexible Mode, the Remarketing Agent, in accordance with Section 2.01(A) hereof, shall (i) not offer Interest Rate Periods longer than the lesser of the period used to calculate the "Available Interest Commitment" under the Liquidity Agreement or 270 days or which end on a day which does not immediately precede a Business Day, (ii) not offer Interest Rate Periods applicable to Bonds to be converted extending beyond the day preceding any scheduled Conversion of the Bonds to another Mode or the Maturity Date, and (iii) follow any written directions of the Commission not

inconsistent with the preceding clauses (i) and (ii) as to the Interest Rate Periods to be made available.

"Issuance Date" or "Issue Date"- The date of delivery of a Series of Bonds to the initial purchaser(s) thereof against payment therefor.

"J.J. Kenny Index" - With respect to Index Floating Rate Bonds, the index generally made available on any date by Kenny Information Systems or any successor indexing agent acceptable to the Registered Owners or Beneficial Owners of more than fifty percent (50%) of the principal amount of the Index Floating Rate Bonds (the "Successor Indexing Agent"). The J.J. Kenny Index is announced by Kenny Information Systems at the beginning of business on Tuesday, and shall be effective as of the same day, or if Tuesday is not a Business Day in the Borough of Manhattan, City and State of New York, the J.J. Kenny Index is announced on the next succeeding such Business Day and shall be effective as of the same day. The J.J. Kenny Index shall be based upon 30-day yield evaluations at par of bonds, the interest on which is excludable from gross income for federal income tax purposes under the Code, of not less than five "high grade" component issuers selected by Kenny Information Systems or any Successor Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny Information Systems or any Successor Indexing Agent in its discretion. The bonds on which the J.J. Kenny Index is based shall not include any bonds the interest on which is subject to an "alternate minimum tax" or similar tax under the Code, unless all tax-exempt bonds are subject to such tax.

"Liquidity Agreement" - Each standby bond purchase agreement, irrevocable letter of credit, surety bond, insurance policy or similar instrument securing the payment of the Purchase Price of a Series of Variable Rate Bonds as originally executed with the original issuance of a Series of Variable Rate Bonds and any extensions thereof, as from time to time amended and supplemented, and any Alternate Liquidity Agreement, as originally executed and as such agreement may from time to time be amended and supplemented. A Liquidity Agreement is not a "Credit Facility" within the meaning of this Second Supplement.

"Liquidity Provider" - The bank or other financial institution designated by the Department Representative acting in its capacity as issuer of the initial Liquidity Agreement with respect to a Series of Variable Rate Bonds, and its successors and assigns, and if an Alternate Liquidity Agreement is issued, the issuer of such Alternate Liquidity Agreement, and its successors and assigns.

"Liquidity Provider Bonds" - Variable Rate Bonds purchased with moneys drawn on a Liquidity Agreement and held for the benefit of a Liquidity Provider pursuant to Section 3.02 of Exhibit "D" to this Second Supplement.

"Liquidity Provider Rate" - The rate of interest to be borne by any Series of Variable Rate Bonds while such bonds are Liquidity Provider Bonds as provided in the Liquidity Agreement for such Series, but in no case shall such rate of interest exceed the maximum rate permitted by law, including Chapter 1204, Texas Government Code, as amended.

"LP Bond Purchase Fund" - Each fund by that name created by Section 306 hereof, including within each such fund the "Remarketing Account" and the "Liquidity Provider Purchase Account." The LP Bond Purchase Funds do not constitute security under the Master Resolution or this Second Supplement.

"Mandatory Tender Date" - The date any Bonds are subject to mandatory tender for purchase.

"Master Resolution" - The "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program," adopted by Minute Order of the Commission on January 28, 2010, as may be amended or supplemented from time to time.

"Maturity" - When used with respect to the Bonds, the scheduled maturity of the Bonds.

"Maturity Date" - The date or dates designated as such in the Award Certificate.

"Maximum Rate" - For Bonds other than Liquidity Provider Bonds, Credit Provider Bonds or Index Floating Rate Held Bonds, the greater of (i) 8% per annum and (ii) the interest rate for which the Liquidity Agreement or Credit Facility related to the Bonds, if any, provides coverage, but in no event to exceed the lesser of (a) 15% per annum or (b) the Highest Lawful Rate. When the term "Maximum Rate" relates to (i) Liquidity Provider Bonds it shall have the meaning given in the Liquidity Agreement but in no event shall the Maximum Rate under the Liquidity Agreement exceed the Highest Lawful Rate, (ii) Credit Provider Bonds it shall have the meaning given in the Reimbursement Agreement but in no event shall the Maximum Rate under the Reimbursement Agreement exceed the Highest Lawful Rate, or (iii) Index Floating Rate Held Bonds it shall have the meaning given in the Award Certificate relating to such Bonds but in no event shall the Maximum Rate exceed the Highest Lawful Rate.

"Mode" - The period for and the manner in which the interest rates on the Bonds, or any portion of the Bonds, are set and includes the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, the Multiannual Mode, the Index Floating Rate Mode and the Fixed Rate Mode.

"Monthly Mode" - The Mode in which the interest rate on any Bonds is set at the Monthly Rate.

"Monthly Rate" - The rate of interest that is set on any Bonds while they are in the Monthly Mode pursuant to Section 2.01(D) of Exhibit "D" to this Second Supplement.

"MSRB" - The Municipal Securities Rulemaking Board or its successor or assignee.

"Multiannual Mode" - The Mode in which the interest rate on any Bonds is fixed for periods of one year or whole multiples thereof designated by the Department Representative.

"Multiannual Rate" - The rate of interest that is set on any Bonds while they are in the Multiannual Mode pursuant to Section 2.01(G) of Exhibit "D" to this Second Supplement.

"Notice Parties" - The Commission, the Paying Agent/Registrar, the Remarketing Agent, the Tender Agent, the Rating Agencies, the Auction Agent, all Broker-Dealers and the Liquidity Facility Issuer.

"Outstanding General Obligation Bonds" - The following previously issued and outstanding obligations: "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Taxable Series 2010-A (Build America Bonds Direct Payment)" and "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2010-B".

"Outstanding Mobility Fund Debt" - The following previously issued and outstanding obligations: "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-A," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Multi-Modal Bonds)," the reimbursement obligations under the Liquidity Facility related to the Series 2005-B Bonds, "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-A," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2008," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds - Direct Payment)" and the obligations of the Commission pursuant to the 1992 ISDA Master Agreements, Schedule and Credit Support Annex related to the Fourth Supplement with JPMorgan Chase Bank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P. and Morgan Stanley Capital Services Inc., respectively.

"Owner" - The registered owners of the Bonds as shown on the Security Register and to the extent set forth in a Credit Agreement relating to the Bonds, the party contracting with the Commission under a Credit Agreement.

"Paying Agent" - The agent selected and appointed by the Commission for purposes of paying the principal of, premium, if any, and interest on the Bonds to the Owners thereof, as identified in Section 2.03 hereof and any successor to such agent.

"Paying Agent/Registrar" - Collectively, the Paying Agent and the Registrar designated in Section 2.03 of this Second Supplement or any successor to such agent.

"Paying Agent/Registrar Agreement" - The agreement having such name executed by and between the Commission and the Paying Agent/Registrar.

"Predecessor Bonds" - Predecessor Bonds as defined in Section 2.05(a) hereof.

"Principal Office" - Is defined in the definitions of Tender Agent and Remarketing Agent, herein.

"Principal Payment Date" - Any date upon which the principal amount of the Bonds is due hereunder at Maturity or on any Redemption Date.

"Purchased Bond Rate" - For any date, the interest rate applicable to Purchased Bonds on such date as described in Section 1.03(c) of Exhibit "D" and as provided for in the Liquidity Facility.

"Purchase Date" - While the Bonds are in a Daily, Flexible, Weekly, Monthly, Quarterly, Semiannual, Multiannual or Index Floating Rate Mode, the date upon which Bonds are required to be purchased pursuant to a mandatory or optional tender, in accordance with the provisions of Section 2.01 of Exhibit "D" to this Second Supplement and in the FORM OF BOND.

"Purchase Price" - The purchase price of the Bonds pursuant to mandatory or optional tender as set forth in Section 2.01 of Exhibit "D" to this Second Supplement and the FORM OF BOND.

"Quarterly Mode" - The Mode in which the interest rate on any Bonds is set at the Quarterly Rate.

"Quarterly Rate" - The rate of interest that is set on any Bonds while they are in the Quarterly Mode pursuant to Section 2.01(E) of Exhibit "D" to this Second Supplement.

"Rating Agencies" - The rating agencies then maintaining a rating on the Variable Rate Bonds.

"Rebate Fund" - The fund by that name described in Section 4.02 hereof.

"Record Date" – With respect to each interest payment date of a Fixed Rate Bond, the date as determined in the respective Award Certificate and with respect to the Variable Rate Bonds (i) with respect to each Bond in the Flexible, Daily, Weekly, Monthly or Index Floating Rate Mode, the close of business on the Business Day next preceding an Interest Payment Date; and (ii) with respect to Bonds in the Quarterly, Semiannual, Multiannual, or Fixed Rate Mode, the 15th day of the calendar month immediately preceding any Interest Payment Date, regardless of whether such day is a Business Day or, in the case of an Interest Payment Date which shall not be at least 15 days after the first day of a Quarterly, Semiannual, Multiannual, or Fixed Rate Period, the first day of such Quarterly, Semiannual, Multiannual, or Fixed Rate Period.

"Redemption Date" - The date fixed for redemption of Variable Rate Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

"Refunded Bonds" – All or any portion of the Outstanding General Obligation Bonds and the Bonds being refunded by a Series of Bonds as set forth in the Award Certificate of the Department Representative.

"Refunding Bonds" - Any Series of Bonds or portion thereof used to refund Outstanding Bonds as set forth in the Award Certificate of the Department Representative.

"Registrar" - The agent selected and appointed by the Commission for purposes of keeping and maintaining books and records relating to the registration, transfer, exchange, and payment of the Bonds and interest thereon, as identified in Section 2.03 hereof and any successor to such agent.

"Reimbursement Agreement" shall mean any letter of credit agreement, reimbursement agreement, or similar agreement between the Commission and a Credit Provider relating to the Credit Facility for a Series of Bonds, as such agreement may be amended, supplemented or replaced from time to time. Each Reimbursement Agreement is a Qualified Credit Agreement under this Second Supplement.

"Remarketing Agent" - The Remarketing Agent or Remarketing Agents designated by the Department Representative and any successor remarketing agent. "Principal Office" of the Remarketing Agent shall mean the office thereof designated in writing by the Remarketing Agent to the Tender Agent.

"Remarketing Agreement" - Any remarketing agreement executed by the Commission and the Remarketing Agent.

"Remarketing Proceeds" - Proceeds from the sale of Bonds by the Remarketing Agent other than to the Commission or the Liquidity Provider or Credit Provider for such Bonds.

"Reset Date" - (i) Each Thursday, or if Thursday is not a Business Day, the next succeeding Business Day, or (ii) such other date as specified in the Award Certificate for a Series of Bonds.

"Rule" - SEC Rule 15c2-12, as amended from time to time.

"SEC" - The United States Securities and Exchange Commission.

"Second Supplement" - This Second Supplemental Resolution, which was adopted pursuant to authority reserved by the Commission under the Master Resolution and adopted by Minute Order of the Commission on January 26, 2012, as may be amended or supplemented from time to time.

"Section" - Unless the context clearly requires otherwise, refers to a Section of this Second Supplement.

"Security Register" - The books and records kept and maintained by the Registrar relating to the registration, transfer, exchange, and payment of the Bonds and the interest thereon.

"Semiannual Mode" shall mean the Mode in which the interest rate on any Bonds is set at the Semiannual Rate.

"Semiannual Rate" shall mean the rate of interest that is set on any Bonds while they are in the Semiannual Mode pursuant to Section 2.01(F) of Exhibit "D" to this Second Supplement.

"Series" - A separate series of Bonds as specified by or pursuant to the terms of this Second Supplement and the related Award Certificate.

"SIFMA" - The Securities Industry and Financial Markets Association, or any successor thereto.

"SIFMA Index" or "SIFMA Municipal Swap Index" - The "Securities Industry and Financial Markets Association Municipal Swap Index" announced weekly by Municipal Market Data and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specified criteria established by the SIFMA. The SIFMA Index shall be based upon current yields of high-quality, weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code, unless all tax-exempt securities are subject to such tax.

"Special Record Date" - The date designated as such by the Paying Agent/Registrar as provided in the FORM OF BOND in connection with the payment of defaulted interest on the Bonds.

"State" - The State of Texas.

"Taxable Bonds" - The Series of Bonds bearing interest at a taxable rate.

"Tax-Exempt Bonds" - The Series of Bonds bearing interest which is excludable from gross income for Federal taxation purposes pursuant to section 103 of the Code.

"Tender Agent" - The Tender Agent for the Variable Rate Bonds appointed by the Department Representative.

"Tender Agent Agreement" - The agreement between the Commission and the Tender Agent with respect to the Variable Rate Bonds in substantially the form approved by the Commission in connection with the Outstanding Mobility Fund Debt.

"Tendered Bond" - Any Bond tendered or deemed tendered for purchase pursuant to Sections 2.01(A)(3), 2.01 (B)(3) or (4), 2.01 (C)(3) or (4), 2.01 (D)(3) or (4), 2.01 (E)(3) or (4), 2.01 (F)(3) or (4), 2.01 (G)(3) or (4), 2.01 (H)(3) or (4), 2.01 (Q), or 2.01 (R) of Exhibit "D" to this Second Supplement.

"Undelivered Bonds" - Bonds which are deemed to have been tendered as provided in the FORM OF BOND.

"Variable Rate Bonds" - Bonds in the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode or the Multiannual Mode.

"Weekly Mode" - The Mode in which the interest rate on any Bonds is set at the Weekly Rate.

"Weekly Rate" - The rate of interest that is set on any Bonds while they are in the Weekly Mode pursuant to Section 2.01(C) hereof.

EXHIBIT "B-1"

FORM OF BONDS

**UNITED STATES OF AMERICA
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS
HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS, SERIES 20__**

No. R- _____ \$ _____

<u>D DATE:</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>ISSUE</u>	<u>CUSIP:</u>
	<u>RATE:</u>	<u>DATE:</u>	<u>DATE:</u>	

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ **DOLLARS**

The Texas Transportation Commission (the "Commission"), being the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above on the Maturity Date specified above and to pay interest on the unpaid principal amount hereof from the Issue Date* at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on ____* and ____* of each year, commencing _____, ____*. Principal of this Bond shall be payable to the Registered Owner hereof, upon presentation and surrender, at the designated office of the Paying Agent/Registrar named in the registration certificate appearing hereon, or its successor. Interest shall be payable to the Registered Owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the _____* day of the month next preceding each interest payment date. All payments of principal of, premium, if any, and interest on this Bond shall be payable in lawful money of the United States of America, without exchange or collection charges, and interest payments shall be made by the Paying Agent/Registrar by check sent on or before the appropriate date of payment, by United States mail, first-class postage prepaid, to the Registered Owner hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner hereof.

* As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

This Bond is one of a duly authorized issue of bonds designated as "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 20__" (the "Bonds"), in the aggregate principal amount of \$_____ issued pursuant to the laws of the State of Texas, including specifically the Constitutional Provision, the Enabling Act, and Chapter 1371, Texas Government Code (collectively, the "Acts"), and pursuant to a resolution of the Commission adopted by minute order on January 26, 2012, and entitled Second Supplemental Resolution to the Master Resolution Authorizing the Texas Transportation Commission Highway Improvement General Obligation Financing Program (the "Second Supplement") for the purpose of [(i) to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects including loans for highway improvement projects; (ii) to pay: (a) the costs of administering projects authorized under the Enabling Act; (b) the cost or expense of the issuance of the bonds; or (c) all or part of a payment owed or to be owed under a credit agreement and (iii) refunding any Bonds, as further specified in the Award Certificate.]* The Bonds are secured by a first lien on and pledge of the Security as defined in the Master Resolution adopted by minute order on January 28, 2010.

The Master Resolution, as supplemented by the Second Supplement, is referred to in this Bond as the "Resolution." Terms used herein and not otherwise defined shall have the meanings given in the Resolution.

The Bonds are issued in an aggregate principal amount of \$_____ . *

Redemption Provisions

[As provided in the Award Certificate]*

Notice of redemption shall be given at the times and in the manner provided in the Second Supplement.

If this Bond is in a denomination in excess of \$5,000, portions of the principal sum hereof in principal amount of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Registered Owner hereof, upon the surrender of this Bond at the principal office of the Paying Agent/Registrar, a new Bond or Bonds of like maturity, series and interest rate in any authorized denominations provided by the Resolution for the then unredeemed balance of the principal amount hereof. If this Bond is selected for redemption, in whole or in part, neither the Commission nor the Paying Agent/Registrar shall be required to transfer this Bond to an assignee of the Registered Owner within forty-five (45) days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to any exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

The general obligation pledge under the Resolution may be discharged at or prior to the maturity of the Bonds upon the making of provision for their payment on the terms and conditions set forth in the Resolution.

Reference is hereby made to the Resolution, a copy of which is on file in the designated office of the Paying Agent/Registrar, and to all of the provisions of which any Registered Owner of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the Security; the nature and extent and manner of enforcement of the pledge; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Registered Owners of the Bonds; the rights and remedies of the Registered Owner hereof with respect hereto and thereto; the rights, duties and obligations of the Commission; the terms and provisions upon which the liens, pledges, charges, and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond and this Bond thereafter no longer to be secured by the Resolution or be deemed to be outstanding thereunder; and for the other terms and provisions thereof.

This Bond, subject to certain limitations contained in the Resolution, may be transferred only upon its presentation and surrender at the designated office of the Paying Agent/Registrar named below, or its successor with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Registered Owner hereof, or his duly authorized agent, and such transfer is noted on the Security Register by the Paying Agent/Registrar. When a transfer occurs, one or more new fully-registered Bonds of the same Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The Commission and the Paying Agent/Registrar, and any agent of either, shall treat the Registered Owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal hereof at its Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the Commission nor the Paying Agent/Registrar, nor any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented, and declared that the Commission is a duly organized and legally existing governing body of the Department, an agency of the State, organized under and by virtue of the Constitution and laws of the State of Texas; that the issuance of this Bond and the series of which it is a part are duly authorized by law; that all acts, conditions, and things required to exist and be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done, have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas and the Resolution; that this series of bonds does not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of this Bond and the Series of which it is a part as

aforestated. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN TESTIMONY WHEREOF, the Department has caused its seal to be impressed or a facsimile thereof to be printed hereon and this Bond to be executed in the name of and on behalf of the Commission with the manual or facsimile signatures of its Chairman or a Commission Member, and attested by the Executive Director as of the Bond Date.

TEXAS TRANSPORTATION COMMISSION

By: _____
Chairman [Commission Member]

ATTEST:

Executive Director

(SEAL)

[INSERTIONS FOR THE INITIALFIXED RATE BOND

The Initial Bond shall be in the form set forth in this exhibit, except that:

- A. Immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below", and the heading "CUSIP NO." shall be deleted.
- B. The first paragraph of the Fixed Rate Bond shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

"The Texas Transportation Commission (the "Commission"), being the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the Registered Owner named above, or the registered assigns thereof, on _____* in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

*As determined in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

Maturity Date	Principal	Interest
(April 1)	Amount	Rate

(Information from Award Certificate to be inserted)

The Commission promises to pay interest on the unpaid principal amount hereof from the Issue Date specified above at the respective per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on _____*, commencing _____, ____*. Principal of this Bond shall be payable to the Registered Owner hereof, upon presentation and surrender, at the principal office of the Paying Agent/Registrar named in the registration certificate appearing hereon, or its successor. Interest shall be payable to the Registered Owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the _____. All payments of principal of, premium, if any, and interest on this Bond shall be payable in lawful money of the United States of America, without exchange or collection charges, and interest payments shall be made by the Paying Agent/Registrar by check sent on or before the appropriate date of payment, by United States mail, first-class postage prepaid, to the Registered Owner hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner hereof."

- D. The Initial Bond for a Fixed Rate Bond shall be numbered "T-1" and the Initial Bond for a Variable Rate Bond shall be numbered "V-1".

Form of Registration Certificate of Comptroller of Public Accounts
to Appear on Initial Bond only.

**REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS**

OFFICE OF THE COMPTROLLER	▪	
OF PUBLIC ACCOUNTS	▪	
THE STATE OF TEXAS	▪	REGISTER NO. _____

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

**AUTHENTICATION CERTIFICATE OF
PAYING AGENT/REGISTRAR**

This Bond has been duly issued and registered under the provisions of the within-mentioned Resolution; the bond or bonds of the above titled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

**BOFK, NA dba Bank of Texas,
as Paying Agent/Registrar**

Registered this date:

By: _____
Authorized Signature

Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Please insert Social Security or Taxpayer Identification Number of Transferee)

(Please print or typewrite name and address, including zip code, of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guaranteed by:

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Bond in every particular.

EXHIBIT B-2

FORM OF BOND

(For all Modes Other Than Fixed Rate and Index Floating Rate Modes)

(If the Bond is supported by a Credit Facility, appropriate changes shall be made to this FORM OF BOND as set forth in the Award Certificate for such Bond)

[Set forth in this Exhibit B-2 is the FORM OF BOND for all Modes except the Fixed Rate Mode and the Index Floating Rate Mode. The initial Bond and such Bonds issued in exchange for the initial bond approved by the Attorney General shall note under Maturity Date the respective maturities set forth in the Award Certificate. Upon conversion, these provisions will be completed and revised, as necessary to reflect the terms of the Bonds following the conversion.]

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIMES AND IN THE MANNER HEREINAFTER DESCRIBED AND MUST BE SO TENDERED OR WILL BE DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES AS DESCRIBED HEREIN.

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON DELIVERY FOR THIS BOND TO THE TENDER AGENT, AND SHALL HOLD THIS BOND AS AGENT FOR THE TENDER AGENT.

NO. _____

**UNITED STATES OF AMERICA
STATE OF TEXAS
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS
HIGHWAY IMPROVEMENT GENERAL OBLIGATION
BONDS, SERIES 20__**

**PRINCIPAL
AMOUNT**
\$ _____

Issue Date

Dated Date

Maturity Date

CUSIP

Mode

Last Day of
Interest Rate Period

Interest Rate

Mandatory Tender Date: _____

**REGISTERED OWNER:
PRINCIPAL AMOUNT:**

ON THE MATURITY DATE specified above the Texas Transportation Commission (the "Commission"), hereby promises to pay to the registered owner specified above or to the registered assignee hereof (either being hereinafter called the "Registered Owner") the Principal Amount specified above, and to pay to the Registered Owner, interest thereon at the rate determined as herein provided from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, from the Issue Date. Additional provisions relating to the payment of interest on this Bond are set forth below under the heading "*Interest on the Bonds.*" It is specifically provided, however, that the principal of, interest on, and Purchase Price of this Bond are payable solely from the sources and in the manner provided in the Master Resolution and the Second Supplement (hereinafter defined).

This Bond is one of a duly authorized issue of bonds designated as "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 20__" (the "Bonds"), in the aggregate principal amount of \$_____ issued pursuant to the laws of the State of Texas, including specifically the Constitutional Provision, the Enabling Act, and Chapter 1371, Texas Government Code (collectively, the "Acts"), and pursuant to a resolution of the Commission adopted by minute order on January 26, 2012, and entitled Second Supplemental Resolution to the Master Resolution Authorizing the Texas Transportation Commission Highway Improvement General Obligation Financing Program (the "Second Supplement") for the purpose of [(i) to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects including loans for highway improvement projects; (ii) to pay: (a) the costs of administering projects authorized under the Enabling Act; (b) the cost or expense of the issuance of the bonds; or (c) all or part of a payment owed or to be owed under a credit agreement and (iii) refunding any Bonds, as further specified in the Award Certificate.]^{**} The Bonds are secured by a

first lien on and pledge of the Security as defined in the Master Resolution adopted by minute order on January 28, 2010.

The Master Resolution, as supplemented by the Second Supplement, is referred to in this Bond as the "Resolution." Terms used herein and not otherwise defined shall have the meanings given in the Resolution. CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS SPECIFIED THEREFOR IN THE RESOLUTION. The following terms are defined as follows:

The term "Authorized Denominations" shall mean (i) for Bonds in the Flexible Mode, \$100,000 or any integral multiple of \$1,000 in excess thereof, (ii) for Bonds in the Daily, Weekly, Monthly, Quarterly, or Semiannual Mode, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and (iii) for Bonds in the Multiannual Mode, \$5,000 or any integral multiple thereof.

The term "Business Day" shall mean any day on which commercial banks located in all of the cities in which the Principal Offices of the Tender Agent and the Remarketing Agent are located are not required or authorized by law or regulation to remain closed and on which the New York Stock Exchange is not closed.

The term "Conversion" or "conversion" shall mean a change from one Mode to another with respect to a Bond, and with respect to a Bond in the Multiannual Mode, a change from one Interest Rate Period to another.

The term "Conversion Date" shall mean the day a Conversion becomes effective.

The term "Effective Date" shall mean, with respect to a Bond in the Daily, Flexible, Weekly, Monthly, Quarterly, Semiannual, and Multiannual Modes, the date on which a new Interest Rate Period for that Bond takes effect.

The term "Electronic Notice" shall mean notice transmitted through a time-sharing terminal, by facsimile transmission, or by telephone (promptly confirmed in writing or by facsimile transmission).

The term "Interest Rate Period," "Rate Period," or "Period" shall mean, when used with respect to any particular rate of interest for a Bond, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

The term "Mandatory Tender Date" shall mean each date any Bonds are subject to mandatory tender for purchase.

The term "Maximum Rate" shall mean twelve percent (12%) per annum or such lower rate authorized by law, including specifically Chapter 1204, Texas Government Code.

The term "Mode" shall mean the period for and the manner in which the interest rates on the Bonds, or any portion of the Bonds, are set and includes the Daily Mode, the Flexible Mode, the

Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, and the Multiannual Mode.

The term "Principal Office of the Tender Agent" shall mean the business address specified in writing to the Commission and the Remarketing Agent as its principal office for its duties hereunder.

The term "Purchase Date" shall mean, while the Bonds are in a Daily, Flexible, Weekly, Monthly, Quarterly, Semiannual, or Multiannual Mode, the date upon which Bonds are required to be purchased pursuant to a mandatory or optional tender, in accordance with the provisions of the Resolution and herein.

The term "Purchase Price" shall mean the purchase price of the Bonds pursuant to mandatory or optional tender as set forth in the Resolution and below under Optional Tenders and Mandatory Tenders, and shall be the principal amount of the Bond tendered plus accrued interest to the Purchase Date; provided that, if the Purchase Date pursuant to such tender is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date for Modes other than a Flexible Mode. **THE COMMISSION IS NOT OBLIGATED TO PURCHASE BONDS TENDERED.**

The term "Record Date" shall mean (i) with respect to each Bond in the Flexible, Daily, Weekly, or Monthly Mode, the close of business on the Business Day next preceding an Interest Payment Date; and (ii) with respect to Bonds in the Quarterly, Semiannual, or Multiannual Mode, the 15th day of the calendar month immediately preceding any Interest Payment Date, regardless of whether such day is a Business Day or, in the case of an Interest Payment Date which shall not be at least 15 days after the first day of a Quarterly, Semiannual, Multiannual, or Fixed Rate Period, the first day of such Quarterly, Semiannual, Multiannual, or Fixed Rate Period.

The term "Undelivered Bonds" shall mean Bonds which are deemed to have been tendered as provided herein.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal, redemption price or Purchase Price of this Bond (or of a portion of this Bond, in the case of a partial redemption) shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its Purchase or redemption prior to maturity, at a corporate trust office of the Paying Agent/Registrar. All payments of interest on Bonds shall be paid to the Registered Owner hereof whose name appears in the Registration Books kept by the Paying Agent/Registrar as of the close of business on the applicable Record Date or Special Record Date (hereinafter defined) by check mailed on the Interest Payment Date, provided that any Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds may, upon written request given to the Trustee at least five Business Days prior to an Interest Payment Date designating an account in a domestic bank, be paid by wire transfer of immediately available funds; provided, that if a Purchase Date is not an Interest Payment Date, interest shall be paid on the Purchase Date to the Registered Owner upon receipt by the Trustee of the tendered bond. This Bond is registered as to both principal and interest in the Registration Books kept by the Trustee and may be transferred or exchanged, subject to the further conditions specified in the Bond Resolution, only upon surrender hereof at the office of

the Trustee. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Commission and the securities depository.

IN THE EVENT of non-payment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new Record Date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date"), which shall be 15 days after the Special Record Date shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

**Interest on the Bonds*

Flexible Rate

While the Bonds accrue interest at Flexible Rates, the Remarketing Agent shall determine the Flexible Rate and the Interest Rate Period for each Bond and such Flexible Rate will remain in effect from and including the commencement date of the Interest Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Rate Mode, Bonds may have successive Interest Rate Periods of any duration up to 270 days each and any Bond may accrue interest at a rate and for a period different from any other Bond. No Interest Rate Period may be established which exceeds the lesser of (i) the period used to calculate the "Available Interest Commitment" under the Liquidity Agreement or (ii) 270 days or which end on a day which does not immediately precede a Business Day. Notwithstanding such provisions, if the Remarketing Agent has given or received notice of any conversion to (A) a Multiannual Mode or a Fixed Rate Mode, the Interest Payment Period may not exceed the remaining number of days prior to the Conversion Date or to a Daily, Weekly, or Monthly Rate Period, the length of each Interest Rate Period for each Bond shall be determined by the Remarketing Agent to be either (1) that length of period that, as soon as possible, shall enable the Interest Rate Periods for all Bonds to end on the day before the Conversion Date, or (2) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Interest Rate Period. Except as otherwise provided in the Award Certificate, if the Remarketing Agent fails to make such determination or fails to announce the Flexible Rate as required with respect to any Bonds in the Flexible Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Mode to take effect on any Effective Date shall be immediately converted to the Daily Mode.

Daily Rate

While the Bonds accrue interest at a Daily Rate, the interest rate established for the Bonds will be effective from day to day until changed by the Remarketing Agent in accordance with the Resolution. In the event of a failure to determine, or the invalidity or unenforceability of, a Daily

Rate, the Daily Rate shall be the Daily Rate in effect on the day preceding such date plus 0.05%. If no Daily Rate was in effect on such preceding day, the Daily Rate shall mean the rate calculated according to The Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index composed of one-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise designated by SIFMA; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then such other reasonably comparable index selected by the Commission.

Weekly Rate

While the Bonds accrue interest at a Weekly Rate, the rate of interest on the Bonds will be determined weekly by the Remarketing Agent in accordance with the Resolution to be effective for a seven day period commencing on Wednesday of the week of such determination. (The length of the period, the day of commencement and the last day of the period may vary in the event of a conversion to or from a Weekly Rate.) If for any reason the Remarketing Agent fails to determine the Weekly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Weekly Rate to take effect on the Effective Date shall be the SIFMA Municipal Swap Index (or comparable index if that index is no longer published) plus 0.05%, or, if such rate is not published on that day, the most recent publication of such rate.

Monthly Rate

While the Bonds accrue interest at a Monthly Rate, the rate of interest on the Bonds will be determined monthly by the Remarketing Agent in accordance with the Bond Resolution to be effective from the first Business Day of a month through the day preceding the first Business Day of the succeeding month. (The length of the period, the day of commencement and the last day of the period may vary in the event of a conversion to or from a Monthly Rate.) If for any reason the Remarketing Agent fails to determine the Monthly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Monthly Rate to take effect on the Effective Date shall be the Monthly Rate in effect on the day next preceding such date.

Quarterly Rate

While the Bonds accrue interest at a Quarterly Rate, the rate of interest on the Bonds will be determined quarterly by the Remarketing Agent in accordance with the Resolution to be effective for a calendar quarter, commencing on January 1, April 1, July 1, or October 1. (The length of the period, the day of commencement and the last day of the period may vary in the event of a conversion to or from a Quarterly Rate.) If for any reason the Remarketing Agent fails to determine the Quarterly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Quarterly Rate to take effect on the Effective Date shall be the Quarterly Rate in effect on the day immediately preceding such date.

Semiannual Rate

While the Bonds accrue interest at a Semiannual Rate, the rate of interest on the Bonds will be determined semiannually by the Remarketing Agent in accordance with the Resolution to be effective for six calendar months, commencing on a January 1 or July 1. (The length of the period, the day of commencement and the last day of the period may vary in the event of a conversion to or from a Semiannual Rate.) If for any reason the Remarketing Agent fails to determine the Semiannual Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Semiannual Rate to take effect on the Effective Date shall be the Semiannual Rate in effect on the day immediately preceding such date.

Multiannual Rate

While the Bonds accrue interest at a Multiannual Rate, the interest rate will be determined by the Remarketing Agent in accordance with the Resolution to remain in effect for a term of one year or any whole multiple of one year selected by the Commission. The Rate Period established will remain in effect until changed by the Commission, in accordance with the Resolution. (The length of the period, the day of commencement, and the last day of the period may vary in the event of a conversion to or from a Multiannual Rate). Except as otherwise provided in the Award Certificate, if the Remarketing Agent fails to make such determination or fails to announce the Multiannual Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Bonds will automatically be converted to the Daily Mode on such Effective Date.

Fixed Rate

Upon conversion to a Fixed Rate, this Bond shall bear interest to the Maturity Date set forth above at a fixed rate of interest determined by the Remarketing Agent in accordance with the Resolution.

The Bonds shall initially be issued in the _____ Mode and will be subject to conversion to another Mode as herein provided. Except as provided below, the Bonds will bear interest at the _____ Rate set forth above under Interest Rate. Such interest will be paid to the Registered Owners thereof as of the Record Date, except when such Interest Payment Date coincides with the Effective Date, in which case, interest will be paid to the Registered Owners as of that date upon surrender of such Bonds to the Tender Agent.

**Interest Payment Dates*

While this Bond accrues interest at a Flexible Rate, interest is payable on the day after the last day of each Interest Rate Period. While this Bond accrues interest at Daily, Weekly, or Monthly Rates, interest is payable on the first Business Day of each calendar month following a month in which interest at such rate has accrued. While this Bond accrues interest at a Quarterly Rate, interest is payable on the first day of the immediately succeeding January, April, July, or October, as the case may be, after Conversion to the Quarterly Rate, and thereafter, on the first day of each of such succeeding quarterly dates. While this Bond accrues interest at a Semiannual, Multiannual, or Fixed Rate, interest is payable on the first day of the immediately succeeding July or January after

Conversion to such Mode and thereafter on each _____ and _____, and on the Maturity Date.

**Optional Tenders*

While this Bond accrues interest at a Daily, Weekly, Monthly, Quarterly, or Semiannual Rate, the Registered Owner of this Bond has the right to tender this Bond for purchase at the Purchase Price as follows: (i) during a Daily Rate Period on any Business Day upon written notice, telephonic notice, or Electronic Notice to the Trustee on the Purchase Date, (ii) during a Weekly Mode on any Business Day upon written or Electronic Notice to the Trustee on a Business Day not fewer than seven days prior to the Purchase Date, or (iii) during a Monthly, Quarterly, or Semiannual Rate Period, on any Interest Payment Date, which also must be an Effective Date of a Rate Period, upon written notice to the Tender Agent not less than fifteen days before the Purchase Date.

As long as the book-entry system is in effect, the Beneficial Owner of a Bond may demand purchase of the Bond (or portion thereof) owned by it by providing notice as provided above through the Beneficial Owner's DTC Participant; provided such notice shall be given by 11:00 a.m., New York City time, on the date such notice is required to be given. If the book-entry system is not in effect, the registered owner of this Bond may demand purchase of this Bond (or portion thereof in Authorized Denominations) by providing notice to the Trustee as provided above and delivering this Bond to the Tender Agent at its Principal Office.

If the Registered Owner of a Bond has elected to tender such Bond for purchase, such Registered Owner shall be deemed to have agreed irrevocably to sell such Bond to any purchaser determined in accordance with the provisions of the Resolution on the date fixed for purchase at the Purchase Price and any Bond not delivered shall be deemed tendered (an "Undelivered Bond") and shall cease to be outstanding under the Resolution and no further interest shall accrue as of the Purchase Date. Notice of tender of a Bond is irrevocable. All notices of tender of Bonds shall be made to the Tender Agent in writing or by Electronic Notice at its Principal Office in substantially the form as provided in the Form of Bondholder's Election Notice for Bonds Subject to Optional Tender attached hereto or such other form of notice satisfactory to the Tender Agent which sets forth the principal amount of Bonds to be purchased, the purchase date on which such Bonds shall be purchased, the name, address and taxpayer identification number of the Registered Owner, and the payment instructions for the Purchase Price. All deliveries of tendered Bonds, including deliveries of Bond subject to mandatory tender, shall be made to the Tender Agent at its Principal Office.

**Mandatory Tenders*

While this Bond accrues interest at a Flexible Rate, this Bond is subject to mandatory tender on each Effective Date applicable to this Bond at a Purchase Price equal to 100% of the principal amount thereof plus interest accrued during the Flexible Mode.

This Bond is subject to mandatory tender on the Effective Date of a change from one Mode to a different Mode or on the Effective Date, if the Bonds are to remain in the Multiannual Mode, at the Purchase Price; provided that the Purchase Price for Bonds converted from one Interest Rate

Period to an Interest Rate Period of a different duration within the Multiannual Rate Period on a date when such Bonds are also subject to optional redemption at a premium shall include an amount equal to the redemption premium that would be payable if such Bonds were redeemed on such date. From and after the Effective Date of the new Mode, no further interest shall accrue as of the Purchase Date, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Any Bond not delivered to the Tender Agent shall constitute an Undelivered Bond and shall not be considered Outstanding under the Trust Agreement on the Resolution.

In addition to the other provisions of this Bond, the Bonds bearing interest in the Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Mode are subject to mandatory tender to the Tender Agent for purchase at a Purchase Price equal to one hundred percent (100%) of the principal amount of such Bonds, plus accrued interest, if any (calculated using the applicable interest rate for the relevant interest accrual period), to the Purchase Date, as follows:

(1) Mandatory Tender Upon Voluntary Termination by the Commission of Liquidity Agreement. The Bonds accruing interest at a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate are subject to mandatory tender for purchase on any Business Day not later than the twentieth (20th) day after which the Tender Agent has received notice from the Commission of (1) its voluntary termination of the Liquidity Agreement (but prior to such voluntary termination date) and (2) its intention not to obtain an Alternate Liquidity Agreement in replacement thereof.

(2) Mandatory Tender Upon Expiration of or Default under the Liquidity Agreement. The Bonds accruing interest at a Flexible Rate, Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate will be subject to mandatory tender for purchase (1) on the fifth (5th) Business Day prior to the expiration of the Liquidity Agreement if the Tender Agent has not received evidence satisfactory to it by the thirtieth (30th) day preceding the scheduled expiration date (or such shorter period as shall be acceptable to the Tender Agent) of an extension of the then existing Liquidity Agreement, or (2) on a Business Day not later than the fifteenth (15th) day after which the Tender Agent has received notice from the Liquidity Provider that a specified termination event has occurred under the Liquidity Agreement other than an automatic termination event.

(3) Mandatory Tender Upon Substitution of Alternate Liquidity Agreement. The Bonds accruing interest at a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate will be subject to mandatory tender for purchase on the date of substitution of an Alternate Liquidity Agreement for the then existing Liquidity Agreement. If a purchase of Bonds is effected pursuant to this subsection, the existing Liquidity Agreement, if necessary, will be used to provide funds for such purchase, rather than the Alternate Liquidity Agreement.

(4) Mandatory Tender at the Direction of the Commission. Bonds accruing interest at a Flexible Rate, Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate will be, at the direction of the Commission, subject to mandatory tender for purchase on any date on which the Bonds are otherwise subject to optional redemption upon not less than 15 day's prior written notice from the Tender Agent to the Bondholders.

**Payment of Purchase Price*

The Purchase Price for Bonds is payable by wire or bank transfer within the continental United States in immediately available funds from the Tender Agent to the Registered Owner. If on any date this Bond is subject to mandatory tender for purchase or is required to be purchased at the election of the Registered Owner, payment of the Purchase Price of this Bond to such Registered Owner shall be made on the Purchase Date if delivery of this Bond is made to the Principal Office of the Tender Agent prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which delivery of this Bond is made prior to 11:00 a.m., New York City time. PAYMENTS OF THE PURCHASE PRICE ARE NOT SECURED BY OR PAYABLE FROM THE SECURITY FOR THE BONDS.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, ON THE PURCHASE DATE AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND, THE RESOLUTION EXCEPT TO RECEIVE PAYMENT OF THE PURCHASE PRICE HELD THEREFOR, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE TENDER AGENT.

The initial Remarketing Agent under the Bond Resolution is _____. The Remarketing Agent may be changed at any time in accordance with the Resolution.

[The Commission has entered into a Standby Bond Purchase Agreement (the "Liquidity Agreement") with _____ (the "Liquidity Provider") pursuant to which the Liquidity Provider has agreed, subject to the conditions in the Liquidity Agreement, to purchase tendered Bonds in a Daily, Weekly, Monthly, Quarterly, or Semiannual Rate upon a failed remarketing. The term of the Liquidity Agreement is ____ years. The Commission shall cause a Liquidity Agreement to be continuously maintained in full force and effect (except after the Bonds have been converted to the Multiannual Rate or the Fixed Rate) in an amount equal to the principal amount of the Outstanding Bonds, until all of the Bonds have been paid in full, their payment provided for in accordance with the Resolution, or the Bonds are converted to the Multiannual Mode or the Fixed Rate Mode. The Commission will exercise all commercially reasonable efforts to extend the term of the Liquidity Agreement currently in effect or to cause an Alternate Liquidity Agreement to be delivered by the Liquidity Provider to the Tender Agent prior to the expiration date of the Liquidity Agreement then in effect pursuant to the provisions of the Resolution.]

[The scheduled payment of principal of and interest when due on the Bonds and the Purchase Price of Bonds tendered for purchase pursuant to optional and mandatory tender and purchase provisions of the Resolution and hereof will be entitled to the benefit of an irrevocable letter of credit (the "Letter of Credit") issued by _____ (the "Credit Provider"). The term of the Letter of Credit is ____ years. The Commission shall cause a Credit Facility to be continuously maintained in full force and effect (except after the Bonds have been converted to the Multiannual Rate or the Fixed Rate) in an amount equal to the principal amount of the Outstanding Bonds, until all of the Bonds have been paid in full, their payment provided for in accordance with the Resolution, or the Bonds are converted to the Multiannual Mode or the Fixed Rate Mode. The Commission will exercise all commercially reasonable efforts to extend the term of the Credit Facility then in effect or to cause an Alternate Credit Facility to be delivered by to the Tender Agent

prior to the expiration date of the Credit Facility then in effect pursuant to the provisions of the Resolution.]

**Written Notice of Mode or Interest Rate Period Change*

The Tender Agent shall give notice, by first class mail, to the Registered Owners of all Bonds of the proposed Conversion from one Mode to another Mode, or the commencement of a Multiannual Mode of a different duration than the immediately preceding Multiannual Mode, at least 15 days before the proposed Conversion Date.

IF THE DATE for the payment of the principal of, interest on, or Purchase Price of this Bond shall not be a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue and Series of Bonds dated _____, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$_____ TO PROVIDE FUNDS FOR [as provided in Award Certificate].

**Optional Redemption*

The Bonds are subject to optional redemption as follows:

(A) During any Daily or Weekly Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission, in whole or in part (and if in part in an Authorized Denomination) on any Business Day, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, upon written notice to the Paying Agent/Registrar by the Commission at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date.

(B) During any Flexible, Monthly, Quarterly, or Semiannual Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission, in whole or in part (and if in part in an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, upon written notice to the Paying Agent/Registrar by the Commission at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date.

(C) During any Multiannual or Fixed Rate Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission and upon written notice to the Paying Agent/Registrar by the Commission at least 45 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date, in whole or in part (and if in part in an Authorized Denomination) on any date after the Commencement of Redemption

Period described below, at the following redemption prices (expressed as percentages of the principal amount of the Bonds called for redemption) plus accrued interest to the date fixed for redemption:

LENGTH OF INTEREST RATE PERIOD	COMMENCEMENT OF REDEMPTION PERIOD	REDEMPTION PRICES
greater than or equal to 10 years	10 years from the commencement of Interest Rate Period	100%
less than 10 years	No call	

The optional redemption dates and redemption prices set forth above may be changed as provided in the Resolution, provided that any alternate redemption schedule shall be accompanied by a Favorable Opinion.

During any period in which ownership of the Bonds is determined by a book-entry at a securities depository, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Commission and the securities depository.

**Notice of Redemption.*

At least thirty (30) days, for Bonds in the Multiannual Mode or the Fixed Rate Mode, or ten (10) days, for Bonds in any other Mode, prior to the date fixed for the redemption of any Bonds or portions thereof prior to maturity at the option of the Commission, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Bond to be redeemed at its address as it appeared in the Registration Books. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be redeemed, plus accrued interest thereon to the date fixed for redemption. If notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the fund provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the Commission, all as provided in the Resolution. Notwithstanding the foregoing, no notice of redemption is required to be given to the owner of any Bond which is subject to mandatory tender on the date fixed for redemption.

If at the time of mailing of notice of any optional redemption, the Commission shall not have deposited with the Paying Agent/Registrar moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of sufficient moneys with the Paying Agent/Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY Authorized Denomination may be assigned and shall be transferred only in the Registration Books of the Commission kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any Authorized Denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The Form of Assignment printed or endorsed on this Bond shall be executed by the Registered Owner, or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new Registered Owner or owners of such new Bond or Bonds), or to the previous Registered Owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the exchange of other Bonds. The Commission shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Registered Owner of this Bond shall be deemed and treated by the Commission and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Commission and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in Authorized Denominations. As provided in the Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the Registered Owner or the assignee or assignees hereof, be exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate Registered Owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, be in the same Mode, in any Authorized Denominations, as requested in writing by the appropriate Registered Owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Resolution. The Commission shall pay the Paying Agent/Registrar's standard or customary fees and charges for exchanging any Bond or any portion thereof, but the one requesting such exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of exchange.

It is hereby certified, recited, represented, and declared that the Commission is a duly organized and legally existing governing body of the Department, an agency of the State, organized

under and by virtue of the Constitution and laws of the State of Texas; that the issuance of this Bond and the series of which it is a part are duly authorized by law; that all acts, conditions, and things required to exist and be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done, have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas and the Resolution; that this series of bonds does not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of this Bond and the Series of which it is a part as aforesated. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas. **PAYMENTS OF THE PURCHASE PRICE ARE NOT SECURED BY OR PAYABLE FROM THE SECURITY FOR THE BONDS.**

SUBJECT TO the terms and conditions provided in the Resolution, additional bonds may be issued by the Commission.

THE OWNER of this Bond shall have no right to enforce the provisions of the Resolution or to institute action or enforce the covenants therein, or to take any action with respect to any event of default under the Resolution, or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Resolution.

MODIFICATIONS or alterations of the Resolution may be made by the Commission only to the extent and in the circumstances permitted by the Resolution.

THE RESOLUTION PROVIDES for the establishment of a Bond Purchase Fund to be held by the Tender Agent. The proceeds from the remarketing of the Bonds will be delivered to the Tender Agent for deposit in the Bond Purchase Fund. In the event that remarketing proceeds are insufficient to pay the Purchase Price, the Tender Agent shall draw on the Liquidity Agreement. All moneys advanced under the Liquidity Agreement shall be deposited in the Bond Purchase Fund. **THE PURCHASE PRICE WILL BE PAID SOLELY FROM AMOUNTS ON DEPOSIT IN THE BOND PURCHASE FUND.**

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Resolution, agrees to be bound by such terms and provisions, acknowledges that the Resolution are duly recorded and available for inspection in the official minutes and records of the Commission, and agrees that the terms and provisions of this Bond, the Resolution constitute a contract between the Registered Owner hereof and the Commission.

IN TESTIMONY WHEREOF, the Department has caused its seal to be impressed or a facsimile thereof to be printed hereon and this Bond to be executed in the name of and on behalf of the Commission with the manual or facsimile signatures of its Chairman or a Commission Member, and attested by the Executive Director as of the Bond Date.

TEXAS TRANSPORTATION COMMISSION

By: _____
Chairman [Commission Member]

ATTEST:

Executive Director

(SEAL)

*Provisions relating to the date, principal amount of and interest on the Bonds, Mode, optional and mandatory tenders for purchase, and the redemption of the Bonds will be completed, changed, or deleted in accordance with the terms of the Bonds set forth in the Award Certificate and in the bond purchase contract.

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Resolution described in this Bond.

BOKF, NA dba Bank of Texas,
Paying Agent/Registrar's

Dated:

By: _____
Authorized Representative

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE

REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts of
the State of Texas

FORM OF ASSIGNMENT

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT MIN ACT--

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right
of survivorship and not as
tenants in common

_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to
Minors Act _____
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please insert Social Security or
Other Identification Number of Assignee

/ _____ /

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitutes and appoints _____
to transfer said Bond on the books kept for registration thereof with full power of substitution in the
premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever; and

NOTICE: Signature(s) must be guaranteed by the Securities Transfer Association signature guarantee program.

[FORM OF BONDOWNER'S ELECTION NOTICE FOR BONDS
SUBJECT TO OPTIONAL TENDER]

(to be used only in connection with Bonds
subject to optional tender)

Texas Transportation Commission
State of Texas
Highway Improvement General Obligation Bonds, Series _____

<u>Principal Amount</u>	<u>CUSIP</u>	<u>Principal Amount Tendered for Purchase</u>	<u>Bond Numbers</u>	<u>Purchase Date</u>
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The undersigned hereby certifies that it is the Registered Owner or the Beneficial Owner (as described below) of the Bonds described above (the "Tendered Bonds"), all of which are in the _____ Mode [insert Mode of Tendered Bonds], and hereby agrees that the delivery of this instrument of transfer to the Tender Agent by 11:00 A.M. New York City time [on this Business Day (for Daily Mode Bonds only)] constitutes an irrevocable offer to sell the Tendered Bonds to the Remarketing Agent or its designee on the Purchase Date, which shall be a Business Day at least seven (7) calendar days in the case of Bonds in the Daily or Weekly Mode or fifteen (15) days in the case of Bonds in the Monthly, Quarterly, or Semiannual Mode, following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price") provided that if the Purchase Date is an Interest Payment Date, it is recognized that accrued interest will be paid separately and not as part of the Purchase Price on such date. The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds, except payment, upon presentation and surrender, of the Purchase Price by wire or bank transfer within the continental United States from the Tender Agent, at its address shown on the registration books of the Bond Registrar (i) on the Purchase Date if the Tendered Bonds shall have been delivered to the Tender Agent prior to 11:00 A.M., New York City time, or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Tender Agent by 11:00 A.M., New York time.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in the Resolution authorizing the issuance of the above-captioned Bonds.

Date: _____

Signature(s)

(Street City State Zip)

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondowner's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the Registered Owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate Bond powers, in each case signed exactly as the name or names of the Registered Owner or owners appear on the Bond Register. The method of presenting this notice to the Tender Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

AFFIDAVIT

State of _____

Parish/County of _____

Before me, the undersigned authority, duly commissioned and qualified within and for the State and County aforesaid, personally came and appeared

who being by me first duly sworn, deposed and said that he/she is the owner of the following Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series

_____.

Principal Amount

CUSIP

Maturity Date

Sworn to and subscribed before me this _____ day of _____, _____.

Notary Public

– Insurance Legend, if required –

[END OF FORM OF BOND]

EXHIBIT B-3

FORM OF BOND

(For Index Floating Rate Bonds)

(If the Bond is supported by a Credit Facility, appropriate changes shall be made to this FORM OF BOND as set forth in the Award Certificate for such Bond)

[Set forth in this Exhibit B-3 is the FORM OF BOND for the Index Floating Rate Mode. The initial Bond and such Bonds issued in exchange for the initial bond approved by the Attorney General shall note under Maturity Date the respective maturities set forth in the Award Certificate and the mandatory sinking fund redemption information set forth in the Award Certificate. Initial Bonds shall be numbered "TR-1."]

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIMES AND IN THE MANNER HEREINAFTER DESCRIBED AND MUST BE SO TENDERED OR WILL BE DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES AS DESCRIBED HEREIN.

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON DELIVERY FOR THIS BOND TO THE TENDER AGENT, AND SHALL HOLD THIS BOND AS AGENT FOR THE TENDER AGENT.

NO. _____ UNITED STATES OF AMERICA
STATE OF TEXAS
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS
GENERAL OBLIGATION BONDS,
SERIES _____

PRINCIPAL
AMOUNT
\$ _____

<u>Issue Date</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>CUSIP</u>
<u>Mode</u>	<u>Last Day of Index Floating Rate Period</u>	<u>Interest Rate</u>	

Mandatory Tender Date: _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above the Texas Transportation Commission (the "Commission"), hereby promises to pay to the registered owner specified above or to the registered assignee hereof (either being hereinafter called the "Registered Owner") the Principal Amount specified above, and to pay to the Registered Owner, interest thereon at the rate determined as herein provided from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, from the Issue Date. Additional provisions relating to the payment of interest on this Bond are set forth below under the heading "*Interest on the Bonds*." It is specifically provided, however, that the principal of, interest on, and Purchase Price of this Bond are payable solely from the sources and in the manner provided in the Trust Agreement and Bond Resolution (hereinafter defined).

This Bond is one of a duly authorized issue of bonds designated as "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 20__" (the "Bonds"), in the aggregate principal amount of \$_____ issued pursuant to the laws of the State of Texas, including specifically the Constitutional Provision, the Enabling Act, and Chapter 1371, Texas Government Code (collectively, the "Acts"), and pursuant to a resolution of the Commission adopted by minute order on January 26, 2012, and entitled Second Supplemental Resolution to the Master Resolution Authorizing the Texas Transportation Commission Highway Improvement General Obligation Financing Program (the "Second Supplement") for the purpose of [(i) to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects including loans for highway improvement projects; (ii) to pay: (a) the costs of administering projects authorized under the Enabling Act; (b) the cost or expense of the issuance of the bonds; or (c) all or part of a payment owed or to be owed under a credit agreement and (iii) refunding any Bonds, as further specified in the Award Certificate.]** The Bonds are secured by a

first lien on and pledge of the Security as defined in the Master Resolution adopted by minute order on January 28, 2010.

The Master Resolution, as supplemented by the Second Supplement, is referred to in this Bond as the "Resolution." Terms used herein and not otherwise defined shall have the meanings given in the Resolution. CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS SPECIFIED THEREFOR IN THE RESOLUTION. The following terms are defined as follows:

The term "Applicable Spread" shall mean _____.

The term "Authorized Denominations" shall mean (i) for Bonds in the Flexible Mode, \$100,000 or any integral multiple of \$1,000 in excess thereof, (ii) for Bonds in the Daily, Weekly, Monthly, Quarterly, Semiannual or Index Floating Rate Mode, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and (iii) for Bonds in the Fixed Rate or Multiannual Mode, \$5,000 or any integral multiple thereof.

The term "Business Day" shall mean any day on which commercial banks located in all of the cities in which the Principal Offices of the Tender Agent and the Remarketing Agent are located are not required or authorized by law or regulation to remain closed and on which the New York Stock Exchange is not closed.

The term "Calculation Agent" shall mean _____ or such other person appointed by the Board Representative to perform the duties of Calculation Agent in connection with the Index Floating Rate Bonds.

The term "Conversion" or "conversion" shall mean a change from one Mode to another with respect to a Bond, and (i) with respect to a Bond in the Multiannual Mode, a change from one Interest Rate Period to another, or (ii) with respect to a Bond in the Index Floating Rate Mode, a change from one Index Floating Rate Period to another.

The term "Conversion Date" shall mean the day a Conversion becomes effective.

The term "Effective Date" shall mean, with respect to a Bond in the Daily, Flexible, Weekly, Monthly, Quarterly, Semiannual, Multiannual and Index Floating Rate Modes, the date on which a new Interest Rate Period for that Bond takes effect.

The term "Electronic Notice" shall mean notice transmitted through a time-sharing terminal, by facsimile transmission, or by telephone (promptly confirmed in writing or by facsimile transmission).

The term "Index" with respect to Index Floating Rate Bonds, on any date means the SIFMA Index. In the event that Municipal Market Data no longer provides an index satisfying the requirements of the SIFMA Index, the Index shall be the J.J. Kenny Index.

The term "Interest Rate Period," "Rate Period," or "Period" shall mean, when used with respect to any particular rate of interest for a Bond, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

The term "J.J. Kenny Index" shall mean, with respect to a Series of outstanding Index Floating Rate Bonds, the index generally made available on any date by Kenny Information Systems or any successor indexing agent acceptable to the Registered Owners or Beneficial Owners of more than fifty percent (50%) of the principal amount of the Series of Bonds (the "Successor Indexing Agent"). The J.J. Kenny Index is announced by Kenny Information Systems at the beginning of business on Tuesday, and shall be effective as of the same day, or if Tuesday is not a Business Day in the Borough of Manhattan, City and State of New York, the J.J. Kenny Index is announced on the next succeeding such Business Day and shall be effective as of the same day. The J.J. Kenny Index shall be based upon 30-day yield evaluations at par of bonds, the interest on which is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, of not less than five "high grade" component issuers selected by Kenny Information Systems or any Successor Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny Information Systems or any Successor Indexing Agent in its discretion. The bonds on which the J.J. Kenny Index is based shall not include any bonds the interest on which is subject to a "minimum tax" or similar tax under said Code, unless all tax-exempt bonds are subject to such tax.

The term "Mandatory Tender Date" shall mean _____, 20____.

The term "Maximum Rate" shall mean _____.

The term "Mode" shall mean the period for and the manner in which the interest rates on the Bonds, or any portion of the Bonds, are set and includes the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, the Multiannual Mode, the Index Floating Rate Mode and the Fixed Rate Mode.

The term "Principal Office of the Tender Agent" shall mean the business address specified in writing to the Commission and the Remarketing Agent as its principal office for its duties hereunder.

The term "Purchase Date" shall mean the date upon which Bonds are required to be purchased pursuant to a mandatory or optional tender, in accordance with the provisions hereof.

The term "Purchase Price" shall mean the principal amount of the Bonds then outstanding on the Mandatory Tender Date plus accrued interest to the Mandatory Tender Date. **THE COMMISSION IS NOT OBLIGATED TO PURCHASE BONDS TENDERED.**

The term "Record Date" shall mean (i) with respect to each Bond in the Flexible, Daily, Weekly, Monthly or Index Floating Rate Mode, the close of business on the Business Day next preceding an Interest Payment Date; and (ii) with respect to Bonds in the Quarterly, Semiannual, Multiannual, or Fixed Rate Mode, the 15th day of the calendar month immediately preceding any

Interest Payment Date, regardless of whether such day is a Business Day or, in the case of an Interest Payment Date which shall not be at least 15 days after the first day of a Quarterly, Semiannual, Multiannual, or Fixed Rate Period, the first day of such Quarterly, Semiannual, Multiannual, or Fixed Rate Period.

The term "Reset Date" shall mean the Business Day immediately succeeding the day on which the SIFMA Index is issued and two days after the day on which the J.J. Kenny Index is issued.

The term "SIFMA Index" shall mean the "Securities Industry and Financial Markets Association Municipal Swap Index" announced weekly by Municipal Market Data and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality, weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Internal Revenue Code of 1986, as amended, unless all tax-exempt securities are subject to such tax.

The term "Undelivered Bonds" shall mean Bonds which are deemed to have been tendered as provided herein.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal, redemption price or Purchase Price of this Bond (or of a portion of this Bond, in the case of a partial redemption) shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its Purchase or redemption prior to maturity, at a corporate trust office of the Paying Agent/Registrar. All payments of interest on Bonds shall be paid to the Registered Owner hereof whose name appears in the Registration Books kept by the Paying Agent/Registrar as of the close of business on the applicable Record Date or Special Record Date (hereinafter defined) by check mailed on the Interest Payment Date, provided that any Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds may, upon written request given to the Paying Agent/Registrar at least five Business Days prior to an Interest Payment Date designating an account in a domestic bank, be paid by wire transfer of immediately available funds; provided, that if a Purchase Date is not an Interest Payment Date, interest shall be paid on the Purchase Date to the Registered Owner upon receipt by the Paying Agent/Registrar of the tendered bond. This Bond is registered as to both principal and interest in the Registration Books kept by the Paying Agent/Registrar and may be transferred or exchanged, subject to the further conditions specified in the Resolution, only upon surrender hereof at the office of the Paying Agent/Registrar. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Commission and the securities depository.

IN THE EVENT of non-payment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new Record Date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date"), which shall be 15 days after the Special Record Date shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

**Interest on the Bonds*

The Bonds shall initially be issued in the Index Floating Rate Mode and will be subject to conversion to another Mode as herein provided. Each Bond in an Index Floating Rate Mode (other than an Index Floating Rate Held Bond) will bear interest at the Index Floating Rate. The Index Floating Rate shall be determined by the Calculation Agent on each Reset Date and shall be equal to the Index on such day plus or minus the Applicable Spread. The Index Floating Rate shall be adjusted on each Reset Date to an amount equal to the weekly reset of the Index plus or minus the Applicable Spread; provided, (i) that if the first day of an Index Floating Rate Period is not a Reset Date, the rate for the period from and including the first day of such Index Floating Rate Period to but excluding the next succeeding Reset Date shall reflect the Index issued on the Reset Date immediately preceding the first day of such Index Floating Rate Period, or (ii) if the first day of an Index Floating Rate Period is a Reset Date, the rate for the period from the first day of such Index Floating Rate Period to but excluding the next succeeding Reset Date shall reflect the Index issued on the first day of such Index Floating Rate Period.

No later than 3:00 p.m. Eastern Time on the Business Day prior to each Interest Payment Date the Calculation Agent shall determine for such Interest Payment Date the interest accrued on the Bonds from the first day of the Index Floating Rate Period or from the last Interest Payment Date, as applicable. The Index Floating Rate and the interest accrued on the Bonds, as determined by the Calculation Agent, shall (in the absence of manifest error) be final, conclusive and binding upon the Holders and Beneficial Owners of the Bonds.

In the event the SIFMA Index is no longer published and the J.J. Kenny Index is no longer available, an alternative index shall be calculated based upon the criteria for the SIFMA Index by an entity (which may be the Remarketing Agent) selected in good faith by the Remarketing Agent. The Calculation Agent may rely conclusively on the index described in the preceding sentence in determining any interest accrued on the Bonds in the Index Floating Rate Period.

In the event that the Bonds are not remarketed and converted on the Mandatory Tender Date, the Bonds will be Index Floating Rate Held Bonds and will bear interest at the Index Floating Rate Held Bond Rate until the next following Effective Date and the Index Floating Rate Period will be deemed to have been extended to such Effective Date. During the Index Floating Rate Period interest on the Bonds will be calculated on the basis of a 365 or 366 day year, as applicable, for the number of days actually elapsed and will be payable on the first Business Day of each calendar

month, commencing on _____, 20__, until the Mandatory Tender Date or the next following Effective Date in the event that the Effective Date is not an Interest Payment Date. Such interest will be paid to the Registered Owners thereof as of the Record Date, except when such Interest Payment Date coincides with the Effective Date, in which case, interest will be paid to the Registered Owners as of that date upon surrender of such Bonds to the Paying Agent/Registrar.

On the Mandatory Tender Date, at the option of the Commission and subject to certain conditions provided for in the Bond Resolution, all or a portion of the Bonds may be converted from the Index Floating Rate Mode to the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, the Multiannual Mode the Fixed Rate Mode, or a new Index Floating Rate Period.

Written notice of a change in Mode or commencement of a new Index Floating Rate Period within the Index Floating Rate Mode shall be given by the Commission to the Tender Agent, the Remarketing Agent, and the Rating Agencies not fewer than ___ days prior to the proposed Conversion Date. The Tender Agent shall give such notice to the Registered Owners not fewer than ___ days before the Effective Date of such change. The notice will state:

- (1) that the Mode will be changed or that a Index Floating Rate Mode of a different duration than the immediately preceding Index Floating Rate Mode, will commence,
- (2) the Effective Date or dates of the new rate or a new Interest Rate Period, as applicable, and
- (3) that a mandatory tender will result on the Effective Date of the change as provided in the Resolution.

Each determination of interest rates and Interest Rate Periods shall be conclusive and binding on the Commission, the Tender Agent, and the Bondowners. Any Bondowner may ascertain the rate of interest on its Bond or Bonds, by contacting the Tender Agent or the Remarketing Agent.

Upon conversion to a Fixed Rate, this Bond shall bear interest to the Maturity Date set forth above at a fixed rate of interest determined by the Remarketing Agent in accordance with the Resolution.

**Optional Tenders*

While this Bond accrues interest at an Index Floating Rate, the Registered Owner of this Bond has the right to tender this Bond for purchase at the Purchase Price as follows:
_____.

As long as the book-entry system is in effect, the Beneficial Owner of a Bond may demand purchase of the Bond (or portion thereof) owned by it by providing notice as provided above through the Beneficial Owner's DTC Participant; provided such notice shall be given by 11:00 a.m., New York City time, on the date such notice is required to be given. If the book-entry system is not in

effect, the registered owner of this Bond may demand purchase of this Bond (or portion thereof in Authorized Denominations) by providing notice to the Tender Agent as provided above and delivering this Bond to the Tender Agent at its Principal Office.

If the Registered Owner of a Bond has elected to tender such Bond for purchase, such Registered Owner shall be deemed to have agreed irrevocably to sell such Bond to any purchaser determined in accordance with the provisions of the Resolution on the date fixed for purchase at the Purchase Price and any Bond not delivered shall be deemed tendered (an "Undelivered Bond") and shall cease to be outstanding under the Resolution and no further interest shall accrue as of the Purchase Date. Notice of tender of a Bond is irrevocable. All notices of tender of Bonds shall be made to the Tender Agent in writing or by Electronic Notice at its Principal Office in substantially the form as provided in the form attached hereto or such other form of notice satisfactory to the Tender Agent which sets forth the principal amount of Bonds to be purchased, the purchase date on which such Bonds shall be purchased, the name, address and taxpayer identification number of the Registered Owner, and the payment instructions for the Purchase Price. All deliveries of tendered Bonds, including deliveries of Bond subject to mandatory tender, shall be made to the Tender Agent at its Principal Office.

**Mandatory Tenders*

The Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date at the Purchase Price and must be tendered for purchase to the Tender Agent by the owners thereof, with no right of retention by such owners. The obligation of the Commission to purchase the Bonds on the Mandatory Tender Date is subject to the Conversion of the Mode or Index Floating Rate Period upon the successful remarketing of the Bonds. If on the Mandatory Tender Date, moneys sufficient to pay the Purchase Price shall be on deposit with the Tender Agent, acting as tender agent, the Bonds shall be deemed to have been tendered on such date for purchase and interest on such tendered Bonds shall cease to accrue. Bonds that have been deemed tendered, but have not been delivered to the Tender Agent shall not be considered outstanding under the Resolution on the Purchase Date.

The Remarketing Agent will not remarket any Bonds and a Conversion will not occur if an Event of Default (as defined in the Resolution) has occurred and is continuing with respect to the Bonds.

Commission is obligated to use its best efforts to effect the conversion and remarketing of the Bonds on the Mandatory Tender Date or as soon thereafter as is reasonably practical. Prior to the Mandatory Tender Date, or a later Purchase Date in the event of a failed conversion and remarketing of the Bonds on the Initial Mandatory Tender Date (in either case a "Purchase Date"), the Commission will determine the interest rate mode or modes that will be applicable to the Bonds from and after the Purchase Date. The interest rate or rates to be borne by the Bonds immediately after the Purchase Date will be determined by the Remarketing Agent pursuant to the Resolution. The interest rate or rates to be determined by the Remarketing Agent may be in any Mode, and the Bonds may be subject to subsequent remarketings. If the Commission determines that the Mode to be in effect after the Purchase Date will be a Fixed Mode, the Purchase Price may exceed par for the

purpose of obtaining the lowest reoffering yield to the Commission and to pay remarketing costs, but the tendering Registered Owners will only receive par plus accrued interest to the Purchase Date. In conjunction with such Conversion and remarketing, the Commission may establish amortization requirements for the Bonds that will result in the mandatory redemption of the Bonds prior to maturity.

Payment of the Purchase Price of the Bonds will be made by the Tender Agent by 2:00 p.m., New York City time, on the Purchase Date, in immediately available funds (or by wire transfer). The principal portion of the Purchase Price of Bonds tendered for purchase will be paid by the Tender Agent to the Registered Owners solely from the proceeds of the remarketing of the Bonds by the Remarketing Agent. PAYMENTS OF THE PURCHASE PRICE ARE NOT SECURED BY THE SECURITY FOR THE BONDS.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, ON THE PURCHASE DATE AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND, THE RESOLUTION, EXCEPT TO RECEIVE PAYMENT OF THE PURCHASE PRICE HELD THEREFOR, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE TENDER AGENT.

**Effects of a Failed Remarketing.*

In the event that any Bonds are not converted and remarketed to new purchasers on the Mandatory Tender Date, the Commission shall have no obligation to purchase the Bonds tendered on the Mandatory Tender Date, the failed conversion and remarketing shall not constitute an Event of Default under the Resolution, the mandatory tender will be deemed to have been rescinded for that date, and such Bonds (i) will continue to be outstanding and will be an Index Floating Rate Held Bond, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will bear interest at the Index Floating Rate Held Bond Rate from the Mandatory Tender Date until purchased upon a subsequent remarketing, (iv) will be subject to redemption and mandatory tender for purchase as provided in the related Award Certificate, and (v) will be deemed to continue in a Index Floating Rate Mode and in the Index Floating Rate Period, though bearing interest at the Index Floating Rate Held Bond Rate, through the day prior to the Effective Date of the next Interest Rate Period.

Undelivered Bonds

If a book-entry system is not in effect at the time any Bond is subject to mandatory tender for purchase, and if the Tender Agent is in receipt of an amount sufficient to pay the Purchase Price, then such Bond (or portion) will be deemed purchased on the Purchase Date, and ownership of such Bond (or portion) shall be transferred to the purchaser thereof. Any Registered Owner who fails to deliver such Bond for purchase will not be entitled to any payment other than the Purchase Price for such Bond upon surrender of such Bond to the Tender Agent, and such Bond will no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the Purchase

Price of such Bond from moneys held by the Tender Agent for such payment upon presentation and surrender of the Bond.

IF THE DATE for the payment of the principal of, interest on, or Purchase Price of this Bond shall not be a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue and Subseries of Bonds dated _____, 20__, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$_____ TO PROVIDE FUNDS FOR [as provided in Award Certificate].

**Optional Redemption*

THIS BOND is subject to redemption at the option of the Commission, in whole or in part (and if in part in an Authorized Denomination) on any Interest Payment Date, on the Mandatory Tender Date, and on each day thereafter during the Index Floating Rate Period in the event the Index Floating Rate Period is extended because of a failed conversion and remarketing, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date.

**Mandatory Sinking Fund Redemption*

THE BONDS MATURING on _____ are subject to mandatory sinking fund redemption prior to maturity and shall be redeemed by the Paying Agent/Registrar prior to maturity, in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date, with the particular Bonds or portions thereof to be redeemed to be selected and designated by the Commission in its sole discretion (provided that a portion of any Bond may be redeemed in an amount such that the outstanding principal amount after such redemption is at least equal to an Authorized Denomination):

<u>Bonds Maturing</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	<u>\$</u>
(maturity)	

[Insert mandatory sinking fund redemption schedule
From to the Award Certificate]

The principal amount of the Bonds required to be redeemed on any date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Commission, by the principal amount of any Bonds of the maturity scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the respective mandatory sinking fund redemption date, (1) shall have been acquired by the Commission and delivered to the Tender Agent for cancellation, (2) shall have been acquired and canceled by the Tender Agent at the direction of

the Commission, with funds from the Interest Sinking Fund at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of acquisition thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a scheduled mandatory sinking fund redemption.

**Notice of Redemption.*

At least forty-five (45) days prior to the date fixed for the redemption of any Bonds or portions thereof prior to maturity at the option of the Commission, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Bond to be redeemed at its address as it appeared in the Registration Books on the 60th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the optional redemption of any Bond, and it is hereby specifically provided that the mailing of such notice as required above in connection with the redemption of Bonds prior to maturity at the option of the Commission shall be the only notice actually required in connection with or as a prerequisite to such optional redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be redeemed, plus accrued interest thereon to the date fixed for redemption. If notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the fund provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the Commission, all as provided in the Bond Resolution. Notwithstanding the foregoing, no notice of redemption is required to be given to the owner of any Bond which is subject to mandatory tender on the date fixed for redemption.

If at the time of mailing of notice of any optional redemption, the Commission shall not have deposited with the Paying Agent/Registrar moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of sufficient moneys with the Paying Agent/Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

During any period in which ownership of the Bonds is determined by a book-entry at a securities depository, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Commission and the securities depository.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY Authorized Denomination may be assigned and shall be transferred only in the Registration Books of the Commission kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution and the Trust Agreement. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any Authorized Denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The Form of Assignment printed or endorsed on this Bond shall be executed by the Registered Owner, or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new Registered Owner or owners of such new Bond or Bonds), or to the previous Registered Owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the exchange of other Bonds. The Commission shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Registered Owner of this Bond shall be deemed and treated by the Commission and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Commission and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in Authorized Denominations. As provided in the Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the Registered Owner or the assignee or assignees hereof, be exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate Registered Owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, be in the same Mode, in any Authorized Denominations, as requested in writing by the appropriate Registered Owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Resolution. The Commission shall pay the Paying Agent/Registrar's standard or customary fees and charges for exchanging any Bond or any portion thereof, but the one requesting such exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of exchange.

SUBJECT TO the terms and conditions provided in the Resolution, additional bonds may be issued by the Commission.

THE OWNER of this Bond shall have no right to enforce the provisions of the Resolution or to institute action or enforce the covenants therein, or to take any action with respect to any event of default under the Trust Agreement, or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Trust Agreement.

MODIFICATIONS or alterations of the Resolution may be made by the Commission only to the extent and in the circumstances permitted by the Resolution.

It is hereby certified, recited, represented, and declared that the Commission is a duly organized and legally existing governing body of the Department, an agency of the State, organized under and by virtue of the Constitution and laws of the State of Texas; that the issuance of this Bond and the series of which it is a part are duly authorized by law; that all acts, conditions, and things required to exist and be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done, have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas and the Resolution; that this series of bonds does not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of this Bond and the Series of which it is a part as aforesated. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

THE BOND RESOLUTION PROVIDES for the establishment of a Bond Purchase Fund to be held by the Tender Agent. The proceeds from the remarketing of the Bonds will be delivered to the Trustee for deposit in the Bond Purchase Fund. THE PURCHASE PRICE WILL BE PAID SOLELY FROM AMOUNTS ON DEPOSIT IN THE BOND PURCHASE FUND.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Resolution, agrees to be bound by such terms and provisions, acknowledges that the Resolution are duly recorded and available for inspection in the official minutes and records of the governing body of the Commission, and on file with the Trustee, and agrees that the terms and provisions of this Bond and the Resolution constitute a contract between the Registered Owner hereof, the Commission, and the Paying Agent/Registrar.

IN TESTIMONY WHEREOF, the Department has caused its seal to be impressed or a facsimile thereof to be printed hereon and this Bond to be executed in the name of and on behalf of the Commission with the manual or facsimile signatures of its Chairman or a Commission Member, and attested by the Executive Director as of the Bond Date.

TEXAS TRANSPORTATION COMMISSION

By: _____
Chairman [Commission Member]

ATTEST:

Executive Director

(SEAL)

*Provisions relating to the date, principal amount of and interest on the Bonds, Mode, optional and mandatory tenders for purchase, and the redemption of the Bonds will be completed, changed, or deleted in accordance with the terms of the Bonds set forth in the Award Certificate and in the bond purchase contract.

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Resolution and described in this Bond.

BOKF, NA dba Bank of Texas
Paying Agent/Registrar

Dated:

By: _____
Authorized Representative

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE

REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts of
the State of Texas

FORM OF ASSIGNMENT

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

		UNIF GIFT MIN ACT--
TEN COM --	as tenants in common	_____ Custodian _____
TEN ENT --	as tenants by the entireties	(Cust) (Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please insert Social Security or
Other Identification Number of Assignee

/ _____ /

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitutes and appoints _____
to transfer said Bond on the books kept for registration thereof with full power of substitution in the
premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the
face of the within Bond in every particular, without alteration or enlargement or any change
whatever; and

NOTICE: Signature(s) must be guaranteed by the Securities Transfer Association signature
guarantee program.

[END OF FORM OF BOND]

EXHIBIT "C"

REQUISITION CERTIFICATE

Date: _____

The undersigned Department Representative hereby certifies the following in connection with the withdrawal of Bond proceeds from the [Proceeds Fund or appropriate subaccount within the Proceeds Fund, State Infrastructure Bank account] for highway improvement project costs:

- (i) Proceeds of the Bonds are being expended for the project(s) shown on Schedule I; and
- (ii) such project(s) have been approved for construction and financing by the Commission and comply with the Constitutional Provision, the Enabling Act and the General Appropriations Act.

Executed this _____.

Department Representative
Name: _____
Title: _____

EXHIBIT "D"

PROVISIONS OF VARIABLE RATE BONDS

ARTICLE I

UNDERWRITERS; REMARKETING AGENT; CREDIT PROVIDER OR LIQUIDITY PROVIDER AND OTHER PROVISIONS

Section 1.01. UNDERWRITERS; REMARKETING AGENT; CREDIT PROVIDER OR LIQUIDITY PROVIDER.

(a) Underwriters; Remarketing Agent; Credit Provider or Liquidity Provider. (i) *Underwriters.* The Department Representative shall designate the underwriter or underwriters for each Series of the Bonds in an Award Certificate for each Series of the Variable Rate Bonds.

(ii) *Remarketing Agent.* A Remarketing Agent shall be designated by the Department Representative for each Series of Variable Rate Bonds initially issued in any Mode other than a Fixed Rate Mode or Multiannual Mode, and any such Remarketing Agent may be an underwriter for each Series of the Bonds designated by the Department Representative. The Remarketing Agent for a Series of Variable Rate Bonds to be initially issued in the Multiannual Mode may be designated after issuance but must be designated prior to the Effective Date for each Interest Rate Period subsequent to the initial Interest Rate Period. The Remarketing Agent for a Series of Bonds to be initially issued in the Index Floating Rate Mode may be designated after issuance but must be designated prior to the Effective Date for an Interest Rate Period subsequent to the Initial Index Floating Rate Period. Remarketing Agents designated after the issuance of a Series of Bonds must be members of the Commission's approved underwriting pool. In connection with the initial issuance of Variable Rate Bonds, the Department Representative, acting for and on behalf of the Commission, is authorized to enter into and carry out a Remarketing Agreement with each Remarketing Agent in substantially the form of the Commission's existing remarketing agreements relating to previously-issued bonds with such changes as are acceptable to the Department Representative. The terms and provisions of the Remarketing Agreements are to be determined by the Department Representative in accordance with this Second Supplement.

(iii) *Credit Provider or Liquidity Provider.* A Credit Provider or Liquidity Provider shall be designated by the Department Representative for each Series of Variable Rate Bonds Outstanding (except after such Bonds have been converted to the Fixed Rate or for any period of time that such Bonds bear interest at a Multiannual Rate) as required under Sections 2.02(b) and 4.02 hereof. Each initial Liquidity Provider shall be a bank or other financial institution that is in a pool of providers approved by the Commission and meets the requirements of Section 4.02 hereof. In connection with the initial issuance of Variable Rate Bonds, the Department Representative, acting for and on behalf of the Commission, is authorized to enter into and carry out a Liquidity Agreement with each Liquidity Provider in substantially the form of the liquidity agreements relating to the Commission's outstanding variable rate bonds with such changes as are acceptable to the Department Representative. The terms and provisions of the Liquidity Agreements are to be determined by the Department Representative in accordance with this Second Supplement.

Section 1.02. VARIABLE RATE BOND DATES. Each Variable Rate Bond shall be initially dated as provided in the Award Certificate and shall also show the date of authentication thereof and shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is prior to the first Interest Payment Date, in which event such Variable Rate Bond shall bear interest from such date as provided in the Award Certificate, until the entire principal amount thereof is paid; provided however, if, at the time of authentication of the Variable Rate Bond, interest is in default or overdue thereon, such Variable Rate Bond shall bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full.

Section 1.03. INTEREST DETERMINATION. (a) Paying Agent Records Conclusive. The interest rates for the Variable Rate Bonds contained in the records of the Paying Agent/Tender Agent shall be conclusive and binding upon the Commission, the Remarketing Agent, the Tender Agent, the Liquidity Facility Issuer, Paying Agent/Registrar and the Owners of the Variable Rate Bonds.

(b) Purchased Bonds. Notwithstanding Section 1.01 of this Exhibit "D", until remarketed in accordance with this Second Supplement, Variable Rate Bonds that constitute Purchased Bonds shall bear interest at the Purchased Bonds Rate and interest, principal and other amounts due thereon shall be payable at such times and in such manner as set forth in the Liquidity Facility.

(c) Maximum Rate. No Variable Rate Bond may bear interest at an interest rate higher than the Maximum Rate

Section 1.04. PAYMENTS ON HOLIDAYS. If the date for payment of the principal of, premium, if any, or interest on the Variable Rate Bonds is not a Business Day, then the date for such payment shall be the next succeeding Business Day and payment on such succeeding Business Day shall have the same force and effect as if made on the nominal date of payment, without accrual of additional interest.

ARTICLE II DETERMINATION OF INTEREST RATES AND INTEREST

Section 2.01. INTEREST; INTEREST RATE MODES; CONVERSIONS; AND TENDERS. The interest rate on the Bonds of each Series, as provided in the FORM OF BOND, will be the lesser of (i) the Maximum Rate or (ii) the rate determined as provided in this Section 2.01. In no event shall the interest rate for the Bonds of each Series exceed the Maximum Rate. Initially, each Series of the Bonds shall bear interest at the rate or rates determined by the Underwriter in accordance with the Mode or Modes set forth in the Award Certificate relating to that Series of Bonds. Interest on the Bonds (i) in a Flexible Mode, Daily Mode, Weekly Mode, Monthly Mode or Index Floating Rate Mode shall be payable on the applicable Interest Payment Date, computed on the basis of a 365 or 366 day year, as applicable, for the number of days actually elapsed based upon the calendar year in which the Rate Period for that Bond commences, and (ii) in a Fixed Rate Mode, Multiannual Mode, Semiannual Mode, or Quarterly Mode shall be payable on the applicable Interest Payment Date, computed on the basis of a 360 day year composed of twelve

30 day months; provided that interest on any Taxable Bonds may be computed as determined by the Department Representative in the Award Certificate either (A) on the basis of a 365- or 366-day year, as applicable for the number of days actually elapsed based upon the calendar year in which the Rate Period for such Bonds commences, (B) on the basis of a 360-day year of twelve 30-day months or (C) as otherwise determined to be necessary to achieve the most beneficial pricing terms for such Bonds. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on the Bonds through the day preceding such Interest Payment Date and if any payment, redemption, or maturity date is not a Business Day, then the payment may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date. Unless otherwise provided in an Award Certificate, while there exists an Event of Default under the Second Supplement, the interest rate on a Bond will be the rate on such Bond on the day before the event of default occurred. Any Bondholder may ascertain the applicable interest rate and Rate Period at any time by contacting the Remarketing Agent. Each determination and re-determination of the applicable interest rate and Rate Period shall be conclusive and binding on the Commission and the Bondholders.

On the Record Date for each Bond the Tender Agent shall calculate the amount of interest to be paid on the next succeeding Interest Payment Date and shall, not later than 2:00 p.m., New York City time, on such date the calculation is made, notify the Commission of the amount of interest to be paid. Any contest by the Commission of the amount calculated by the Tender Agent to be due on an Interest Payment Date shall not relieve the Commission of its obligation to pay such amount necessary to enable the Tender Agent to pay the interest payable on the Bonds on such Interest Payment Date.

The Department Representative shall execute and deliver to the Tender Agent, the Credit Provider for the Bonds to be converted, the Liquidity Provider for the Bonds to be converted, and the Remarketing Agent an Award Certificate in connection with each proposed Conversion, and each election of an option by the Commission contained in this Section 2.01. Such Award Certificate shall contain the information specified in this Section 2.01 for each Conversion, including the redemption provisions that will be applicable in the new Mode or Interest Rate Period, as the case may be, and any provisions relating to mandatory tenders and to the establishment of a change in the Interest Rate upon a failed conversion and remarketing on a Mandatory Tender Date, and the delivery of the Award Certificate shall constitute the action required of the Commission to effect the Conversion. No Conversion, except a Conversion to the Fixed Rate Mode or the Multiannual Mode, shall occur unless each Rating Agency has confirmed that the Conversion will not adversely affect the then existing rating on the Series of Bonds to be converted. Notwithstanding the other provisions of this Second Supplement, no change in any material provision of this Second Supplement or a Series of Bonds shall become effective until the Tender Agent shall have received the written consent of the Credit Provider for such Series of Bonds to such provisions and a confirmation from each Rating Agency to the effect that such change will not adversely affect the then existing rating on such Series.

(A) Flexible Mode.

(1) Determination of Flexible Rates. The Flexible Rate for Bonds in the Flexible Mode shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of each Bond in the Flexible Mode and having such Interest Rate Period (as determined by the Remarketing Agent) at par on and as of the Effective Date, but not in excess of the Maximum Rate. Upon the conversion to the Flexible Mode, the Remarketing Agent shall determine the initial Flexible Rate or Rates and Interest Rate Period or Periods not later than 1:00 p.m. on the Business Day preceding the Effective Date. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Interest Rate Period and shall redetermine each Interest Rate Period. While the Bonds are in the Flexible Mode, Bonds may have successive Interest Rate Periods and any Bond may bear interest at a rate and for a period different from any other Bond. The interest rate and the Interest Rate Period for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Interest Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. The Remarketing Agent shall notify the Tender Agent, the Liquidity Provider or Credit Provider for such Bonds, and the Commission of the Flexible Rate and Interest Rate Period by Electronic Notice not later than 12:00 p.m., New York City time, on the Effective Date. Each determination and redetermination of the Flexible Rate and Interest Rate Period shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. If the Remarketing Agent fails for any reason to determine the Flexible Rate or Interest Rate Period for any Bond while in the Flexible Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Bond shall be deemed to be in an Interest Rate Period of seven days and the Flexible Rate shall be equal to the SIFMA Municipal Swap Index (or comparable index if such index is no longer published) plus 0.05%, or, if such rate is not published on that day, the most recent publication of such rate.

In determining the Flexible Rate, the Interest Rate Period, and the remarketing of Bonds in the Flexible Mode, the Remarketing Agent shall (i) not offer Interest Rate Periods longer than the lesser of the period used to calculate the "Available Interest Commitment" under the Liquidity Agreement or 270 days or which end on a day which does not immediately precede a Business Day, (ii) not offer Interest Rate Periods applicable to Bonds to be converted extending beyond the day preceding any scheduled Conversion of the Bonds to another Mode or the Maturity Date, and (iii) follow any written directions of the Commission not inconsistent with the preceding clauses (i) and (ii) as to the Interest Rate Periods to be made available. The Commission, the Tender Agent, and the Remarketing Agent shall cooperate to ensure compliance with this requirement. If the Remarketing Agent has received notice of any Conversion from a Flexible Rate to a Semiannual, Multiannual, or Fixed Rate, the remaining number of days prior to the Conversion Date or, if the Remarketing Agent has received notice of any Conversion from a Flexible Rate to a Daily, Weekly, Monthly, Quarterly Rate, or Index Floating Rate, the length of each Interest Rate Period for each Bond being converted shall be determined by the Remarketing Agent to be either (A) that length of period that, as soon as possible, shall enable the Interest Rate Periods for all Bonds being converted to end on the day before the Conversion Date, or (B) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Interest Rate Period.

Notwithstanding the other provisions of this subsection (A)(1), the Bonds will not be converted to the Flexible Mode unless the Liquidity Agreement is amended to provide, or an Alternate Liquidity Agreement is entered into that provides, that Bonds in the Flexible Mode are covered by such Agreement.

(2) Conversions from the Flexible Mode. The Bonds in the Flexible Mode or any portion of such Bonds may be converted at the election of the Commission from the Flexible Mode to the Daily, Weekly, Monthly, Quarterly, Semiannual, Multiannual, Index Floating Rate or Fixed Rate Mode as provided in the FORM OF BOND. Written notice of a conversion from the Flexible Mode shall be given by the Department Representative in an Award Certificate to the Tender Agent, the Remarketing Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, and the Rating Agencies not fewer than 15 days before the Conversion Date, which date shall be specified by the Commission in such notice and which shall not be earlier than the day following the expiration of the Interest Rate Period with the longest remaining term then in effect for the Bonds to be converted. Prior to the proposed Conversion Date, the Remarketing Agent shall not offer Flexible Rate Interest Rate Periods for the Bonds to be converted extending beyond the day preceding the proposed Conversion Date. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01 (J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds and the Remarketing Agent and the Bonds shall remain in the Flexible Mode with an Interest Rate Period of seven days. In such event, the Tender Agent shall provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Mandatory Tender for Purchase. On each Effective Date, Bonds in the Flexible Mode are subject to mandatory tender for purchase at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. The Purchase Price shall be paid at or before 2:00 p.m. on the Delivery Date in immediately available funds, which shall be the Effective Date or any subsequent Business Day on which such Bond is delivered to the Tender Agent; provided that, if such Effective Date is an Interest Payment Date, accrued interest shall be paid separately, and not as a part of the Purchase Price on such date. The Purchase Price of such Tendered Bond shall be paid only upon delivery of such Tendered Bond to the Tender Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the Registered Owner for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) The provisions of this subsection (A) may be modified in the Award Certificate in the event the Bonds are initially sold in a Flexible Mode.

(B) Daily Mode.

(1) Determination of Daily Rates. The Daily Rate for Bonds in the Daily Mode shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, 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 Daily Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Daily Rate on or before the date of issue in or conversion to the Daily Mode. Thereafter, the Remarketing Agent shall determine the Daily Rate for each subsequent Interest Rate Period. When such Bond is in the Daily Mode, the Daily Rate in effect for each Interest Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Effective Date and shall be effective from the Effective Date until the next succeeding Business Day. The Remarketing Agent shall determine the Daily Rate not later than 9:30 a.m., New York City time, on each Business Day. On each Monday (or on request by the Tender Agent or the Commission), the Remarketing Agent shall provide notice by Electronic Notice to the Tender Agent and the Commission of the Daily Rate for each day of the previous week. Each determination of the Daily Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. If for any reason the Remarketing Agent fails to determine the Daily Rate (including, but not limited to, a failure to determine the Daily Rate for a day that is not a Business Day) or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Daily Rate to take effect on the Effective Date shall be the Daily Rate in effect on the day immediately preceding such date plus 0.05%. If no Daily Rate was in effect on such preceding day, the Daily Rate shall be the Alternate Rate.

(2) Conversions from the Daily Mode. The Bonds in the Daily Mode or any portion of such Bonds may be converted at the election of the Commission on any Business Day to the Weekly Mode and on any Interest Payment Date to the Flexible, Monthly, Quarterly, Semiannual, Multiannual, Index Floating Rate or Fixed Rate Mode as provided in the FORM OF BOND. Written notice of a conversion from the Daily Mode shall be given by the Department Representative to the Tender Agent, the Remarketing Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, and the Rating Agencies not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified by the Department Representative in such notice. Notice of a conversion of Bonds from the Daily Mode and, if applicable, the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Section 2.01(B)(4) hereof and the FORM OF BOND. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, and the Remarketing Agent, and the Bonds to have been converted other than to a Weekly Mode shall be subject to mandatory tender as provided in Section 2.01(B)(4) hereof. In addition, the failed conversion shall cause the interest rate on the Bonds to

remain in the Daily Mode on the Conversion Date. In such event, the Tender Agent shall comply with the requirements of Section [3.02] or [3.03] as applicable, as necessary to provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Bondholders' Option to Tender Bonds in Daily Mode. Bonds in the Daily Mode are subject to tender, at the election of the owner thereof, on the dates, for the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section but no later than 11:15 a.m., the Tender Agent shall notify the Remarketing Agent, the Liquidity Provider or Credit Provider for such Bonds, and the Commission by Electronic Notice of the amount of Tendered Bonds and the specified Purchase Date. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender of Daily Bonds Upon Change in Mode. In the event that Bonds in the Daily Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date upon not less than 15 days' prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(5) The provisions of this subsection (B) may be modified in the Award Certificate in the event the Bonds are initially sold in a Daily Mode.

(C) **Weekly Mode.**

(1) Determination of Weekly Rates. The Weekly Rate shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, 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 Weekly Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Weekly Rate on or before the date of issue in or conversion to the Weekly Mode. Thereafter, the Remarketing Agent shall determine the Weekly Rate for each subsequent Interest Rate Period. The Weekly Rate in effect for each Interest Rate Period shall be determined not later than 5:00 p.m., New York City time on the date that is immediately prior to the Effective Date which shall be a Wednesday unless the Effective Date is also a Conversion Date, in which case the Conversion Date will be the Effective Date. The Remarketing Agent shall determine the Weekly Rate and notify the Tender Agent and the Commission of the Weekly Rate by Electronic Notice not later than 5:00 p.m., New York City time, on the Effective Date. Each determination of the Weekly Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. If for any reason the Remarketing Agent fails to determine the Weekly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Weekly Rate to take effect on the Effective Date shall be the SIFMA Municipal Swap Index (or comparable index if that index is no longer published) plus 0.05%, or, if such rate is not published on that day, the most recent publication of such rate.

(2) Conversions from the Weekly Mode. The Bonds in the Weekly Mode or any portion of such Bonds may be converted, at the election of the Commission, on any Business Day to the Daily Mode and on any Interest Payment Date to the Monthly, Quarterly, Semiannual, Multiannual, Flexible, Index Floating Rate or Fixed Rate Mode as provided in the FORM OF BOND. Written notice of a conversion from the Weekly Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified by the Commission in such notice. Notice of a conversion of Bonds from the Weekly Mode and, if applicable, the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Section 2.01(C)(4) hereof and the FORM OF BOND. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds and the Remarketing Agent, and the Bonds to have been converted other than to a Daily Mode shall be subject to mandatory tender as provided in Section 2.01(C)(4) hereof. In addition, the failed conversion shall cause the Mode for the Bonds to immediately convert to the Daily Mode on the Conversion Date. In such event, the Tender Agent shall provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Bondholders' Option to Tender Bonds in Weekly Mode. Bonds in the Weekly Mode are subject to tender, at the election of the owner thereof, on the dates, for the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The

owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Tender Agent shall notify the Remarketing Agent and the Commission by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender of Weekly Bonds upon Change in Mode. In the event that Bonds in the Weekly Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date upon not less than 15 days' prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(5) The provisions of this subsection (C) may be modified in the Award Certificate in the event the Bonds are initially sold in a Weekly Mode.

(D) Monthly Mode.

(1) Determination of Monthly Rates. The Monthly Rate shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, 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 Monthly Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Monthly Rate on or before the date of issue in or conversion to the Monthly Mode, which Rate shall remain in effect through the day next preceding the first Business Day of the succeeding month. Thereafter, the Remarketing Agent shall determine the Monthly Rate for each subsequent Interest Rate Period. The Monthly Rate in effect for each Interest Rate Period shall be determined not later than the Business Day next preceding the Effective Date which shall be the first Business Day of a month. The Remarketing Agent shall notify the Tender Agent and the Commission of the Monthly Rate by

Electronic Notice not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the Effective Date. Each determination of the Monthly Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. If for any reason the Remarketing Agent fails to determine the Monthly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Monthly Rate to take effect on the Effective Date shall be the Monthly Rate in effect on the day next preceding such date.

(2) Conversions from the Monthly Mode. The Bonds in the Monthly Mode or any portion of such Bonds may be converted, at the election of the Commission, on any Interest Payment Date from the Monthly Mode to the Daily, Flexible, Weekly, Quarterly, Semiannual, Multiannual, Index Floating Rate or Fixed Rate Mode as provided in the FORM OF BOND. Written notice of a conversion from the Monthly Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified by the Department Representative in such notice. Notice of a conversion of Bonds from the Monthly Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Section 2.01(D)(4) hereof and the FORM OF BOND. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds and the Remarketing Agent, and the Bonds shall be subject to mandatory tender as provided in Section 2.01(D)(4) hereof. In addition, the failed conversion shall cause the Mode for the Bonds to immediately convert to the Daily Mode on the Conversion Date. In such event, the Tender Agent shall provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Bondholders' Option to Tender Bonds in Monthly Mode. Bonds in the Monthly Mode are subject to tender, at the election of the owner thereof, on the dates, for the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds. Accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Tender Agent shall notify the Remarketing Agent and the Commission by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Tendered

Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender of Monthly Bonds Upon Change in Mode. In the event that Bonds in the Monthly Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date upon not less than 15 days' prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(5) The provisions of this subsection (D) may be modified in the Award Certificate in the event the Bonds are initially sold in a Monthly Mode.

(E) **Quarterly Mode.**

(1) Determination of Quarterly Rates. The Quarterly Rate shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, 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 Quarterly Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Quarterly Rate on or before the date of issue in or conversion to the Quarterly Mode. Thereafter, the Remarketing Agent shall determine the Quarterly Rate for each subsequent Interest Rate Period. The Quarterly Rate in effect for each Interest Rate Period shall be determined not later than the Business Day next preceding the Effective Date. The Remarketing Agent shall notify the Tender Agent and the Commission of the Quarterly Rate by Electronic Notice not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the Effective Date. Each determination of the Quarterly Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. If for any reason the Remarketing Agent fails to determine the Quarterly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Quarterly Rate to take effect on the Effective Date shall be the Quarterly Rate in effect on the day immediately preceding such date.

(2) Conversions from the Quarterly Mode. The Bonds in the Quarterly Mode or any portion of such Bonds may be converted, at the election of the Commission, on any Interest Payment Date from the Quarterly Mode to the Flexible, Daily, Weekly, Monthly, Semiannual, Multiannual, Index Floating Rate or Fixed Rate Mode as provided in the FORM OF BOND. Written notice of a conversion from the Quarterly Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, the Remarketing

Agent, and the Rating Agencies not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified by the Department Representative in such notice. Notice of a conversion of Bonds from the Quarterly Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Section 2.01(E)(4) hereof and the FORM OF BOND. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds and the Remarketing Agent, and the Bonds shall be subject to mandatory tender as provided in Section 2.01(E)(4) hereof. In addition, the failed conversion shall cause the Mode for the Bonds to immediately convert to the Daily Mode on the Conversion Date. In such event, the Tender Agent shall comply with the requirements of Section [3.02] or [3.03], as applicable, as necessary to provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Bondholders' Option to Tender Bonds in Quarterly Mode. Bonds in the Quarterly Mode are subject to tender, at the election of the owner thereof on the dates, for the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds. Accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Tender Agent shall notify the Remarketing Agent and the Commission by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender of Quarterly Bonds Upon Change in Mode. In the event that Bonds in the Quarterly Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date upon not less than 15 days' prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further

interest shall be payable to the registered owner for the immediately preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(5) The provisions of this subsection (E) may be modified in the Award Certificate in the event the Bonds are initially sold in a Quarterly Mode.

(F) **Semiannual Mode.**

(1) Determination of Semiannual Rates. The Semiannual Rate shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, 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 Semiannual Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Semiannual Rate on or before the date of issue in or conversion to the Semiannual Mode which rate shall remain in effect until the first day of the immediately succeeding January or July after conversion to the Semiannual Mode. Thereafter, the Remarketing Agent shall determine the Semiannual Rate for each subsequent Interest Rate Period. The Semiannual Rate in effect for each Interest Rate Period shall be determined not later than the Business Day next preceding the Effective Date. The Remarketing Agent shall notify the Tender Agent and the Commission of the Semiannual Rate by Electronic Notice not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the Effective Date. Each determination of the Semiannual Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. If for any reason the Remarketing Agent fails to determine the Semiannual Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Semiannual Rate to take effect on the Effective Date shall be the Semiannual Rate in effect on the day immediately preceding such date.

(2) Conversions from the Semiannual Mode. The Bonds in the Semiannual Mode or any portion of such Bonds may be converted at the election of the Commission, on any Interest Payment Date from the Semiannual Mode to the Flexible, Daily, Weekly, Monthly, Quarterly, Multiannual, Index Floating Rate or Fixed Rate Mode as provided in the FORM OF BOND and in the Award Certificate. Written notice of a conversion from the Semiannual Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 30 days prior to the proposed Conversion Date, which date shall be specified by the Department Representative in such notice. Notice of a conversion of Bonds from the Semiannual Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Section 2.01(F)(4) hereof and the FORM OF BOND. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m.,

New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds and the Remarketing Agent, and the Bonds shall be subject to mandatory tender as provided in Section 2.01(F)(4) hereof. In addition, the failed conversion shall cause the interest rate on the Bonds to immediately convert to the Daily Mode on the Conversion Date. In such event, the Tender Agent shall comply with the requirements of Section [3.02] or [3.03], as applicable, as necessary to provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Bondholders' Option to Tender Bonds in Semiannual Mode. Bonds in the Semiannual Mode are subject to tender, at the election of the owner thereof, on the dates, for the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds. Accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Tender Agent shall notify the Remarketing Agent and the Commission by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender of Semiannual Bonds Upon Change in Mode. In the event that Bonds in the Semiannual Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date upon not less than 15 days' prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the immediately preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(5) The provisions of this subsection (F) may be modified in the Award Certificate in the event the Bonds are initially sold in a Semiannual Mode.

(G) **Multiannual Mode.**

(1) Determination of Multiannual Rates. The Multiannual Rate shall be the rate of interest determined by the Remarketing Agent, for each Interest Rate Period, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds with the same Interest Rate Period in a secondary market transaction on and as of the Effective Date, at par plus accrued interest, but not in excess of the Maximum Rate. The Department Representative shall determine the Interest Rate Period and the Remarketing Agent shall determine the initial Multiannual Rate on or before the date of issue in or conversion to the Multiannual Mode, as the case may be. Thereafter, the Remarketing Agent shall determine the Multiannual Rate for each subsequent Interest Rate Period as provided herein and the Department Representative shall determine each subsequent Interest Rate Period. The Multiannual Rate in effect for each Interest Rate Period and the duration of the Interest Rate Period shall be determined not later than two (2) Business Days prior to the Effective Date. The Effective Date shall be the date of delivery if the Bonds of a Series are initially issued in the Multiannual Mode or the first Business Day of a month if the preceding Mode is a Flexible, Daily, Weekly, Monthly Mode and shall be the first day of a month if the preceding Mode is a Quarterly, Semiannual, or Multiannual, or Index Floating Rate Mode. If any of the Bonds are initially issued in the Multiannual Mode, the Multiannual Rate shall be set forth in the Award Certificate and such Multiannual Rate will remain in effect for the period set forth in the Award Certificate or, if not specified, until the first day of the month following the whole number of years specified as the duration of the Interest Rate Period; provided that if the following Mode is a Flexible, Daily, Weekly, Monthly or Index Floating Rate Mode, the Multiannual Rate will remain in effect until the day next preceding the first Business Day of the month following the whole number of years specified as the duration of the Interest Rate Period and if the following Mode is a Quarterly, Semiannual, Multiannual or Fixed Rate Mode, the Multiannual Rate will remain in effect until the day next preceding the first day of the month following the whole number of years specified as the Interest Rate Period. The Bonds in the initial Multiannual Mode may bear interest at a stepped coupon rate for the period and under the conditions set forth in the Award Certificate. The Remarketing Agent shall notify the Tender Agent and the Commission of the Multiannual Rate and the Interest Rate Period by Electronic Notice not later than 2:00 p.m., New York City time, two (2) Business Days preceding the Effective Date. Each determination of the Multiannual Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. Except as otherwise provided in the Award Certificate, if the Remarketing Agent fails to make such determination or fails to announce the Multiannual Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Mode to take effect on any Effective Date shall be immediately converted to the Daily Mode but bearing interest at the rate in effect prior to the Effective Date plus one percent (1%).

(2) Conversions from the Multiannual Mode. The Bonds in the Multiannual Mode or any portion of the such Bonds may be converted, at the election of the Commission, on the date immediately following the last day of a Rate Period or on any date the Bonds are subject to optional redemption, from the Multiannual Mode to the Daily, Weekly, Flexible, Monthly, Quarterly, Semiannual, Index Floating Rate or Fixed Rate Mode and may be converted within the Multiannual Mode to a new Rate Period with the same or a different length as provided in the FORM OF BOND.

Written notice of a change in Mode or commencement of a new Interest Rate Period within the Multiannual Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 30 days prior to the proposed Conversion Date, which date shall be specified by the Department Representative in such notice. Notice of a conversion of Bonds from the Multiannual Mode or to a new Rate Period within the Multiannual Mode and the mandatory tender of Bonds for purchase on such Effective Date shall be given to the owners of such Bonds as provided in Section 2.01(G)(4) hereof and the Award Certificate. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof. The Purchase Price for Bonds converted from a Multiannual Mode on a date when such Bonds are also subject to optional redemption at a premium shall include an amount equal to the redemption premium that would be payable if such Bonds were redeemed on such date.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds and the Remarketing Agent and the Bonds shall be subject to mandatory tender as provided in Section 2.01(G)(4) hereof. In addition, the failed conversion shall cause the Mode on the Bonds immediately to convert to a Daily Mode on the failed Conversion Date. In such event, the Tender Agent shall provide for the payment of the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode or Interest Rate Period for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement. The provisions of this paragraph may be modified in the Award Certificate in the event the Bonds are initially sold in a Multiannual Mode.

(3) Bondholders' Option to Tender Bonds in Multiannual Mode. Bonds in the Multiannual Mode are subject to tender, at the election of the owner thereof, on the dates, at the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds. Accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Tender Agent shall notify the Remarketing Agent and the Commission by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender for Purchase. Bonds in the Multiannual Mode are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date to a different

Rate Mode, and on the Effective Date if the Bonds remain in a Multiannual Mode, upon 15 days prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date; and further provided that the Purchase Price for Bonds converted from the Multiannual Mode on a date when such Bonds are also subject to optional redemption shall include an amount equal to the redemption premium, if any, that would be payable if such Bonds were redeemed on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the immediately preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(5) The provisions of this subsection (G) may be modified in the Award Certificate in the event the Bonds are initially sold in a Multiannual Mode.

(H) Index Floating Rate Mode.

(1) Determination of Index Floating Rates. Each Bond in an Index Floating Rate Mode (other than an Index Floating Rate Held Bond) will bear interest at the Index Floating Rate. The Index Floating Rate shall be determined by the Calculation Agent on each Reset Date and shall be equal to the Index on such day plus the Applicable Spread. The Department Representative shall determine the duration of each Index Floating Rate Period. Aside from the Initial Index Floating Rate for an Initial Index Floating Rate Period, the Index Floating Rate shall be determined by the Remarketing Agent no later than 5:00 p.m., Eastern Time, on the Business Day next preceding the Conversion Date to an Index Floating Rate Mode or the proposed Effective Date of any subsequent Index Floating Rate Period. Such Index Floating Rate, other than the Initial Index Floating Rate, shall be the rate of interest per annum, expressed as a spread over or under the Index, determined by the Remarketing Agent (on the basis of examination of obligations comparable to such Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum rate of interest which, if borne by the Bonds, would enable the Remarketing Agent to sell such Bonds on the Index Floating Rate Mode Conversion Date (or the proposed Effective Date of any subsequent Index Floating Rate Period) at a price equal to the principal amount thereof plus accrued interest, but not in excess of the Maximum Rate. If any of the Bonds are initially issued in the Index Floating Rate Mode, the Initial Index Floating Rate shall be set forth in the Award Certificate and such Initial Index Floating Rate will remain in effect for the Initial Index Floating Rate Period set forth in the Award Certificate. The Index Floating Rate shall be adjusted on each Reset Date to an amount equal to the periodic reset of the Index plus or minus the Applicable Spread; provided, (i) that if the first day of an Index Floating Rate Period is not a Reset Date, the rate for the period from and including the first day of such Index Floating Rate Period to but excluding the next succeeding Reset Date shall reflect the Index issued on the Reset Date immediately preceding the first day of such Index Floating Rate Period, or (ii) if the first day of an Index Floating Rate Period is a Reset Date, the rate for the period from the first day of such Index

Floating Rate Period to but excluding the next succeeding Reset Date shall reflect the Index issued on the first day of such Index Floating Rate Period. Except as otherwise provided in the Award Certificate, if, for any reason, the Index Floating Rate is not so determined for the Index Floating Rate Period by the Remarketing Agent on a Business Day no later than the Business Day next preceding the Index Floating Rate Mode Conversion Date or the proposed Effective Date of any subsequent Index Floating Rate Period, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, then the Bonds shall bear interest at an Index Floating Rate based upon a resetting Index and the spread over or under the Index in effect during the immediately preceding Index Floating Rate Period until such time as the interest rate on the Bonds shall have been converted to a Flexible, Daily, Weekly, Monthly, Quarterly, Semiannual, Multiannual, Index Floating Rate or Fixed Rate Mode as provided herein.

No later than 3:00 p.m. Eastern Time on the Business Day prior to each Interest Payment Date the Calculation Agent shall determine for such Interest Payment Date the interest accrued on the Bonds from the first day of the Index Floating Rate Period or from the last Interest Payment Date, as applicable. The Index Floating Rate and the interest accrued on the Bonds, as determined by the Calculation Agent, shall (in the absence of manifest error) be final, conclusive and binding upon the Holders and Beneficial Owners of the Bonds.

In the event the Index is no longer published, an alternative index shall be calculated based upon the criteria for the Index by an entity (which may be the Remarketing Agent) selected in good faith by the Remarketing Agent. The Calculation Agent may rely conclusively on the index described in the preceding sentence in determining any interest accrued on the Bonds in the Index Floating Rate Period.

(2) Conversions from the Index Floating Rate Mode. The Bonds in the Index Floating Rate Mode or any portion of the such Bonds may be converted, at the election of the Commission, on any Interest Payment Date or on any date the Bonds are subject to optional redemption, from the Index Floating Rate Mode to the Daily, Weekly, Flexible, Monthly, Quarterly, Semiannual, Multiannual or Fixed Rate Mode and may be converted following the last day of an Index Floating Rate Period within the Index Floating Rate Mode to a new Index Floating Rate Period with the same or a different length as provided in the FORM OF BOND. Written notice of a change in Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified by the Department Representative in such notice. Written notice of a commencement of a new Index Floating Rate Period within the Index Floating Rate Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 20 days prior to the Conversion Date for the new Index Floating Rate Period, which date shall be specified by the Department Representative in such notice. Notice of a conversion of Bonds from the Index Floating Rate Mode or to a new Index Floating Rate Period within the Index Floating Rate Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Section 2.01(H)(4) hereof and the Award Certificate. Conversions to the Fixed Rate Mode shall also be governed by Section 2.01(I) hereof. The Purchase Price for Bonds converted from an Index Floating Rate Mode on a date when such Bonds are also

subject to optional redemption at a premium shall include an amount equal to the redemption premium that would be payable if such Bonds were redeemed on such date.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall deem the proposed conversion to have failed and shall immediately notify the Commission, the Credit Provider for such Bonds, the Registered Owners or Beneficial Owners, and the Remarketing Agent that the conversion will not occur and that the Bonds shall remain in the Index Floating Rate Mode. In no event shall the failure of Bonds to be converted to another Mode or Index Floating Rate Period for any reason be deemed to be, in and of itself, an Event of Default under the Second Supplement.

(3) Bondholders' Option to Tender Bonds in Index Floating Rate Mode. Bonds in the Index Floating Rate Mode are subject to tender, at the election of the owner thereof, on the dates, at the prices, in the manner and subject to the limitations described in the FORM OF BOND and the Award Certificate. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds. Accrued interest shall be paid separately, and not as part of the Purchase Price on such date.

The Tender Agent shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORM OF BOND and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Tender Agent shall notify the Remarketing Agent and the Commission by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Tendered Bonds not delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date.

(4) Mandatory Tender for Purchase. Bonds in the Index Floating Rate Mode are subject to mandatory tender for purchase on the Conversion Date or proposed Conversion Date to a different Rate Mode upon 15 days prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND. Bonds in the Index Floating Rate Mode are subject to mandatory tender for purchase on the Effective Date of a new Index Floating Rate Period if the Bonds remain in an Index Floating Rate Mode upon 15 days prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND. Each such notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date; and provided further that the Purchase Price for Bonds converted from the Index Floating Rate Mode on a date when such Bonds are also subject to optional redemption shall include an amount equal to the redemption premium, if any, that would be payable if such Bonds were redeemed on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the immediately preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Tendered Bonds not

delivered to the Tender Agent by the Purchase Date shall constitute Undelivered Bonds and shall not be considered Outstanding under the Second Supplement on and after the Purchase Date. In the event that the Purchase Price has not been paid to the Registered Owner of an Index Floating Rate Bond on a Mandatory Tender Date, the Registered Owner shall continue to hold such Bond and such Bond shall be an Index Floating Rate Held Bond subject to the requirements and provisions of Section 2.01(O), (P) and (Q) hereof.

(5) Modification in Award Certificate. The provisions of this subsection (H) may be modified in the Award Certificate in the event the Bonds are initially sold in an Index Floating Rate Mode.

(I) **Fixed Rate Mode.**

Determination of Fixed Rate and Conversion to Fixed Rate Mode. The Bonds of a Series may be initially issued in or converted to a Fixed Rate as determined by the Department Representative and as set forth in the Award Certificate. Bonds initially issued in a Fixed Rate Mode may be Current Interest Bonds. For Bonds initially issued in the Fixed Rate Mode, the Fixed Rate shall be determined by the Department Representative in the Award Certificate. If initially issued in a Mode other than the Fixed Rate Mode, the interest rate on all or any portion of the Bonds may be converted by the Commission to the Fixed Rate Mode as provided in the Award Certificate and Sections 2.01(A), (B), (C), (D), (E), (F), (G) and (H) hereof. Written notice of conversion to the Fixed Rate Mode shall be given by the Department Representative to the Tender Agent, the Credit Provider for such Bonds, the Liquidity Provider for such Bonds, the Remarketing Agent, and the Rating Agencies not fewer than 15 days prior to the proposed Conversion Date. Upon receipt of the notice of conversion to the Fixed Rate Mode from the Department Representative, the Remarketing Agent shall determine the Fixed Rate not later than noon, New York City time, one (1) Business Day before the Conversion Date. The Fixed Rate shall be the lowest rate which in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of the Bonds being so converted at par plus accrued interest on the Effective Date, but not in excess of the Maximum Rate. The foregoing notwithstanding, the Bonds may be remarketed at such price as determined by the Department Representative if the Commission delivers a Favorable Opinion to the Tender Agent and the Remarketing Agent. The Fixed Rate will be in effect until the Maturity Date and no conversions to another Mode may be effected.

On the date of determination thereof, the Remarketing Agent shall notify the Commission and the Tender Agent by Electronic Notice of the Fixed Rate. The Tender Agent shall promptly send written confirmation of the Fixed Rate to the Commission. The determination of the Fixed Rate shall be conclusive and binding on the Commission, the Tender Agent, and the Bondholders. The first Interest Payment Date of Bonds converted to the Fixed Rate shall be the next _____ 1 or _____ 1 after the Conversion Date. The Fixed Rate shall become effective on the Conversion Date and shall remain in effect for the remaining term of the Bonds so converted.

Notwithstanding the foregoing, if the preconditions to conversion to the Fixed Rate Mode established by this subsection and Section 2.01(J), (K), and (L) are not met by 10:30 a.m., New York City time, on the Conversion Date, the Tender Agent shall immediately notify the Commission and

the Remarketing Agent by telephone promptly confirmed in writing. Upon such notice, the Tender Agent shall deem the proposed conversion to have failed and shall proceed as such under Sections 2.01(A)(2), 2.01(B)(2), 2.01(C)(2), 2.01(D)(2), 2.01(E)(2), 2.01(F)(2), 2.01(G)(2) or 2.01(H)(2) hereof, whichever is applicable.

(J) Partial Conversions.

(1) General. A Series of Bonds may be converted in whole or in part to the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, the Index Floating Rate Mode or any new Index Floating Rate Period in the Index Floating Rate Mode, the Multiannual Mode or any new Interest Rate Period in the Multiannual Mode or the Fixed Rate Mode upon compliance with the conditions set forth in this Second Supplement. In the event the Bonds of a Series are in (or are to be in) more than one Mode, the provisions herein relating to Bonds in a particular Mode (or to be converted to a particular Mode) shall apply only to the Bonds in (or to be converted to) such Mode and, where necessary or appropriate, any reference in this Second Supplement to the Bonds shall be construed to mean the Bonds in (or to be converted to) such Mode.

(2) Selection. In the event of any partial conversion of a Series of Bonds to a new Mode, the Bonds to be converted shall be selected by the Tender Agent or the securities depository, as the case may be, from the Bonds in the Mode designated by the Commission. The particular Bonds (or portions thereof) to be converted shall be selected from all the Bonds in the Mode (or in the case of (i) Bonds in the Multiannual Mode, the Interest Rate Period, or (ii) Bonds in the Index Floating Rate Mode, the Index Floating Rate Period) from which Bonds are to be converted. The principal amount of Bonds to be converted shall be determined so that all of the Bonds shall be in Authorized Denominations. Bonds (or portions thereof) in the Daily Mode, Flexible Mode, Weekly Mode, Monthly Mode, Quarterly Mode, Semiannual Mode, Index Floating Rate Mode and Multiannual Mode shall be selected by lot, or in accordance with arrangements between the Commission and the securities depository in the event the Bonds are then registered pursuant to a book-entry-only system, and the selection of the Bonds to be converted shall occur prior to the date notice of mandatory tender is sent by the Tender Agent to the Bondholders pursuant to Sections 2.01(B)(4), 2.01(C)(4), 2.01(D)(4), 2.01(E)(4), 2.01(F)(4), 2.01(G)(4) and 2.01(H)(4).

(3) Amendments. The provisions of this Second Supplement may be amended to permit or facilitate partial conversions of the Bonds without Bondholder consent in accordance with Section [702] of the Second Supplement.

(K) Notice to Registered Owners of Change in Mode. When a change in the Mode is to be made, or upon commencement of a new Interest Rate Period for a Multiannual Mode or of a new Index Floating Rate Period for an Index Floating Rate Mode, the Tender Agent will notify the registered owners of the Bonds at least 15 days before the Conversion Date of the change. The notice will state:

(i) that the Mode will be changed or that a new Interest Rate Period for a Multiannual Mode will commence or a new Index Floating Rate Period for an Index Floating Rate Mode will commence,

(ii) the Conversion Date, and

(iii) that a mandatory tender will result on the Conversion Date as provided in this Second Supplement unless the conversion is from a Daily Mode to a Weekly Mode or from a Weekly Mode to a Daily Mode.

(L) **Change In Interest Rate Mode - Opinion of Counsel.** No Conversion (i) of a Bond with an Interest Rate Period of 365 days or less to an Interest Rate Period of more than 365 days, or (ii) of a Bond with an Interest Rate Period of more than 365 days to an Interest Rate Period of 365 days or less, shall be effective unless on or prior to the Conversion Date the Commission shall provide the Tender Agent with a Favorable Opinion.

(M) **Obligation to Remarket Bonds.** On each optional tender date or Mandatory Tender Date, the Commission shall use its best efforts to cause the Bonds to be remarketed in the Mode and with the Interest Rate Period set forth in the Award Certificate. In the event there are insufficient funds available in the Bond Purchase Fund to effect a purchase of Bonds, such Bonds shall immediately be deemed to be converted to a Daily Mode bearing interest at the Maximum Rate.

(N) **Purchased Bonds Remain Outstanding.** The purchase of Tendered Bonds by a new owner, a Liquidity Provider, a Credit Provider, or the Commission shall not extinguish the debt represented by such Bonds which shall remain outstanding and unpaid under the Second Supplement.

(O) **Payment of Liquidity Provider Bonds, Credit Provider Bonds and Index Floating Rate Held Bonds**

(1) Liquidity Provider Bonds. Liquidity Provider Bonds are subject to special mandatory redemption and payment prior to maturity as provided in the related Liquidity Agreement, in whole or in part, in Authorized Denominations, on the dates and at the redemption prices provided in such Liquidity Agreement. If any Liquidity Provider Bonds are redeemed pursuant to this paragraph, the last special mandatory redemption installment may be in an amount other than an Authorized Denomination.

(2) Credit Provider Bonds. Credit Provider Bonds are subject to special mandatory redemption and payment prior to maturity as provided in the related Reimbursement Agreement, in whole or in part, in Authorized Denominations, on the dates and at the redemption prices provided in such Reimbursement Agreement. If any Credit Provider Bonds are redeemed pursuant to this paragraph, the last special mandatory redemption installment may be in an amount other than an Authorized Denomination.

(3) Index Floating Rate Held Bonds. Index Floating Rate Held Bonds are subject to special mandatory redemption and payment prior to maturity as provided in the related Award Certificate, in whole or in part, in Authorized Denominations, on the dates and at the redemption prices provided in such Award Certificate. If any Index Floating Rate Held Bonds are redeemed pursuant to this paragraph, the last special mandatory redemption installment may be in an amount other than an Authorized Denomination.

(P) Interest on Liquidity Provider Bonds, Credit Provider Bonds and Index Floating Rate Held Bonds.

(1) Liquidity Provider Bonds. For so long as any Variable Rate Bond is a Liquidity Provider Bond pursuant to Section 2.02(b)(H) hereof, such Liquidity Provider Bond shall bear interest at the applicable Liquidity Provider Rate until such Liquidity Provider Bond is sold or remarketed, or the Liquidity Provider elects not to sell such Liquidity Provider Bond, as provided in the Liquidity Agreement, anything in this Second Supplement to the contrary notwithstanding.

(2) Credit Provider Bonds. For so long as any Variable Rate Bond is a Credit Provider Bond pursuant to Section 2.02(b)(I) hereof, such Credit Provider Bond shall bear interest at the applicable Credit Provider Rate until such Credit Provider Bond is sold or remarketed, or the Credit Provider elects not to sell such Credit Provider Bond, as provided in the Reimbursement Agreement, anything in this Second Supplement to the contrary notwithstanding.

(3) Index Floating Rate Held Bonds. For so long as any Index Floating Rate Bond is an Index Floating Rate Held Bond pursuant to Section 2.01(H)(4) hereof, such Index Floating Rate Held Bond shall bear interest at the applicable Index Floating Rate Held Bond Rate until such Index Floating Rate Held Bond is sold or remarketed, anything in this Second Supplement to the contrary notwithstanding.

(Q) Tender of Liquidity Provider Bonds, Credit Provider Bonds and Index Floating Rate Held Bonds.

(1) Liquidity Provider Bonds. Notwithstanding the other provisions of this Second Supplement, Liquidity Provider Bonds shall be subject to optional or mandatory tender for purchase solely to the extent set forth in the Liquidity Agreement.

(2) Credit Provider Bonds. Notwithstanding the other provisions of this Second Supplement, Credit Provider Bonds shall be subject to optional or mandatory tender for purchase solely to the extent set forth in the Reimbursement Agreement.

(3) Index Floating Rate Held Bonds. Notwithstanding the other provisions of this Second Supplement, Index Floating Rate Held Bonds shall be subject to optional or mandatory tender for purchase solely to the extent set forth in the Award Certificate relating to such Bonds.

(R) Additional Mandatory Tenders for Purchase. In addition to the other provisions of this Section 2.01, a Series of Variable Rate Bonds bearing interest in the Flexible Mode, Daily

Mode, Weekly Mode, Monthly Mode, Quarterly Mode, or Semiannual Mode, and each Series of Index Floating Rate Bonds, are subject to mandatory tender to the Tender Agent for purchase at a Purchase Price equal to one hundred percent (100%) of the principal amount of such Series of Bonds, plus accrued interest, if any (calculated using the applicable interest rate for the relevant interest accrual period), to the Purchase Date, as follows:

(1) Mandatory Tender Upon Voluntary Termination by Commission of Liquidity Agreement or Credit Facility. Each Series of Variable Rate Bonds accruing interest at a Flexible Rate, Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate are subject to mandatory tender for purchase on any Business Day not later than the twentieth (20th) day after which the Tender Agent and the Remarketing Agent for such Series has received notice from the Commission of (1) its voluntary termination of the Liquidity Agreement or Credit Facility for such Series (but prior to such voluntary termination date) and (2) its intention not to obtain an Alternate Liquidity Agreement or Alternate Credit Facility, as applicable in replacement thereof.

(2) Mandatory Tender Upon Expiration of or Default under the Liquidity Agreement or Credit Facility. Each Series of Variable Rate Bonds accruing interest at a Flexible Rate, Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate will be subject to mandatory tender for purchase (1) on the fifth (5th) Business Day prior to the expiration of the Liquidity Agreement or Credit Facility for such Series if the Tender Agent has not received evidence satisfactory to it by the thirtieth (30th) day preceding the scheduled expiration date (or such shorter period as shall be acceptable to the Tender Agent) of an extension of the then existing Liquidity Agreement or Credit Facility, or (2) on a Business Day not later than the fifteenth (15th) day (but in no event later than the second Business Day prior to the date the Liquidity Agreement or Credit Facility expires or terminates) after which the Tender Agent has received notice from the Liquidity Provider under the Liquidity Agreement or the Credit Provider under the Reimbursement Agreement, as applicable, for such Series that a specified termination event or an event of default has occurred under the Liquidity Agreement or the Reimbursement Agreement, as applicable, causing the Liquidity Agreement or Credit Facility to expire or terminate, other than an automatic termination event.

(3) Mandatory Tender Upon Substitution of Alternate Liquidity Agreement or Credit Facility. Each Series of Variable Rate Bonds accruing interest at a Flexible Rate, Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate will be subject to mandatory tender for purchase on the date of substitution of an Alternate Liquidity Agreement for the then existing Liquidity Agreement for such Series, or an Alternate Credit Facility for the then existing Credit Facility for such Series. If a purchase of a Series of Variable Rate Bonds is effected pursuant to this subsection, the existing Liquidity Agreement or Credit Facility, if necessary, will be used to provide funds for such purchase, rather than the Alternate Liquidity Agreement or Alternate Credit Facility, as applicable.

(4) Mandatory Tender at the Direction of Commission. Each Series of Variable Rate Bonds accruing interest at a Flexible Rate, Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate, and each Series of Index Floating Rate Bonds will be, at the direction of the Commission, subject to mandatory tender for purchase on any date on which such Bonds are subject to optional redemption pursuant to Section 2.02(a)(i)(A), (B) or (D) hereof upon not less than 15

day's prior written notice from the Tender Agent to the Bondholders as provided in the FORM OF BOND, which notice shall state that the Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest to the Purchase Date; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date. The Commission will provide written notice to the Tender Agent of any such mandatory tender at least 20 days prior to the date of such mandatory tender. No tender for purchase of Bonds pursuant to any such mandatory tender shall be deemed to be a payment or redemption of such Bonds or any portion thereof, and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

Section 2.02. REDEMPTION OF AND REMARKETING OF BONDS.

(a) Redemption of Bonds. Subject to the notice provisions set forth in the FORM OF BOND, the Bonds of each Series shall be subject to redemption by the Commission prior to maturity in accordance with the following provisions:

(i) The Bonds are subject to optional redemption as follows:

(A) During any Daily or Weekly Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission, in whole or in part (and if in part in an Authorized Denomination) on any Business Day, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, upon written notice to the Tender Agent by the Commission at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date.

(B) During any Flexible, Monthly, Quarterly, or Semiannual Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission, in whole or in part (and if in part in an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, upon written notice to the Tender Agent by the Commission at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date.

(C) During any Multiannual or Fixed Rate Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission and upon written notice to the Tender Agent by the Commission at least 45 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date, in whole or in part (and if in part in an Authorized Denomination) on any date after the Commencement of Redemption Period described below, at the following redemption prices (expressed as percentages of the principal amount of the Bonds called for redemption) plus accrued interest to the date fixed for redemption:

LENGTH OF INTEREST RATE PERIOD	COMMENCEMENT OF REDEMPTION PERIOD	REDEMPTION PRICES
greater than or equal to 10	10 years from the	100%

years	commencement of Interest Rate Period	
less than 10 years	No call	

Notwithstanding the foregoing, if the Bonds initially bear interest at a Multiannual Rate or a Fixed Rate, the redemption provisions shall be as set forth in the Award Certificate. In connection with a Conversion to a Multiannual Mode or Fixed Rate Mode or to a subsequent Interest Rate Period within the Multiannual Mode, the Remarketing Agent, upon the request of the Department Representative (which request shall not be unreasonably refused) and in order to achieve the lowest interest rate which, in the judgment of the Remarketing Agent, on the basis of current financial market conditions as to interest rates and redemption periods, would permit the sale of the Bonds so converted at par plus accrued interest as of the Conversion Date, may deliver to the Commission and the Tender Agent an alternative redemption schedule to that shown above, provided that the Commission delivers to the Remarketing Agent and the Tender Agent a Favorable Opinion with respect to such alternative schedule of redemption and the consent of the Credit Provider for such Bonds to such alternative redemption schedule, including any provisions for redemption premiums, if the result of such change would be an increase in the principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any fiscal year. Prior to such Conversion, the Tender Agent shall insert the appropriate optional redemption as described above in the FORM OF BOND. After the Conversion Date succeeding the delivery of such alternative schedule and Favorable Opinion, the Bonds shall be subject to redemption in accordance with the provisions of such alternative schedule.

(D) During any Index Floating Rate Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Commission, in whole or in part (and if in part in an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, upon written notice to the Tender Agent by the Commission at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date.

(E) If a Credit Facility is then in effect with respect to Bonds proposed to be redeemed at the option of the Commission and the redemption price includes any premium, the right of the Commission to direct an optional redemption is subject to the condition that the Tender Agent has received, prior to the date on which notice of redemption is required to be given to Registered Owners, written confirmation from the Credit Provider that it can draw under the Credit Facility on the proposed redemption date in an aggregate amount sufficient to cover the principal of and premium and interest due on the redemption date.

(ii) If the Bonds are to be subject to different redemption provisions while in a specific Mode or Interest Rate Period, the Award Certificate shall set forth the redemption provisions, including the requirement for notice of redemption to be given to the Tender Agent and the Registered Owners.

(iii) On or before the date fixed for redemption, subject to the other provisions of this Section, moneys shall be deposited with the Tender Agent to pay the principal of, redemption premium, if any, and interest accrued to the redemption date on the Bonds called for redemption. Upon the deposit of such moneys, unless the Commission has given notice of rescission, the Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of this Second Supplement or the Second Supplement (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

(b) Remarketing of Bonds. (A) Commission shall maintain a Liquidity Agreement or Credit Facility in place for all modes except the Fixed Rate Mode, Index Floating Rate Mode and the Multiannual Mode. Upon the tender of Bonds in accordance with Section 2.01(A)(3), 2.01(B)(3) or (4), 2.01(C)(3) or (4), 2.01(D)(3) or (4), 2.01(E)(3) or (4), 2.01(F)(3) or (4), 2.01(G)(3) or (4), 2.01(H)(3) or (4) or 2.01(Q) hereof, the Remarketing Agent shall, subject to the terms of the Remarketing Agreement, offer for sale and use its best efforts to sell such Bonds (or portions thereof) on any Purchase Date for such Bonds at the Purchase Price pursuant to the provisions hereof and of the Remarketing Agreement.

If the Bonds are not remarketed, the Tender Agent shall draw funds under the Liquidity Agreement or the Credit Facility for such Bonds, if any, for the payment of the Purchase Price. In the event of a failed draw under the Liquidity Agreement or the Credit Facility, the Tender Agent shall immediately notify the Commission, the Remarketing Agent, and the Liquidity Provider or Credit Provider, as applicable. In such event, the Commission may provide to the Tender Agent immediately available funds to purchase the Bonds, not later than 1:30 p.m. New York City time on the Business Day immediately following the original Purchase Date, which date will be deemed to be the Purchase Date, and such Bonds shall constitute Commission-Held Bonds. In the event that Bonds that are not supported by a Liquidity Agreement or a Credit Facility are not remarketed, the Commission may provide to the Tender Agent immediately available funds to purchase the Bonds on a date on or after the original Purchase Date, which date will be deemed to be the Purchase Date, and such Bonds shall constitute Commission-Held Bonds.

Such purchase of Bonds with moneys provided by the Liquidity Provider or the Credit Provider, or the Commission shall not extinguish the debt represented by such Bonds, which shall remain Outstanding and unpaid under the Second Supplement.

Thereafter, the Remarketing Agent shall continue to use its best efforts to remarket the Bonds as provided in the Remarketing Agreement and the Liquidity Agreement or Credit Facility as applicable.

(B) The Remarketing Agent shall not remarket any Bonds pursuant to this Section if a default in the payment of principal of or interest on the Bonds shall have occurred and be continuing under the Second Supplement or an event of default or suspension event shall have occurred and be continuing under the Liquidity Agreement for such Bonds that results in a termination of the Liquidity Agreement or the right of the Liquidity Provider to not advance funds to the Tender Agent for payment of the Purchase Price.

(C) The Remarketing Agent shall give notice to the Tender Agent, the Liquidity Provider or the Credit Provider for such Bonds, and the Commission by Electronic Notice, specifying the principal amount of Tendered Bonds as to which the Remarketing Agent has found purchasers, the amounts the Remarketing Agent has received for the purchase of Tendered Bonds, and any deficiency in amounts available to pay the Purchase Price of Tendered Bonds at or before:

(1) 12:00 p.m., New York City time, on each Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date;

(2) 12:00 p.m., New York City time, on each Purchase Date for Tendered Bonds that are to be in the Daily or Weekly Mode immediately after the Purchase Date;

(3) 4:00 p.m., New York City time, on the first Business Day immediately preceding each Purchase Date for Tendered Bonds that are to be in the Monthly, Quarterly, or Semiannual Mode immediately after the Purchase Date; or

(4) 2:00 p.m., New York City time, on the second Business Day immediately preceding each Purchase Date for Tendered Bonds that are to be in the Multiannual, Index Floating Rate or Fixed Rate Mode immediately after the Purchase Date.

The Remarketing Agent shall give Electronic Notice or written notice to the Tender Agent of the names, addresses, and taxpayer identification numbers of the purchasers and the number and denominations of Bonds to be delivered to each purchaser, and in the case of Bonds that are to be in the Flexible or Multiannual Mode, the current rate and the next scheduled Purchase Date of each such Bond successfully remarketed at or before:

(1) 2:45 p.m., New York City time, on each Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date;

(2) 2:45 p.m., New York City time, on each Purchase Date for Tendered Bonds that are to be in the Daily Mode or Weekly Mode immediately after the Purchase Date;

(3) 4:00 p.m., New York City time, on the first Business Day immediately preceding each Purchase Date for Tendered Bonds that are to be in the Monthly, Quarterly or Semiannual Mode immediately after the Purchase Date; or

(4) 2:00 p.m. New York City time, on the second Business Day immediately preceding each Purchase Date for Tendered Bonds to be in the Multiannual, Index Floating Rate or Fixed Rate Mode immediately after the Purchase Date.

(D) The Remarketing Agent shall deliver to the Tender Agent for deposit into the Bond Purchase Fund or into the Remarketing Account in the LP Bond Purchase Fund or the CP Bond Purchase Fund, as applicable, for that Series of Bonds all amounts received by the Remarketing Agent as proceeds of the remarketing of such Bonds (i) if the Tendered Bonds are in book-entry only

form, in accordance with the procedures of DTC or (ii) if the Tendered Bonds are not in book-entry only form, at or before:

(1) 2:00 p.m., New York City time (or such later time as may be agreed upon in writing between the Tender Agent and the Remarketing Agent), on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date;

(2) 12:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Daily, Weekly, Monthly, Quarterly, or Semiannual Mode immediately after the Purchase Date; or

(3) 2:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Multiannual, Index Floating Rate or Fixed Rate Mode immediately after the Purchase Date.

(E) Any purchase of Tendered Bonds shall be made by payment of the Purchase Price by wire or bank transfer in immediately available funds by the Tender Agent upon receipt of remarketing proceeds at the time specified in Section 2.02(b)(D) above. The Purchase Price shall be paid in the amount and in the manner specified in the FORM OF BOND. By 3:00 p.m. New York City time on the Purchase Date, Bonds remarketed under this Section shall be made available by the Tender Agent to the purchasers thereof (or in the case of Bonds in the Flexible Mode, delivered by Tender Agent to the Remarketing Agent) and shall be registered in the manner directed by the recipient thereof, provided that such Bonds shall not be delivered unless and until the Tender Agent has received the Purchase Price therefor, except that Bonds in the Flexible Mode may be delivered against a window receipt guaranteeing same day payment in immediately available funds.

(F) No Bonds in the Daily, Weekly, Flexible, Monthly, Quarterly, Semiannual, Multiannual or Index Floating Rate Mode scheduled to be redeemed or converted to a different Mode may be remarketed after receipt by the Remarketing Agent of notice of redemption or conversion of such Bonds to a specified Mode from the Commission unless the Remarketing Agent, on or before the Purchase Date, gives notice to the purchaser that the Bonds will be redeemed or converted, and such purchaser will be required to surrender its Bonds for payment on the applicable redemption date or to tender its Bonds for mandatory purchase on the applicable Conversion Date, as the case may be.

(G) Notwithstanding anything herein to the contrary, so long as the Bonds are held under the Book-Entry-Only system, Bonds will not be delivered as set forth in Section 2.02(b)(E) above; rather, transfers of beneficial ownership of the Bonds to the person indicated above will be effected on the books of DTC pursuant to its rules and procedures.

(H) Variable Rate Bonds of a Series purchased with proceeds made available through the Liquidity Agreement for such Series shall constitute "Liquidity Provider Bonds," and shall be held by the Tender Agent as fiduciary for the Liquidity Provider (and shall be shown as Liquidity Provider Bonds on the Registration Books or, if such Bonds are held in the Book-Entry-Only System, such Liquidity Provider Bonds shall be recorded in the records of the Securities Depository

for the account of the Tender Agent, as custodian for the Liquidity Provider) in accordance with the provisions of this Second Supplement and such Liquidity Agreement. The Remarketing Agent shall, at the request of the Liquidity Provider, continue to use its best efforts to arrange for the sale of any Liquidity Provider Bonds, subject to full reinstatement of the amount available to be drawn under the Liquidity Agreement with respect to such Series of Bonds.

The Liquidity Provider's interest in Liquidity Provider Bonds shall be released only after the Tender Agent has received Electronic Notice from the Liquidity Provider that the Liquidity Agreement has been reinstated by the amount of the funds drawn to purchase Liquidity Provider Bonds (A) as a result of reimbursement by the Commission, from lawfully available funds, to the Liquidity Provider or (B) (i) while the Book-Entry-Only System is in effect, because Liquidity Provider Bonds have been remarketed and the proceeds of such remarketing have been received by the Securities Depository for the account of the Tender Agent (for the benefit of the Liquidity Provider) or (ii) if the Book-Entry-Only System is not in effect, because Liquidity Provider Bonds have been remarketed and the proceeds of such remarketing have been received by the Tender Agent (for the benefit of the Liquidity Provider). The Tender Agent shall promptly give the Liquidity Provider Electronic Notice that the proceeds referred to in clause (B) above have been credited to its account (for the benefit of the Liquidity Provider) by the Securities Depository in the case of clause (B)(i) or have been received by it in the case of clause (B)(ii), and in each case are being sent to the Liquidity Provider by wire transfer in accordance with the Liquidity Provider's written wire instructions. If Liquidity Provider Bonds have been released pursuant to clause (B) above, (i) while the Book-Entry-Only System is in effect, the Tender Agent shall instruct the Securities Depository to transfer such bonds on its records to the account of the Remarketing Agent or its Depository Participant and (ii) if the Book-Entry-Only System is not in effect, the Tender Agent shall register such bonds in accordance with the instructions of the Remarketing Agent. If Liquidity Provider Bonds have been released pursuant to clause (A) above, (i) while the Book-Entry-Only System is in effect, the Tender Agent shall instruct the Securities Depository to transfer any such bonds to the account of a Depository Participant designated by the Commission, or (ii) if the Book-Entry-Only System is not in effect, the Tender Agent shall register such bonds to the Commission or its designee.

If the Remarketing Agent remarkets any Liquidity Provider Bond, the Remarketing Agent shall direct the purchaser of such Liquidity Provider Bond to transfer, by 12:30 p.m., New York City time, on the Purchase Date, the Purchase Price of such remarketed Liquidity Provider Bond to the Tender Agent for deposit into a separate subaccount of the Remarketing Account of the Bond Purchase Fund for that Series of Bonds, to be disbursed from such subaccount solely for the purposes described in this paragraph. The purchaser of any such remarketed Liquidity Provider Bonds shall pay a Purchase Price equal to one hundred percent (100%) of the principal amount of such Bonds, plus accrued interest, if any (calculated using the applicable interest rates on Bonds of the Series other than Liquidity Provider Bonds to the relevant interest accrual period), to the Purchase Date. The remaining unpaid amount of interest (calculated using the Liquidity Provider Rate) on such remarketed Liquidity Provider Bonds shall be paid by the Commission as provided in the Liquidity Agreement. The Tender Agent shall immediately notify the Liquidity Provider of the receipt of the Purchase Price for such Liquidity Provider Bond, and upon receipt by the Liquidity Provider in immediately available funds of all amounts due under the Liquidity Agreement as

reimbursement for the full amount therefor provided under the Liquidity Agreement to purchase such Liquidity Provider Bonds, and of written evidence to the Tender Agent as provided in the Liquidity Agreement of full reinstatement of such amount drawn under the Liquidity Agreement, such Liquidity Provider Bond shall be considered released from the pledge to the Liquidity Provider (absent written notice from the Liquidity Provider to the Tender Agent to the contrary). The Tender Agent shall transfer such Purchase Price to the Liquidity Provider upon receipt thereof in exchange for reinstatement of the amount available to be drawn under the Liquidity Agreement (as contemplated above), and give all required notices, in accordance with the terms of the Liquidity Agreement. If moneys remain on deposit with the Tender Agent in such subaccount after payment is made to the Liquidity Provider as described in the preceding sentence, such moneys shall be paid to, or upon the order of, the Commission.

Notwithstanding anything to the contrary in this subsection, if and for so long as the Series of Variable Rate Bonds are held in the Book-Entry-Only System, the registration requirements for Liquidity Provider Bonds under this subsection shall be deemed satisfied if Liquidity Provider Bonds of such Series are (A) registered in the name of the Securities Depository or its nominee, (B) credited on the books of the Securities Depository to the account of (i) the Liquidity Provider (or its designee) or (ii) the Tender Agent (or its nominee) and further credited on the books of the Tender Agent (or such nominee) to the account of the Liquidity Provider (or its designee).

(I) Variable Rate Bonds of a Series purchased with proceeds made available through the Credit Facility for such Series shall constitute "Credit Provider Bonds," and shall be held by the Tender Agent as fiduciary for the Credit Provider (and shall be shown as Credit Provider Bonds on the Registration Books or, if such Bonds are held in the Book-Entry-Only System, such Credit Provider Bonds shall be recorded in the records of the Securities Depository for the account of the Tender Agent, as custodian for the Credit Provider) in accordance with the provisions of this Second Supplement, the Credit Facility and the related Reimbursement Agreement. The Remarketing Agent shall, at the request of the Credit Provider, continue to use its best efforts to arrange for the sale of any Credit Provider Bonds, subject to full reinstatement of the amount available to be drawn under the Credit Facility with respect to such Series of Bonds.

The Credit Provider's interest in Credit Provider Bonds shall be released only after the Tender Agent has received Electronic Notice from the Credit Provider that the Credit Facility has been reinstated by the amount of the funds drawn to purchase Credit Provider Bonds (A) as a result of reimbursement by the Commission, from lawfully available funds, to the Credit Provider or (B) (i) while the Book-Entry-Only System is in effect, because Credit Provider Bonds have been remarketed and the proceeds of such remarketing have been received by the Securities Depository for the account of the Tender Agent (for the benefit of the Credit Provider) or (ii) if the Book-Entry-Only System is not in effect, because Credit Provider Bonds have been remarketed and the proceeds of such remarketing have been received by the Tender Agent (for the benefit of the Credit Provider). The Tender Agent shall promptly give the Credit Provider Electronic Notice that the proceeds referred to in clause (B) above have been credited to its account (for the benefit of the Credit Provider) by the Securities Depository in the case of clause (B)(i) or have been received by it in the case of clause (B)(ii), and in each case are being sent to the Credit Provider by wire transfer in accordance with the Credit Provider's written wire instructions. If Credit Provider Bonds have been

released pursuant to clause (B) above, (i) while the Book-Entry-Only System is in effect, the Tender Agent shall instruct the Securities Depository to transfer such bonds on its records to the account of the Remarketing Agent or its Depository Participant and (ii) if the Book-Entry-Only System is not in effect, the Tender Agent shall register such bonds in accordance with the instructions of the Remarketing Agent. If Credit Provider Bonds have been released pursuant to clause (A) above, (i) while the Book-Entry-Only System is in effect, the Tender Agent shall instruct the Securities Depository to transfer any such bonds to the account of a Depository Participant designated by the Commission, or (ii) if the Book-Entry-Only System is not in effect, the Tender Agent shall register such bonds to the Commission or its designee.

If the Remarketing Agent remarkets any Credit Provider Bond, the Remarketing Agent shall direct the purchaser of such Credit Provider Bond to transfer, by 12:30 p.m., New York City time, on the Purchase Date, the Purchase Price of such remarketed Credit Provider Bond to the Tender Agent for deposit into a separate subaccount of the Remarketing Account of the Bond Purchase Fund for that Series of Bonds, to be disbursed from such subaccount solely for the purposes described in this paragraph. The purchaser of any such remarketed Credit Provider Bonds shall pay a Purchase Price equal to one hundred percent (100%) of the principal amount of such Bonds, plus accrued interest, if any (calculated using the applicable interest rates on Bonds of the Series other than Credit Provider Bonds to the relevant interest accrual period), to the Purchase Date. The remaining unpaid amount of interest (calculated at the Credit Provider Rate) on such remarketed Credit Provider Bonds shall be paid by the Commission as provided in the Credit Facility. The Tender Agent shall immediately notify the Credit Provider of the receipt of the Purchase Price for such Credit Provider Bond, and upon receipt by the Credit Provider in immediately available funds of all amounts due under the Reimbursement Agreement as reimbursement for the full amount therefore provided under the Credit Facility to purchase such Credit Provider Bonds, and of written evidence to the Tender Agent as provided in the Credit Facility of full reinstatement of such amount drawn under the Credit Facility, such Credit Provider Bond shall be considered released from the pledge to the Credit Provider (absent written notice from the Credit Provider to the Tender Agent to the contrary). The Tender Agent shall transfer such Purchase Price to the Credit Provider upon receipt thereof in exchange for reinstatement of the amount available to be drawn under the Credit Facility (as contemplated above), and give all required notices, in accordance with the terms of the Credit Facility. If moneys remain on deposit with the Tender Agent in such subaccount after payment is made to the Credit Provider as described in the preceding sentence, such moneys shall be paid to, or upon the order of, the Commission.

Notwithstanding anything to the contrary in this subsection, if and for so long as the Series of Variable Rate Bonds are held in the Book-Entry-Only System, the registration requirements for Credit Provider Bonds under this subsection shall be deemed satisfied if Credit Provider Bonds of such Series are (A) registered in the name of the Securities Depository or its nominee, (B) credited on the books of the Securities Depository to the account of (i) the Credit Provider (or its designee) or (ii) the Tender Agent (or its nominee) and further credited on the books of the Tender Agent (or such nominee) to the account of the Credit Provider (or its designee).

ARTICLE III BOND PURCHASE FUNDS

Section 3.01. **BOND PURCHASE FUND.** (a) There is hereby created by the Commission and established with the Tender Agent a separate "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2012 Bond Purchase Fund" (each a "Bond Purchase Fund") with respect to each Series of Variable Rate Bonds or Index Floating Rate Bonds which is not supported by a Liquidity Agreement or Credit Facility, each to be held as a separate escrow fund, in trust and administered and distributed by the Tender Agent as provided in this Section. Each Bond Purchase Fund will additionally have the Series designation of the Series of Bonds to which it relates. All moneys deposited into a Bond Purchase Fund shall be used solely for the purposes set forth herein and such moneys shall not constitute a part of the trust security under the Master Resolution or Second Supplement. Each Bond Purchase Fund shall secure and be used solely for the Series of Bonds for which it is created. In the event that a portion of a Series of Variable Rate Bonds or Index Floating Rate Bonds which is not supported by a Liquidity Agreement or Credit Facility is in a Mode different than other portions of such Series of Bonds, separate sub-accounts within the Bond Purchase Fund shall be established with respect to each such portion as specified in a Award Certificate, and the provisions of this Section 3.01 with respect to the Bond Purchase Fund shall be applied separately with respect to each such sub-account.

(b) The Remarketing Agent shall pay or cause to be paid to the Tender Agent, in immediately available funds, by the time indicated in Section 2.02(b)(D) hereof, on the Purchase Date of tendered Bonds of a Series, all amounts representing Remarketing Proceeds of such Series of Bonds, and all such Remarketing Proceeds shall be deposited by the Tender Agent directly into the Bond Purchase Fund for such Series. All moneys received by the Tender Agent as Remarketing Proceeds shall be deposited by the Tender Agent in the related Bond Purchase Fund as herein provided and shall be used solely for the payment of the Purchase Price of tendered Series of Bonds and shall not be commingled with other funds held by the Tender Agent including funds in other Bond Purchase Funds.

(c) The Tender Agent shall deposit or cause to be deposited into the related Bond Purchase Fund, when and as received, all moneys delivered to the Tender Agent as and for the Purchase Price of remarketed Bonds of a Series by or on behalf of the Remarketing Agent. The Tender Agent shall disburse moneys from the Bond Purchase Fund to pay the Purchase Price of the related Bonds of such Series properly tendered for purchase upon surrender of such Bonds in immediately available moneys by close of business on the Purchase Date.

THE COMMISSION RESERVES THE RIGHT, BUT DOES NOT HAVE THE OBLIGATION, TO PURCHASE BONDS TENDERED FOR PURCHASE. No purchase of Bonds by the Tender Agent or the Commission or advance use of any funds to effectuate any such purchase shall be deemed to be a payment or redemption of such Bonds or any portion thereof, and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds unless it is expressly stated in a certificate of a Department Representative delivered to the Tender Agent that the Purchase Price paid by the Commission shall be deemed the payment and discharge of the purchased Bonds and directs the Tender Agent to cancel such Bonds.

The moneys in the Bond Purchase Funds shall not be part of the security under the Master Resolution or the Second Supplement, but shall be used solely to pay the Purchase Price of the related Series of Bonds as aforesaid and may not be used for any other purposes. The Tender Agent shall hold the moneys in the Bond Purchase Funds for the benefit of the Registered Owners of the related Series of Bonds which have been properly tendered for purchase or deemed tendered on the Purchase Date. If sufficient funds to pay the Purchase Price for a Series of Bonds shall be held by the Tender Agent in the Bond Purchase Fund for the benefit of the Registered Owners thereof, each such Registered Owner shall thereafter be restricted exclusively to that Bond Purchase Fund for any claim of whatever nature on such owner's part under this Second Supplement or on, or with respect to, such tendered Series of Bonds. Tendered Variable Rate Bonds in the Multiannual Mode which are not supported by a Liquidity Agreement or Credit Facility and that are not remarketed or purchased on a Purchase Date shall bear interest at the Bond Buyer Seven Day General Market Index (Non-AMT) plus one fourth of one percent (.25%) or such other interest rate specified in the Award Certificate for such Series of Bonds until purchased or redeemed. The Commission will use its best efforts to have such Bonds remarketed or purchased as soon as reasonably possible and until such time each Business Day will constitute a Purchase Date for such Bonds that have not been remarketed or purchased.

Moneys held in each Bond Purchase Fund for the benefit of Registered Owners of the related untendered Series of Bonds shall be held in trust and shall be invested overnight at the direction of the Commission in any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including Treasury Receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America. Moneys in a Bond Purchase Fund which remain unclaimed three (3) years after the applicable Purchase Date shall, at the request of the Commission, and if the Commission is not at the time, to the knowledge of the Tender Agent, in default with respect to any material covenant in the Second Supplement, be paid to the Commission, and the owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Commission.

Section 3.02. LP BOND PURCHASE FUND. (a) There is hereby created by the Commission and established with the Tender Agent a separate "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2012 LP Bond Purchase Fund" (each a "LP Bond Purchase Fund") with respect to each Series of Variable Rate Bonds supported by a Liquidity Agreement each to be held as a separate escrow fund, in trust and administered and distributed by the Tender Agent as provided in this Section. Each LP Bond Purchase Fund will additionally have the Series designation of the Series of Bonds to which it relates. Within each LP Bond Purchase Fund there are hereby created a Remarketing Account and a Liquidity Provider Purchase Account. All moneys deposited into a LP Bond Purchase Fund shall be used solely for the purposes set forth herein and in the related Liquidity Agreement and such moneys shall not constitute a part of the security under the Master Resolution or Second Supplement. Each LP Bond Purchase Fund shall secure and be used solely for the Series of Variable Rate Bonds for which it is created. In the event that a Series of Variable Rate Bonds is supported by two or more Liquidity Agreements, separate sub-accounts within the LP Bond Purchase Fund shall be established with respect to each portion of such Series of Bonds supported by a discrete Liquidity Agreement as

specified in an Award Certificate, and the provisions of this Section 3.02 with respect to the LP Bond Purchase Fund shall be applied separately with respect to each such sub-account.

(b) The Remarketing Agent shall pay or cause to be paid to the Tender Agent, in immediately available funds, by the time indicated in Section 2.02(b)(D) hereof, on the Purchase Date of tendered Bonds of a Series, all amounts representing Remarketing Proceeds of such Series of Bonds, and all such Remarketing Proceeds shall be deposited by the Tender Agent directly into the Remarketing Account in the LP Bond Purchase Fund for such Series.

If the Remarketing Proceeds will not be sufficient to pay the Purchase Price on the Purchase Date of such Series of Bonds (other than Liquidity Provider Bonds or Commission-Held Bonds), the Liquidity Provider for such Series of Bonds shall provide funds to the Tender Agent under the Liquidity Agreement, on the Purchase Date, in the manner set forth in the Liquidity Agreement, in immediately available funds by 2:45 p.m., New York City time, in an amount sufficient, together with the Remarketing Proceeds, to enable the Tender Agent to pay the Purchase Price of such Series of Bonds to be purchased on such Purchase Date (exclusive, however, of accrued interest which would be due on the Purchase Date if such Purchase Date is an Interest Payment Date); provided, the Liquidity Provider shall not make any payment under the Liquidity Agreement with respect to Liquidity Provider Bonds or Commission-Held Bonds. The Tender Agent shall only draw funds under a Liquidity Agreement for the Series of Bonds supported by the Liquidity Agreement.

All moneys received by the Tender Agent as Remarketing Proceeds or from the Liquidity Provider under a Liquidity Agreement, shall be deposited by the Tender Agent in the appropriate account of the related LP Bond Purchase Fund as herein provided and shall be used solely for the payment of the Purchase Price of tendered Series of Bonds covered by such Liquidity Agreement and shall not be commingled with other funds held by the Tender Agent including funds in other LP Bond Purchase Funds.

(c) The Tender Agent shall deposit or cause to be deposited into the Remarketing Account in the related LP Bond Purchase Fund, when and as received, all moneys delivered to the Tender Agent as and for the Purchase Price of remarketed Variable Rate Bonds of a Series by or on behalf of the Remarketing Agent. The Tender Agent shall disburse moneys from the Remarketing Account to pay the Purchase Price of the Bonds of such Series properly tendered for purchase upon surrender of such Bonds in immediately available moneys by close of business on the Purchase Date.

The Tender Agent shall deposit or cause to be deposited into the Liquidity Provider Purchase Account in the related LP Bond Purchase Fund when and as received, all amounts received from the Liquidity Provider under a Liquidity Agreement pursuant to this Section 3.02. After exhausting any funds in the Remarketing Account, the Tender Agent shall disburse moneys from the Liquidity Provider Purchase Account to pay the Purchase Price of the Series of Bonds covered by such Liquidity Agreement which are properly tendered for purchase upon surrender of such Bonds in immediately available moneys by close of business on the Purchase Date; provided that such proceeds shall not be applied to purchase Liquidity Provider Bonds or Commission-Held Bonds.

THE COMMISSION RESERVES THE RIGHT, BUT DOES NOT HAVE THE OBLIGATION, TO PURCHASE VARIABLE RATE BONDS TENDERED FOR PURCHASE. No purchase of Variable Rate Bonds by the Tender Agent or the Commission or advance use of any funds to effectuate any such purchase shall be deemed to be a payment or redemption of such Bonds or any portion thereof, and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds unless it is expressly stated in a certificate of a Department Representative delivered to the Tender Agent that the Purchase Price paid by the Commission shall be deemed the payment and discharge of the purchased Bonds and directs the Tender Agent to cancel such Bonds.

The moneys in the LP Bond Purchase Funds shall not be part of the security under the Master Resolution or the Second Supplement, but shall be used solely to pay the Purchase Price of the related Series of Bonds as aforesaid and may not be used for any other purposes. The Tender Agent shall hold the moneys in the LP Bond Purchase Funds for the benefit of the Registered Owners of the related Series of Bonds which have been properly tendered for purchase or deemed tendered on the Purchase Date. If sufficient funds to pay the Purchase Price for a Series of Bonds shall be held by the Tender Agent in the LP Bond Purchase Fund for the benefit of the Registered Owners thereof, each such Registered Owner shall thereafter be restricted exclusively to that LP Bond Purchase Fund for any claim of whatever nature on such owner's part under this Second Supplement or on, or with respect to, such tendered Series of Bonds. Tendered Variable Rate Bonds supported by a Liquidity Agreement that are not remarketed or purchased on a Purchase Date shall bear interest at the Bond Buyer Seven Day General Market Index (Non-AMT) plus one fourth of one percent (.25%) until purchased or redeemed. The Commission will use its best efforts to have such Bonds remarketed or purchased as soon as reasonably possible and until such time each Business Day will constitute a Purchase Date for such Bonds that have not been remarketed or purchased.

Moneys held in each LP Bond Purchase Fund for the benefit of Registered Owners of the related untendered Series of Bonds shall be held in trust uninvested or invested at the direction of the Commission in any bonds or other obligations maturing the next day which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including Treasury Receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America. Moneys in a LP Bond Purchase Fund which remain unclaimed three (3) years after the applicable Purchase Date shall, at the request of the Commission, and if the Commission is not at the time, to the knowledge of the Tender Agent, in default with respect to any material covenant in the Second Supplement, be paid to the Commission, and the owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Commission.

Section 3.03. CP BOND PURCHASE FUND. (a) There is hereby created by the Commission and established with the Tender Agent a separate "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2012 CP Bond Purchase Fund" (each a "CP Bond Purchase Fund") with respect to each Series of Variable Rate Bonds supported by a Credit Facility each to be held as a separate escrow fund, in trust and administered and distributed by the Tender Agent as provided in this Section. Each CP Bond Purchase Fund will additionally have the Series designation of the Series of Bonds to which it relates. Within each CP

Bond Purchase Fund there are hereby created a Remarketing Account and a Credit Provider Purchase Account. All moneys deposited into a CP Bond Purchase Fund shall be used solely for the purposes set forth herein and in the related Credit Facility and such moneys shall not constitute security under the Master Resolution or the Second Supplement. Each CP Bond Purchase Fund shall secure and be used solely for the Series of Variable Rate Bonds for which it is created. In the event that a Series of Variable Rate Bonds is supported by two or more Credit Facilities, separate sub-accounts within the CP Bond Purchase Fund shall be established with respect to each portion of such Series of Bonds supported by a discrete Credit Facility as specified in a Award Certificate, and the provisions of this Section 3.03 with respect to the CP Bond Purchase Fund shall be applied separately with respect to each such sub-account.

(b) The Remarketing Agent shall pay or cause to be paid to the Tender Agent, in immediately available funds, by the time indicated in Section 2.02(b)(D) hereof, on the Purchase Date of tendered Bonds of a Series, all amounts representing Remarketing Proceeds of such Series of Bonds, and all such Remarketing Proceeds shall be deposited by the Tender Agent directly into the Remarketing Account in the CP Bond Purchase Fund for such Series.

If the Remarketing Proceeds will not be sufficient to pay the Purchase Price on the Purchase Date of such Series of Bonds (other than Credit Provider Bonds or Commission-Held Bonds), the Credit Provider for such Series of Bonds shall provide funds to the Tender Agent under the Credit Facility, on the Purchase Date, in the manner set forth in the Credit Facility, in immediately available funds by 2:45 p.m., New York City time, in an amount sufficient, together with the Remarketing Proceeds, to enable the Tender Agent to pay the Purchase Price of such Series of Bonds to be purchased on such Purchase Date (exclusive, however, of accrued interest which would be due on the Purchase Date if such Purchase Date is an Interest Payment Date); provided, the Credit Provider shall not make any payment under the Credit Facility with respect to Credit Provider Bonds or Commission-Held Bonds. The Tender Agent shall only draw funds under a Credit Facility for the Series of Bonds supported by the Credit Facility.

All moneys received by the Tender Agent as Remarketing Proceeds or from the Credit Provider under a Credit Facility, shall be deposited by the Tender Agent in the appropriate account of the related CP Bond Purchase Fund as herein provided and shall be used solely for the payment of the Purchase Price of tendered Series of Bonds covered by such Credit Facility and shall not be commingled with other funds held by the Tender Agent including funds in other CP Bond Purchase Funds.

(c) The Tender Agent shall deposit or cause to be deposited into the Remarketing Account in the related CP Bond Purchase Fund, when and as received, all moneys delivered to the Tender Agent as and for the Purchase Price of remarketed Variable Rate Bonds of a Series by or on behalf of the Remarketing Agent. The Tender Agent shall disburse moneys from the Remarketing Account to pay the Purchase Price of the Bonds of such Series properly tendered for purchase upon surrender of such Bonds in immediately available moneys by close of business on the Purchase Date.

The Tender Agent shall deposit or cause to be deposited into the Credit Provider Purchase Account in the related CP Bond Purchase Fund when and as received, all amounts received from the

Credit Provider under a Credit Facility pursuant to this Section 3.03. After exhausting any funds in the Remarketing Account, the Tender Agent shall disburse moneys from the Credit Provider Purchase Account to pay the Purchase Price of the Series of Bonds covered by such Credit Facility which are properly tendered for purchase upon surrender of such Bonds in immediately available moneys by close of business on the Purchase Date; provided that such proceeds shall not be applied to purchase Credit Provider Bonds or Commission-Held Bonds.

THE COMMISSION RESERVES THE RIGHT, BUT DOES NOT HAVE THE OBLIGATION, TO PURCHASE VARIABLE RATE BONDS TENDERED FOR PURCHASE. No purchase of Variable Rate Bonds by the Tender Agent or the Commission or advance use of any funds to effectuate any such purchase shall be deemed to be a payment or redemption of such Bonds or any portion thereof, and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds unless it is expressly stated in a certificate of a Department Representative delivered to the Tender Agent that the Purchase Price paid by the Commission shall be deemed the payment and discharge of the purchased Bonds and directs the Tender Agent to cancel such Bonds.

The moneys in the CP Bond Purchase Funds shall not be part of the trust estate under the Second Supplement, but shall be used solely to pay the Purchase Price of the related Series of Bonds as aforesaid and may not be used for any other purposes. The Tender Agent shall hold the moneys in the CP Bond Purchase Funds for the benefit of the Registered Owners of the related Series of Bonds which have been properly tendered for purchase or deemed tendered on the Purchase Date. If sufficient funds to pay the Purchase Price for a Series of Bonds shall be held by the Tender Agent in the CP Bond Purchase Fund for the benefit of the Registered Owners thereof, each such Registered Owner shall thereafter be restricted exclusively to that CP Bond Purchase Fund for any claim of whatever nature on such owner's part under this Second Supplement or on, or with respect to, such tendered Series of Bonds. Tendered Variable Rate Bonds supported by a Credit Facility that are not remarketed or purchased on a Purchase Date shall bear interest at the Bond Buyer Seven Day General Market Index (Non-AMT) plus one fourth of one percent (.25%) until purchased or redeemed. The Commission will use its best efforts to have such Bonds remarketed or purchased as soon as reasonably possible and until such time each Business Day will constitute a Purchase Date for such Bonds that have not been remarketed or purchased.

Moneys held in each CP Bond Purchase Fund for the benefit of Registered Owners of the related untendered Series of Bonds shall be held in trust uninvested or invested at the direction of the Commission in any bonds or other obligations maturing the next day which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including Treasury Receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America. Moneys in a CP Bond Purchase Fund which remain unclaimed three (3) years after the applicable Purchase Date shall, at the request of the Commission, and if the Commission is not at the time, to the knowledge of the Tender Agent, in default with respect to any material covenant in the Second Supplement, be paid to the Commission, and the owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Commission.

Section 3.04. **CP BOND FUND.** (a) There is hereby created by the Commission and established with the Tender Agent a separate "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2012 CP Bond Fund" (each a "CP Bond Fund") with respect to each Series of Variable Rate Bonds supported by a Credit Facility, each to be held as a separate escrow fund, in trust and administered and distributed by the Tender Agent as provided in this Section. Each CP Bond Fund will additionally have the Series designation of the Series of Bonds to which it relates. Within each CP Bond Fund there are hereby created a Commission Debt Service Account and a Credit Facility Debt Service Account. All moneys deposited into a CP Bond Fund shall be used solely for the purposes set forth herein and in the related Credit Facility and such moneys shall not constitute security under the Master Resolution or the Second Supplement. Each CP Bond Fund shall secure and be used solely for the Series of Variable Rate Bonds for which it is created. In the event that a Series of Variable Rate Bonds is supported by two or more Credit Facilities, separate sub-accounts within the CP Bond Fund shall be established with respect to each portion of such Series of Bonds supported by a discrete Credit Facility as specified in a Award Certificate, and the provisions of this Section 3.04 with respect to the CP Bond Fund shall be applied separately with respect to each such sub-account.

(b) The Tender Agent shall maintain each CP Bond Fund for a Series of Bonds as follows:

(i) The Tender Agent shall deposit into the Credit Facility Debt Service Account all moneys received by the Tender Agent from drawings under the Credit Facility to pay principal of, premium, if any, and interest on the Bonds of the Series .

(ii) Moneys in the Credit Facility Debt Service Account shall be applied to the payment when due of principal of, premium, if any, and interest on the Bonds (other than Commission-Held Bonds or, except as such funds are expressly contemplated to be applied to the payment of the principal of Credit Provider Bonds and accrued interest thereon under Section 2.02(b)(I), Credit Provider Bonds) prior to the payment of any moneys under subsection 3.04(b)(iv).

(iii) Moneys in the Commission Debt Service Account shall be applied to the following in the order of priority indicated:

(A) if the Credit Provider has not dishonored a draw under the Credit Facility, the reimbursement of the Credit Provider when due for moneys drawn under the Credit Facility and deposited in the Credit Facility Debt Service Account for payment of principal of, premium, if any, on and interest on the Bonds of the Series;

(B) when insufficient moneys have been received under the Credit Facility for application pursuant to subsection 3.04(b)(iii), the payment when due of principal of, premium, if any, on and interest on the Bonds of the Series, other than Commission-Held Bonds or Credit Provider Bonds;

(C) the payment when due of principal of, premium, if any, on and interest on Credit Provider Bonds of the Series; and

(D) the payment when due of principal of, premium, if any, on and interest on Commission-Held Bonds of the Series, provided that if the Tender Agent shall have received written notice from the Credit Provider that any amounts are due and owing to the Credit Provider under the Reimbursement Agreement, such payments shall be made to the Credit Provider, to the extent of amounts due and owing to the Credit Provider, for the account of the Commission.

(v) By 4:00 p.m., New York City time, on any Business Day immediately preceding each Interest Payment Date for the Series of Bonds, each redemption date and the Maturity Date of such Bonds, the Tender Agent shall present the requisite certificate for a drawing on the Credit Facility for the Series so as to comply with the provisions of the Credit Facility for payment to be made in sufficient time for the Tender Agent to receive the proceeds of such drawing at or before 1:00 p.m., New York City time, on such Interest Payment Date, redemption date or Maturity Date, as the case may be, to pay principal of, premium, if any, and interest on the Bonds due on such date. Promptly upon presenting the requisite documents for a drawing on the Credit Facility, the Tender Agent shall give notice to the Commission by telephone, promptly confirmed in writing, of the amount so drawn. The Tender Agent shall promptly notify the Commission by oral or telephonic communication confirmed in writing if the Credit Provider fails to transfer funds in accordance with the Credit Facility upon the presentment of the requisite certificate. In calculating the amount to be drawn on the Credit Facility for the payment of principal of, premium, if any, and interest on the Bonds, whether on an Interest Payment Date, at maturity or upon redemption or acceleration, the Tender Agent shall not take into account the potential transfer of funds from the Revenue Fund under the Second Supplement on such Interest Payment Date, or the existence of any other moneys in the CP Bond Fund, but shall draw on the Credit Facility for the full amount of principal of, premium, if any, and interest coming due on the Bonds (other than Credit Provider Bonds or Commission-Held Bonds).

(c) Until applied as provided in this Second Supplement to the payment of Bonds, funds shall be held by the Tender Agent in trust in each CP Bond Fund for the benefit of the owners of all Outstanding Bonds of the related Series, except that any portion of the funds representing principal or redemption price or Purchase Price of any such Bonds, and interest on any such Bonds previously matured or called for redemption, shall be held for the benefit of the owners or the former owners of such Bonds only.

(d) Any amounts remaining in a CP Bond Fund after payment in full of (i) the Bonds of the related Series (or the provision for payment thereof having been made in accordance with the provisions hereof), and (ii) all other amounts required to be paid under this Second Supplement, subject to any applicable provisions of State law, including Title 6 of the Texas Property Code, shall be paid to the Credit Provider, to the extent of any amount certified in writing by the Credit Provider as due from the Commission under the Reimbursement Agreement, if any, and the balance, if any, then to the Commission.

(e) Other than moneys held in the Credit Facility Debt Service Account, which shall be distributed pursuant to Section 3.04(b) hereof, moneys which remain unclaimed three years after the due date shall, subject to any applicable provisions of Title 6 of the Texas Property Code, at the request of the Commission, and if the Commission is not, at the time, to the knowledge of the Tender Agent, in default with respect to any covenant in this Second Supplement, be paid to the Commission, and the owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Commission. Such moneys shall be held in trust uninvested or invested in Governmental Obligations maturing the next day.

ARTICLE IV
PARTICULAR COVENANTS; LIQUIDITY AGREEMENTS; CREDIT FACILITIES;
REMARKETING AGENT

Section 4.01. **PAYMENT OF BONDS.** The Commission covenants that it will use its best efforts to have the Bonds remarketed on each optional tender date or Mandatory Tender Date, if the Bonds are to stay Outstanding after such date.

Section 4.02. **LIQUIDITY AGREEMENT AND CREDIT FACILITIES.** The Commission reserves the right to enter into Qualified Credit Agreements with respect to the Bonds. No Liquidity Agreement or Credit Facility shall be required for a Series of Variable Rate Bonds after such Bonds are converted to the Fixed Rate Period or for any period of time that such Bonds bear interest at a Multiannual Rate. The Tender Agent shall hold the Liquidity Agreement for a Series of Variable Rate Bonds, as tender agent, for the benefit of the Registered Owners or purchasers of such Series until the Liquidity Agreement terminates in accordance with its terms or an Alternate Liquidity Agreement is substituted for the Liquidity Agreement under Section 4.03 hereof. The Tender Agent shall hold the Credit Facility for a Series of Variable Rate Bonds for the benefit of the Registered Owners or purchasers of such Series until the Credit Facility terminates in accordance with its terms or an Alternate Credit Facility is substituted for the Credit Facility pursuant to Section 4.05 hereof.

The Commission shall cause a Liquidity Agreement or Credit Facility to be continuously maintained in full force and effect for each Series of Variable Rate Bonds (except after such Bonds have been converted to the Fixed Rate or for any period of time such Bonds bear interest at a Multiannual Rate) in an amount equal to the principal amount of the Outstanding Bonds of such Series until all of such Bonds have been paid in full, their payment provided for in accordance with the Second Supplement or such Bonds are converted to the Fixed Rate Mode or bear interest at the Multiannual Rate. The Commission will exercise its best efforts to extend the term of the Liquidity Agreement or Credit Facility currently in effect for each Series of Variable Rate Bonds or to cause an Alternate Liquidity Agreement or an Alternate Credit Facility to be delivered to the Tender Agent prior to the expiration date of the Liquidity Agreement or Credit Facility then in effect or in the event of a downgrade below such rating pursuant to the provisions of this Article.

If the Commission has provided for the extension of the stated expiration of a Liquidity Agreement or Credit Facility then in effect, the Commission shall give written notice of such extension to the Tender Agent at least thirty (30) days prior to the stated expiration of such Liquidity Agreement or Credit Facility. If the term of the Liquidity Agreement or Credit Facility is so extended, the mandatory tender for purchase pursuant to Section 2.01(Q) shall not occur.

Notice of the expiration, substitution, termination, or extension of a Liquidity Agreement or Credit Facility shall be sent by the Tender Agent to each Rating Agency then maintaining a rating on the related Series of Bonds.

Section 4.03. **ALTERNATE LIQUIDITY AGREEMENT.** The Commission may at any time, subject to any applicable provisions of a Liquidity Agreement and with the prior written approval of the Remarketing Agent, arrange for the replacement of an existing Liquidity Agreement with an Alternate Liquidity Agreement under which the Person executing such agreement agrees to provide the services of a Liquidity Provider as set forth in this Second Supplement, and the Tender Agent shall accept any Alternate Liquidity Agreement, subject to the following requirements and conditions:

(a) Each Alternate Liquidity Agreement shall be an irrevocable letter of credit, standby bond purchase agreement, bond insurance policy, surety bond, or other similar agreement or instrument issued and delivered in substitution for an existing Liquidity Agreement, under which any Person (other than the Commission) undertakes to make or provide funds to make payments of the Purchase Price of the related Series of Variable Rate Bonds, while such bonds bear interest at Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rates, that have been tendered for purchase and for which proceeds of remarketing have not been received.

(b) Each Alternate Liquidity Agreement, or a binding commitment satisfactory to the Tender Agent to issue and deliver the Alternate Liquidity Agreement, must be delivered to the Tender Agent not less than thirty (30) days prior to the date of expiration of the then existing Liquidity Agreement, must be effective as of a date on or prior to the date of expiration of the then existing Liquidity Agreement, but may be expressed to expire prior to the final maturity of the related Series of Variable Rate Bonds.

(c) Each Alternate Liquidity Agreement shall be satisfactory in form and substance to the Commission and the Tender Agent, and shall be in a stated amount at least equal to the aggregate principal amount of the Series of Bonds at the time outstanding in the Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Mode. Each Alternate Liquidity Agreement shall have a term of at least 364 days from the date of its issuance. Each Alternate Liquidity Agreement must also provide (or Commission must so provide) for the purchase, on its effective date, of all Liquidity Provider Bonds owned or held for the then current Liquidity Provider at a Purchase Price equal to one hundred percent (100%) of the principal amount of such Bonds, plus accrued interest, if any (calculated using the applicable Liquidity Provider Rates to the relevant interest accrual period).

(d) The Commission shall give written notice of its intention to replace an existing Liquidity Agreement with an Alternate Liquidity Agreement to the Tender Agent and the

Remarketing Agent for the related Series of Bonds, the current Liquidity Provider, and each Rating Agency maintaining a rating on the related Series of Bonds not less than thirty (30) days prior to the expiration date of the Liquidity Agreement then in effect. Upon receipt of such notice, the Tender Agent shall promptly mail a notice of the anticipated delivery of the Alternate Liquidity Agreement by first-class mail to the Remarketing Agent and each Registered Owner. A draft of each Alternate Liquidity Agreement and appropriate information concerning the issuer of such Alternate Liquidity Agreement shall be submitted by the Commission to each Rating Agency maintaining a rating on the related Series of Bonds.

(e) On or prior to the effective date of any Alternate Liquidity Agreement, the Commission shall furnish to the Tender Agent (1) evidence to the effect that the provider of the Alternate Liquidity Agreement satisfies the requirements of the Second Supplement, (2) an opinion from counsel to the Liquidity Provider issuing such Alternate Liquidity Agreement to the effect that the Alternate Liquidity Agreement is a valid and binding obligation of such Liquidity Provider, enforceable in accordance with its terms, subject to customary exceptions relating to bankruptcy, insolvency, creditor's rights, and equitable relief, (3) a Favorable Opinion, (4) written evidence from each Rating Agency at the time providing a rating on the related Series of Bonds as to the new rating that will result from substitution of the proposed Alternate Liquidity Agreement for the Liquidity Agreement, and (5) written confirmation from the Remarketing Agent that it has agreed to remarket the related Series of Bonds on and after the date of delivery of the Alternate Liquidity Agreement. The Commission shall not rescind or terminate the Liquidity Agreement unless all conditions to providing an Alternate Liquidity Agreement have been satisfied.

(f) On the effective date of any Alternate Liquidity Agreement, the related Series of Variable Rate Bonds will be subject to mandatory tender for purchase. The provider of the Alternate Liquidity Agreement shall also purchase all Liquidity Provider Bonds of the then current Liquidity Provider as required by Section 4.03(c).

Section 4.04. LIMITATION ON RIGHTS OF LIQUIDITY PROVIDERS AND CREDIT PROVIDERS.

(a) Liquidity Providers. Notwithstanding any provision of this Second Supplement to the contrary, no consent of or notice to a Liquidity Provider shall be required under any provision of this Second Supplement nor shall a Liquidity Provider have any right to consent to, direct or control any actions, restrictions, rights, remedies, or waivers pursuant to any provision of this Second Supplement during any time which:

(i) the Liquidity Provider has wrongfully failed to provide funds under and in strict compliance with the terms of the Liquidity Agreement which failure has not been cured; or

(ii) the related Liquidity Agreement is not in effect and no amounts are due and payable to the Liquidity Provider under the Liquidity Agreement.

(b) Credit Providers. Notwithstanding any provision of this Second Supplement to the contrary, no consent of or notice to a Credit Provider shall be required under any provision of this Second Supplement nor shall a Credit Provider have any right to consent to, direct or control any actions, restrictions, rights, remedies, or waivers pursuant to any provision of this Second Supplement during any time which:

(i) the Credit Provider has wrongfully failed to provide funds under and in strict compliance with the terms of the Credit Facility which failure has not been cured; or

(ii) the related Credit Facility is not in effect and no amounts are due and payable to the Credit Provider under the Reimbursement Agreement.

Section 4.05. **ALTERNATE CREDIT FACILITY**. The Commission may, subject to any applicable provisions of a Credit Facility or Reimbursement Agreement and with the prior written approval of the Remarketing Agent, provide for the delivery to the Tender Agent on any date on which the Series of Bonds is callable for optional redemption pursuant to Section 2.02(a)(i)(A) or (B) hereof for the replacement of an existing Credit Facility with an Alternate Credit Facility under which the Person executing such agreement agrees to provide the services of a Credit Provider as set forth in this Second Supplement, and the Tender Agent shall accept any Alternate Credit Facility, subject to the following requirements and conditions:

(a) Each Alternate Credit Facility shall be an irrevocable letter of credit, surety bond, insurance policy, or other similar agreement or instrument issued and delivered in substitution for an existing Credit Facility, under which any Person (other than the Commission) undertakes to make or provide funds to make payment, when due, of the principal of, premium, if any, and interest on, and the Purchase Price of the related Series of Variable Rate Bonds, while such bonds bear interest at Flexible, Daily, Weekly, Monthly, Quarterly or Semiannual Rates.

(b) Each Alternate Credit Facility, or a binding commitment satisfactory to the Tender Agent to issue and deliver the Alternate Credit Facility, must be delivered to the Tender Agent not less than thirty (30) days prior to the date of expiration of the then existing Credit Facility, must be effective as of a date on or prior to the date of expiration of the then existing Credit Facility, but may be expressed to expire prior to the final maturity of the related Series of Variable Rate Bonds.

(c) Each Alternate Credit Facility shall be satisfactory in form and substance to the Commission and the Tender Agent, and shall be in a stated amount at least equal to the aggregate principal amount of, plus interest to accrue on, the Series of Bonds at the time outstanding in the Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Mode. Each Alternate Credit Facility shall have a term of at least 364 days from the date of its issuance. Each Alternate Credit Facility must also provide (or Commission must so provide) for the purchase, on its effective date, of all Credit Provider Bonds owned or held for the then current Credit Provider at a Purchase Price equal to one hundred percent (100%) of the principal amount of such Bonds, plus accrued interest, if any (calculated using the applicable Credit Provider Rates to the relevant interest accrual period).

(d) The Commission shall give written notice of its intention to replace an existing Credit Facility with an Alternate Credit Facility to the Tender Agent, the Remarketing Agent for the related Series of Bonds, the current Credit Provider, and each Rating Agency maintaining a rating on the related Series of Bonds not less than thirty (30) days prior to the expiration date of the Credit Facility then in effect. Upon receipt of such notice, the Tender Agent shall promptly mail a notice of the anticipated delivery of the Alternate Credit Facility by first-class mail to the Remarketing Agent and each Registered Owner. A draft of each Alternate Credit Facility and appropriate information concerning the issuer of such Alternate Credit Facility shall be submitted by the Commission to each Rating Agency maintaining a rating on the related Series of Bonds.

(e) On or prior to the effective date of any Alternate Credit Facility, the Commission shall furnish to the Tender Agent (1) evidence to the effect that the provider of the Alternate Credit Facility satisfies the requirements of this Second Supplement, (2) an opinion from counsel to the Credit Provider issuing such Alternate Credit Facility to the effect that the Alternate Credit Facility is a valid and binding obligation of such Credit Provider, enforceable in accordance with its terms, subject to customary exceptions relating to bankruptcy, insolvency, creditor's rights, and equitable relief, (3) a Favorable Opinion, (4) written evidence from each Rating Agency at the time providing a rating on the related Series of Bonds as to the new rating that will result from substitution of the proposed Alternate Credit Facility for the Credit Facility, and (5) written confirmation from the Remarketing Agent that it has agreed to remarket the related Series of Bonds on and after the date of delivery of the Alternate Credit Facility. The Commission shall not rescind or terminate the Credit Facility unless all conditions to providing an Alternate Credit Facility have been satisfied.

(f) On the effective date of any Alternate Credit Facility, the related Series of Variable Rate Bonds will be subject to mandatory tender for purchase. The provider of the Alternate Credit Facility shall also purchase all Credit Provider Bonds of the then current Credit Provider as required by Section 4.05(c).

Section 4.06. **REDUCTIONS AND AMENDMENTS OF CREDIT FACILITIES.**

(a) Reductions. In each case that Bonds of a Series secured by a Credit Facility are redeemed or deemed to have been paid pursuant to this Second Supplement, the Tender Agent shall take such action as may be permitted under a Credit Facility to reduce the amount available thereunder to an amount equal to the principal amount of, plus interest to accrue on, the Outstanding Bonds of such Series, and premium, if applicable; provided that such action by the Tender Agent shall not be required if the Credit Facility so reduces automatically pursuant to its terms. Upon reduction of the amount available under a Credit Facility pursuant to the terms of such Credit Facility and this Section 4.06(a) as a result of redemption of Bonds, the Credit Provider shall have the right, at its option, to require the Tender Agent to promptly surrender the outstanding Credit Facility to the Credit Provider and to accept in substitution therefor a substitute Credit Facility in the same form, dated the date of such substitution, for an amount equal to the amount available under the Credit Facility as so reduced, but otherwise having terms identical to the then outstanding Credit Facility.

(b) Amendments. The Tender Agent and the Commission may, without the consent of the holders of the Bonds secured by a Credit Facility, enter into any amendments, changes or modifications of the Credit Facility to cure any ambiguity, formal defect, omission or inconsistent provisions or to make any other change that does not adversely affect the interests of the Bondholders as established pursuant to a certificate of the Commission delivered to the Tender Agent. Tender Agent consent shall not be required for extensions of the Credit Facility. If an amendment to the Credit Facility would adversely affect the interests of such Bondholders, the Tender Agent will notify the Bondholders of the proposed amendment and may consent thereto with the consent of the owners of at least a majority in aggregate principal amount of the Bonds of such Series then Outstanding which would be affected by the action proposed to be taken; provided, that the Tender Agent shall not, without the unanimous consent of the owners of all Bonds of such Series then Outstanding, consent to any amendment which would (i) decrease the amount payable under the Credit Facility except for reductions as provided in Section 4.06(a) hereof, or (ii) reduce the term of the Credit Facility. Before the Tender Agent shall consent to any amendment to a Credit Facility, there shall have been delivered to the Tender Agent a Favorable Opinion and such other opinions, certificates, and other documents as the Tender Agent may reasonable request.

Section 4.07. **TRANSFER OF LIQUIDITY AGREEMENTS AND CREDIT FACILITIES TO SUCCESSOR TENDER AGENT**. Upon the effectiveness of an appointment of a successor Tender Agent pursuant to the Second Supplement, each Liquidity Agreement and each Credit Facility shall be transferred to such successor Tender Agent. Tender Agent consent shall not be required for any such transfer of a Liquidity Agreement or Credit Facility to a successor Tender Agent. Notice of the effectiveness of such successor Tender Agent shall be sent to each Rating Agency then maintaining a rating on each Series of Variable Rate Bonds.

Section 4.08. **EXCEPTION**. Notwithstanding anything to the contrary in this Second Supplement, including, without limitation, Sections 2.02(b)(A), 4.02, 4.03 and 4.05, the Commission may initially issue Variable Rate Bonds without a Liquidity Agreement or Credit Facility supporting those Bonds. For any Variable Rate Bonds so issued, the requirements of Sections 2.02(b)(A), 4.02, 4.03 and 4.05 and any other provisions of this Second Supplement regarding Liquidity Agreements or Credit Facilities shall not apply to such Bonds so long as such Bonds are not supported by a Liquidity Agreement or Credit Facility.

Section 4.09. **THE REMARKETING AGENT**. The initial Remarketing Agent or Remarketing Agents for the Variable Rate Bonds and the Index Floating Rate Bonds shall be appointed in the Award Certificate. Each Remarketing Agent shall act as remarketing agent as provided in this Second Supplement, and, in accordance with the Remarketing Agreement between the Remarketing Agent and the Commission, shall use its best efforts to remarket Bonds required to be purchased pursuant to Section 2.01 hereof. The Department Representative shall appoint any successor Remarketing Agent for the related Series of Bonds, subject to the conditions set forth in Section 4.10 hereof and the approval of each Credit Provider for such Series of Bonds. Each Remarketing Agent shall designate its principal office to the Tender Agent and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Commission and the Tender Agent under which the Remarketing Agent will agree, particularly, to:

(a) determine the Flexible Rates, Daily Rates, Weekly Rates, Monthly Rates, Quarterly Rates, Semiannual Rates, Multiannual Rates, Index Floating Rates and Fixed Rates and give notice of such rates in accordance with Section 2.01 and the FORM OF BOND set forth in Exhibit B hereof;

(b) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice; and

(c) remarket Bonds in accordance with this Second Supplement and the Remarketing Agreement.

Section 4.10. QUALIFICATIONS OF REMARKETING AGENT. Each Remarketing Agent shall have a capitalization of at least \$100,000,000 and be authorized by law to perform all the duties imposed upon it by this Second Supplement. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Second Supplement by giving at least ten (10) days' written notice to the Commission and the Tender Agent. A Remarketing Agent may be removed at any time by the Commission, upon at least seven (7) days' notice by an instrument filed with the Remarketing Agent, the Tender Agent, each Liquidity Provider and/or Credit Provider of record for the related Series of Bonds, and each Rating Agency then maintaining a rating on the Bonds.

In the event of the resignation or removal of a Remarketing Agent, such Remarketing Agent shall pay over, assign, and deliver any moneys and Bonds held by it in such capacity to its successor or, if there is no successor, to the Tender Agent.

In the event that a Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of a Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency or for any other reason, and the Commission shall not have appointed its successor as Remarketing Agent, the Tender Agent, notwithstanding the provisions of the first paragraph of this Section 4.10 shall ipso facto be deemed to be the Remarketing Agent for the related Series of Bonds for the sole and limited purpose of setting the default interest rate pursuant to Section 2.01 hereof until the appointment by the Commission of a Remarketing Agent or a successor Remarketing Agent, as the case may be. The Remarketing Agent, shall not be required to sell Bonds or determine the interest rates on the Bonds or to perform the duties set forth in Section 2.01 hereof, except as expressly as set forth in this paragraph.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

NEW ISSUE - Book-Entry-Only

RATINGS: Fitch: “___”
Moody’s: “___”
Standard & Poor’s: “___”

See “OTHER INFORMATION - Ratings” herein

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Series 2012A Bonds (defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, court decisions, and published rulings existing on the date thereof subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations.



§ _____*
**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT
GENERAL OBLIGATION BONDS, SERIES 2012A**



Dated: Date of Initial Delivery

Due: April 1, as shown on the inside cover page

The “Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2012A” (the “Series 2012A 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 Series 2012A Bonds are being issued pursuant to the authority granted to the Commission, acting on behalf of the State, by Article III, Section 49-p of the Texas Constitution (the “Constitutional Provision”), Section 222.004 of the Texas Transportation Code (the “Enabling Act”), Chapter 1371 of the Texas Government Code and Chapter 1355 (H.B. 1), Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriations Act); a “Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program” (the “Master Resolution”), adopted by minute order of the Commission on January 28, 2010, as supplemented by a “Second Supplemental Resolution” thereto, adopted by minute order of the Commission on January 26, 2012; and an Award Certificate of a Department Representative authorized by the Second Supplemental Resolution (the “Award Certificate”). The Master Resolution, the Second Supplemental Resolution and the Award Certificate are collectively referred to herein as the “Resolution.” The Master Resolution establishes the Texas Transportation Commission Highway Improvement General Obligation Financing Program (the “Program”) to provide a financing structure for the issuance of obligations secured by and payable solely from the general obligation pledge of the State, including the first money coming into the State treasury each fiscal year, not otherwise appropriated by the Texas Constitution. The Series 2012A Bonds are being issued for the following purposes: (1) to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects and (2) to pay: (a) the costs of administering projects authorized under the Enabling Act; and (b) the cost or expense of the issuance of the Series 2012A Bonds. The Series 2012A Bonds are the third series of obligations being issued under the Program. See “PLAN OF FINANCE - General.”

Interest on the Series 2012A Bonds will accrue from the date of initial delivery, will be calculated on the basis of a 360-day year composed of twelve 30-day months, and will be payable on April 1 and October 1 of each year, commencing October 1, 2012, until maturity or prior redemption. The Series 2012A Bonds are initially issuable as fully registered bonds under a book-entry system operated by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See “APPENDIX D – Book-Entry-Only System.” Beneficial ownership of the Series 2012A Bonds may be acquired in denominations of \$5,000 of principal amount, and integral multiples thereof within a maturity. No physical delivery of the Series 2012A Bonds will be made to the beneficial owners thereof. Principal, premium, if any, and interest on the Series 2012A Bonds will be payable by the “Paying Agent/Registrar,” initially _____, _____, Texas, 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 beneficial interests in the Series 2012A Bonds. See “DESCRIPTION OF THE SERIES 2012A BONDS – Paying Agent/Registrar” and “APPENDIX D – Book-Entry-Only System.”

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 SERIES 2012A BONDS” herein and “APPENDIX A – The State” attached hereto for general information regarding the State, including information concerning outstanding general obligation debt of the State.

The Series 2012A Bonds are subject to redemption prior to maturity as more fully described herein. See “DESCRIPTION OF THE SERIES 2012A BONDS – Redemption Provisions”.

This cover page contains information for quick reference only and is not a summary of the Series 2012A Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision.

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS AND CUSIP NUMBERS

See Inside Cover Page

The Series 2012A Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters, and subject to the approval of the Attorney General of the State and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Andrews Kurth LLP, Austin, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, _____, _____, Texas.

It is expected that the Series 2012A Bonds will be delivered on or about March 27, 2012, through the facilities of DTC.

[UNDERWRITERS]

* Preliminary, subject to change.

This Revised Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Revised Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$ _____ *

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT
GENERAL OBLIGATION BONDS, SERIES 2012A**

MATURITY SCHEDULE

\$ _____ Serial Series 2012A Bonds

Maturity (April 1) ⁽¹⁾	Principal Amount	Interest Rate	Initial Yield	CUSIP ⁽²⁾
2013				882722__
2014				882722__
2015				882722__
2016				882722__
2017				882722__
2018				882722__
2019				882722__
2020				882722__
2021				882722__
2022				882722__
2023				882722__
2024				882722__
2025				882722__
2026				882722__
2027				882722__
2028				882722__
2029				882722__
2030				882722__
2031				882722__
2032				882722__

\$ _____ % Term Series 2012A Bonds due April 1, 20__ , Price ___ %; CUSIP No. 882722__⁽²⁾⁽³⁾

(Interest accrues from date of initial delivery.)

* Preliminary, subject to change.

- (1) The Series 2012A Bonds are subject to redemption prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2012A BONDS – Redemption Provisions."
- (2) 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. None of the Commission, the Department, the Financial Advisor, nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (3) The Term Series 2012A Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more maturities as Term Series 2012A Bonds. See "DESCRIPTION OF THE SERIES 2012A BONDS - Redemption Provisions."

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ted Houghton	Chairman	February 1, 2015
Ned S. Holmes	Commissioner	February 1, 2011*
William Meadows	Commissioner	February 1, 2013
Fred Underwood	Commissioner	February 1, 2015
Jeff Austin III	Commissioner	February 1, 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 - SELECTED PERSONNEL

<u>Name</u>	<u>Position</u>	<u>Total Service with the Department</u>
Phil Wilson	Executive Director	3 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 Public Financial Management, Inc.
 Bond Counsel McCall, Parkhurst & Horton L.L.P.
 Disclosure Counsel Andrews Kurth LLP

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. Dennis Waley
 Managing Director
 Public Financial Management, Inc.
 221 West 6th Street, Suite 1900
 Austin, Texas 78701
 (512) 614-5321

SALE AND DISTRIBUTION OF THE BONDS

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date of this Preliminary Official Statement, this document constitutes an Official Statement of the Commission with respect to the Series 2012A Bonds that has been deemed “final” by the Commission as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement

No dealer, broker, salesman, or other person has been authorized by the Commission to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012A 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 Official Statement, 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” for a description of the Commission’s and the State Comptroller’s undertakings to provide certain information on a continuing basis.

This Official Statement 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 Official Statement be reproduced or used in part.

Certain information set forth in this Official Statement has been furnished by the State, the Commission and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters.

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

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2012A BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

Neither the State, the Commission, the Underwriters nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system as provided for in “APPENDIX D – Book-Entry-Only System,” as such information was furnished by DTC.

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 Official Statement 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 documents for further information. Reference is made to original documents in all respects.

Marketability

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2012A BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH SERIES 2012A BONDS MAY BE OFFERED AND SOLD

AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH SERIES 2012A BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2012A BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

THE SERIES 2012A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Series 2012A Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, in reliance upon an exemption provided thereunder, nor have the Series 2012A Bonds been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Series 2012A Bonds have not 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 Series 2012A Bonds under the securities laws of any jurisdiction in which the Series 2012A Bonds may be offered, sold or otherwise transferred.

This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2012A 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 Official Statement, and in other information provided by the State or the Commission, that are not purely historical, are forward-looking statements, including statements regarding the Commission's or State's expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Commission or the State on the date hereof, and the Commission and the State assume no obligation to update any such forward-looking statements. See "OTHER INFORMATION - Forward-Looking Statements."

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**OFFICIAL STATEMENT
RELATING TO**

§ _____*

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT
GENERAL OBLIGATION BONDS, SERIES 2012A**

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover page, and Appendices hereto) is to furnish information concerning the offering of the “Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2012A” (the “Series 2012A Bonds”), which are being issued 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”), in the aggregate principal amount set forth above. The Series 2012A Bonds will be issued pursuant to the authority granted to the Commission by Article III, Section 49-p of the Texas Constitution (the “Constitutional Provision”), Section 222.004 of the Texas Transportation Code (the “Enabling Act”), Chapter 1371 of the Texas Government Code and Chapter 1355 (H.B. 1), Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriations Act); the “Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program” (the “Master Resolution”), adopted by minute order of the Commission on January 28, 2010, and a “Second Supplemental Resolution” thereto (the “Second Supplemental Resolution”), adopted by minute order of the Commission on January 26, 2012; and the Award Certificate of a Department Representative authorized by the Second Supplemental Resolution (the “Award Certificate”). The Master Resolution, the Second Supplemental Resolution and the Award Certificate are collectively referred to herein as the “Resolution.” Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, as set forth in “APPENDIX B – SELECT PROVISIONS OF THE RESOLUTION – Select and Conformed Definitions in the Master Resolution and the Second Supplemental Resolution.”

The Master Resolution establishes the Texas Transportation Commission Highway Improvement General Obligation Financing Program (the “Program”) to provide a financing structure for the issuance of obligations secured by and payable solely from the general obligation pledge of the State, including the first money coming into the State treasury each fiscal year, not otherwise appropriated by the Texas Constitution. The Series 2012A Bonds and other bonds issued under the Program are collectively referred to herein as the “Bonds.” See “PLAN OF FINANCE.”

The Constitutional Provision provides that any bonds issued pursuant thereto shall constitute a general obligation of the State. ACCORDINGLY, THE SERIES 2012A BONDS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PROMPT PAYMENT OF THE SERIES 2012A BONDS. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS – General Obligation Pledge.”

This Official Statement includes descriptions of the Series 2012A Bonds, the Commission, the Department, the State, and certain other matters, along with summaries of the Resolution. 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 Resolution is available for inspection at the office of the Department’s Finance Division, 150 East Riverside Drive, Austin, Texas 78704.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board (the “MSRB”) and will be available through the MSRB’s Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for information regarding the EMMA system and for a description of the Commission’s undertakings and the undertakings of the Texas Comptroller of Public Accounts (the “Comptroller”) to provide certain information on a continuing basis.

* Preliminary, subject to change.

PLAN OF FINANCE

General

The Constitutional Provision, adopted by the voters of the State on November 6, 2007, authorizes the Commission or its successor to issue general obligation bonds of the State in an aggregate principal amount not to exceed \$5 billion. The Master Resolution establishes the Program in an aggregate principal amount not to exceed \$5 billion subject to the limitations and requirements of the Constitutional Provision, the Enabling Act, the General Appropriations Act, other applicable provisions of State law, the Master Resolution and each Supplement. The Master Resolution may be amended, without the consent of Bondholders, to increase the principal amount of Bonds issued under the Program by the Commission upon a finding by the Commission that the increase is authorized by the Texas Constitution and State law.

The Commission has previously issued two series of Bonds under the Program pursuant to the Constitutional Provision. Such previously issued Bonds consist of the Commission's State of Texas Highway Improvement General Obligation Bonds, Taxable Series 2010A (Build America Bonds - Direct Payment), and State of Texas Highway Improvement General Obligation Bonds, Series 2010B (collectively, the "Previously Issued Bonds"), which were issued on September 29, 2010 in the aggregate principal amount of \$977,810,000. As of March 1, 2012, all of such Previously Issued Bonds were outstanding. See "APPENDIX A - The State - State Debt" for information concerning other general obligation debt of the State.

Under the Second Supplemental Resolution, the Commission has authorized the issuance in one or more series of up to an aggregate principal amount of \$4 billion of additional Bonds under the Program. See "PLAN OF FINANCE – Anticipated Issuance of Additional Obligations" below for information concerning future issuances of obligations under the Program.

The Series 2012A Bonds are the first series of obligations issued or executed under the Second Supplemental Resolution and the third series issued under the Program. The Series 2012A Bonds are being issued for the following purposes: (1) to pay, or reimburse the State Highway Fund for payment of, all or part of the costs of highway improvement projects and (2) to pay: (a) the costs of administering projects authorized under the Enabling Act; and (b) the cost or expense of the issuance of the Series 2012A Bonds. In particular, in authorizing the issuance of the remaining bond authorization approved pursuant to the Constitutional Provision, the 82nd Legislature specified in the General Appropriations Act that \$3 billion of such remaining authorization be used to fund projects that will relieve congestion, enhance bridge and roadway safety and connect the State's population centers; and, the legislature further directed the allocation of such amount as follows: \$300 million to acquire right of way, conduct feasibility studies and project planning and outsource engineering work on the most congested highways; \$600 million to fund metropolitan and urban mobility projects designated by the State's metropolitan planning organizations; \$1.4 billion to fund rehabilitation and safety projects; \$500 million to fund bridge projects; and, \$200 million for Statewide connectivity projects. Pursuant to Minute Order No. 112823 adopted by the Commission on September 29, 2011, the Commission allocated \$3 billion of the authorization remaining pursuant to the Constitutional Provision in accordance with the General Appropriations Act.

The Commission is authorized to issue an additional \$4,000,709,953.34 of general obligation bonds of the State pursuant to the Constitutional Provision. Following the issuance of the Series 2012A Bonds, the Commission will be authorized to issue an additional \$_____*

Anticipated Issuance of Additional Obligations

Following the issuance of the Series 2012A Bonds, the Commission currently expects to issue additional new money Bonds under the Program in the approximate amount of \$_____ within the next twelve months. See "PLAN OF FINANCE – General" and "DESCRIPTION OF THE SERIES 2012A BONDS."

* Preliminary, subject to change.

Various State entities, including the Commission, have issued and are authorized to issue general obligation bonds or other obligations of the State. In some instances, such State entities have authority to issue additional general obligation bonds or other obligations. See "APPENDIX A - The State - State Debt."

Bond Review Board Approval

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Commission, must be approved by the Texas Bond Review Board ("BRB") prior to their issuance. The BRB is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the BRB. Each member of the BRB may, and frequently does, act through a designee.

On July 30, 2010, the BRB approved the issuance of up to \$1 billion principal amount, including premium, of Bonds in the 2012-13 State fiscal biennium, subject to appropriation of the use of proceeds of such Bonds by the 82nd State Legislature and issuance of such Bonds in accordance with any requirements imposed by such legislative appropriation. Chapter 1355 (H.B. 1), Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriations Act) approves the issuance, during the 2012-13 fiscal biennium, of the remaining balance of authorized but unissued Bonds pursuant to the Constitutional Provision. See "PLAN OF FINANCE - General." Prior to the issuance of Bonds in excess of the amount previously approved by the BRB, the Commission must apply to the BRB for its approval of the issuance of such additional Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2012A Bonds are estimated to be applied as follows:

Sources of Funds

Principal Amount of Series 2012A Bonds	\$ _____
Original Issue Premium	_____
Total Sources	\$ _____

Uses of Funds

Deposit to Proceeds Fund	\$ _____
Underwriters' Discount	_____
Costs of Issuance	_____
Total Uses	\$ _____

DESCRIPTION OF THE SERIES 2012A BONDS

General

The Series 2012A Bonds will accrue interest from the date of their initial delivery, and such interest will be payable on April 1 and October 1 of each year, commencing October 1, 2012, until maturity or prior redemption, and such interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2012A Bonds will be issued in book-entry form under a book-entry-only system operated by Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), described in "APPENDIX D – BOOK-ENTRY-ONLY SYSTEM." Beneficial owners of Series 2012A Bonds will not receive physical delivery of Series 2012A Bond certificates. The Series 2012A Bonds will be issued in fully registered form in denominations of \$5,000 of principal amount and integral multiples thereof within a maturity, and will mature in the principal amounts on the dates shown on the inside cover page of this Official Statement. The Series 2012A Bonds will be dated the date of their initial delivery.

Payment of the Bonds

Debt Service Payments. Principal of, interest and redemption premium, if any, on the Series 2012A Bonds due and payable by reason of maturity, redemption, or otherwise, will be payable only to the owner thereof

appearing on the Security Register (the “Owner”), and, to the extent permitted by law, neither the Commission nor the Paying Agent/Registrar, nor any agent of either, will be affected by notice to the contrary.

Principal of, interest and redemption premium, if any, on the Series 2012A Bonds will be payable only upon the presentation and surrender of the Series 2012A Bonds to the Paying Agent/Registrar at its designated office. Interest on the Series 2012A Bonds will be paid to the Owner whose name appears in the Security Register at the close of business on the Record Date (as hereinafter defined) and will be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar to the address of the Owner appearing in the Security Register on the Record Date or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by, and at the risk and expense of, the Owner. The “Record Date” for the Series 2012A Bonds means the 15th day of March and the 15th day of September of each year. If any such Record Date is not a business day then the Record Date is the business day next preceding such date.

In the event of a nonpayment of interest on a scheduled payment date on a Series 2012A Bond, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which will be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Series 2012A Bond appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Series 2012A Bonds is _____, _____, Texas (the “Paying Agent/Registrar”). The Commission agrees and covenants 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 covenants to maintain and provide a Paying Agent/Registrar at all times until the Series 2012A 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 Series 2012A 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 Series 2012A 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.

Redemption Provisions

Optional Redemption. The Series 2012A Bonds maturing on and after April 1, 20__ are subject to redemption, in whole or in part, at the option of the Commission at the par value thereof plus accrued interest on April 1, ____, or any date thereafter.

Mandatory Sinking Fund Redemption. The Series 2012A Bonds maturing on April 1 in each of the years ____ and ____ (the “Term Series 2012A Bonds”) are subject to mandatory sinking fund redemption prior to maturity. The Term Series 2012A Bonds must be redeemed by the Paying Agent/Registrar in part prior to maturity at the redemption price of par plus interest accrued to the date of redemption, and without premium, on the dates and in the principal amounts as set forth in the following schedule:

Term Series 2012A Bonds
Maturing April 1, _____

Term Series 2012A Bonds
Maturing April 1, _____

Redemption Date
(April 1)

Principal Amount

Redemption Date
(April 1)

Principal Amount

* Stated maturity

The principal amount of the Term Series 2012A Bonds required to be redeemed on any redemption date pursuant to the operation of mandatory sinking fund redemption provisions will be reduced, at the option of the Commission, by the principal amount of any Term Series 2012A Bond scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) have been acquired by the Commission and delivered to the Paying Agent/Registrar for cancellation, (2) have been acquired and canceled by the Paying Agent/Registrar, at the direction of the Commission, at a price not exceeding the principal amount of such Term Series 2012A Bond plus accrued interest to the date of acquisition thereof, or (3) have been redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory redemption.

Selection of Series 2012A Bonds to be Redeemed

If less than all of the Series 2012A Bonds are to be redeemed, the particular maturities of 2012 Bonds to be redeemed at the option of the Commission will be determined by the Commission in its sole discretion. If less than all the Series 2012A Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2012A Bonds are in book-entry-only form) shall determine by lot the Series 2012A Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2012A Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Series 2012A Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption or Defeasance

Unless waived by any Owner of the Series 2012A Bonds to be redeemed or defeased, 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 Series 2012A Bonds (unless a lesser period is acceptable to the Paying Agent/Registrar) and on the defeasance date in the case of a defeasance of Series 2012A Bonds and the Paying Agent/Registrar will give notice of redemption of Series 2012A Bonds or notice of defeasance of Series 2012A Bonds by United States mail, first-class postage prepaid, at least 30 days, but not more than 60 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. 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 Series 2012A Bond who has not sent the Series 2012A Bonds in for redemption 60 days after the redemption date. Any notice sent as described above will be effective whether or not the Owner receives it.

With respect to any optional redemption of the Series 2012A Bonds, unless certain prerequisites to such redemption required by the Second Supplemental Resolution have been met and money sufficient to pay the principal of, premium, if any, and interest on the Series 2012A 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 Series 2012A 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 Series 2012A Bonds have not been redeemed.

Purchase in Lieu of Redemption

If and to the extent that the Series 2012A Bonds are subject to optional redemption, all or a portion of the Series 2012A Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent/Registrar at the direction of the Department Representative on the date which would be the redemption date if such Series 2012A 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 2012A Bonds on the redemption date for the account of and at the direction of the Department Representative who shall give the Paying Agent/Registrar notice at least forty-five (45) days prior to the scheduled redemption date for the Series 2012A Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase 2012 Bonds in lieu of optional redemption, no notice to the Owners of the Series 2012A Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent/Registrar shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Series 2012A Bonds if such Series 2012A Bonds had been redeemed rather than purchased. Each Series 2012A Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission and such purchase is not intended to extinguish or merge such debt. The Series 2012A Bonds to be purchased as described above which are not delivered to the Paying Agent/Registrar 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.

Limitation on Transfer of Series 2012A 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 Series 2012A Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Series 2012A Bond; provided, however, that such limitation on transfer will not be applicable to an exchange by the Owner of the unredeemed balance of a Series 2012A 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 Series 2012A Bonds, will send any notice of redemption (with respect to the Series 2012A Bonds), notice of proposed amendment to the Resolution, or other notices with respect to the Series 2012A Bonds only to 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 Series 2012A Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Series 2012A Bonds by the Commission will reduce the outstanding principal amount of such Series 2012A Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Series 2012A 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 Series 2012A Bonds from the Beneficial Owners. Any such selection of Series 2012A Bonds to be redeemed will not be governed by the Second Supplemental 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 Series 2012A Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Series 2012A Bonds for redemption (see "APPENDIX D – Book-Entry-Only System").

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 Series 2012A Bond may, in accordance with its terms and the terms of the Second Supplemental Resolution, be transferred or exchanged for Series 2012A Bonds in Authorized Denominations upon

the Security Register by the Owner, in person or by his duly authorized agent, upon surrender of such Series 2012A 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 Series 2012A 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 Series 2012A 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 Series 2012A Bond or Series 2012A Bonds surrendered for transfer.

At the option of the Owner, the Series 2012A Bonds may be exchanged for other Series 2012A Bonds of Authorized Denominations and having the same Maturity, bearing the same rate of interest, and of like tenor and aggregate principal amount as the Series 2012A Bonds surrendered for exchange, upon surrender of the Series 2012A Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Series 2012A Bonds are surrendered for exchange, new Series 2012A Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

All Series 2012A Bonds issued upon any transfer or exchange of Series 2012A 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 Series 2012A Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Series 2012A Bonds pursuant to the Second Supplemental Resolution will be made without expense or service charge to the Owner, except as otherwise provided in the Second Supplemental 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.

Series 2012A 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 Series 2012A Bond or Bonds registered and delivered in the exchange or transfer. Additionally, the term “Predecessor Bonds” includes any mutilated Series 2012A Bond that is surrendered to the Paying Agent/Registrar or any Series 2012A 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 Series 2012A Bond has or Bonds have been registered and delivered pursuant to the Second Supplemental Resolution.

In the event that the date for any payment on the Series 2012A 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 D – Book-Entry-Only System” for a description of the system to be utilized initially in regard to the ownership and transferability of the Series 2012A Bonds.

Defeasance

Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Series 2012A Bonds shall be deemed to be “Defeased Bonds” within the meaning of the Master Resolution and the Second Supplemental Resolution, when payment of the principal of such Series 2012A Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, redemption or otherwise) 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 2012A 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 2012A Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as Series 2012A Bonds shall be deemed to be Defeased Bonds under the Resolution, such 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 Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

Retention of Rights. To the extent that the Commission has defeased any Outstanding Series 2012A Bonds pursuant to the provisions of the Second Supplemental Resolution to their stated maturity, the Commission retains the right under State law to later call those Defeased Bonds for redemption in accordance with the provisions of the Second Supplemental Resolution and the Award Certificate relating to the Defeased Bonds. The Commission may call such Defeased Bonds 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 Bonds as though such Defeased Bonds were being defeased at the time of the exercise of the option to redeem the Defeased Bonds, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bonds.

Amendments to the Master Resolution Without Consent of Owners

The Master Resolution and the rights and obligations of the Commission and of the Owners may be modified or amended at any time without notice to or the consent of any Owner, 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 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 Series 2012A Bonds in accordance with the Constitutional Provision and State law; (iv) to make such other changes in the provisions thereof 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; (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 bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners; (vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate 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; or (vii) to change the maximum principal amount of Bonds issued under the Program or change or supplement the purposes for which Bonds can be issued or Credit Agreements executed.

Amendments to the Master Resolution With Consent of Owners

Subject to the Master Resolution, the Owners aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described above, 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 all Owners (unless such amendment shall be determined by the Commission to affect only certain Owners, 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 Bonds a priority over the owners of any other Outstanding Bonds; or (ii) materially adversely affect the rights of the Owners of less than all Bonds 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 Bonds; or (v) reduce the rate of interest borne by any Outstanding Bonds; or (vi) reduce the amount of the principal payable on any Outstanding Bonds; or (vii) modify the terms of payment of the amounts required to meet any financial obligations of the Commission relating to the Program, including payments due on or with respect to the payment of any Outstanding Bonds, or impose any conditions with respect to such; or (viii) amend the above-described provisions.

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, the Second Supplemental Resolution may be modified or amended at any time without notice to or the consent of any Owner of the Bonds, 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 or a Credit Agreement; (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; (v) 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 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, 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; (v) affect the rights of the Owners of less than all of the Bonds then Outstanding; or (vi) change the minimum percentage of the Outstanding Principal Amount of the Bonds necessary for consent to such amendment.

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 and the Paying Agent/Registrar.

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 Official Statement

In reading this Official Statement it should be understood while the Series 2012A Bonds are in the book-entry-only system, references in other sections of this Official Statement to Owners should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the Series 2012A 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.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

General

Pursuant to the Master Resolution, any series of Bonds issued under the Program shall be secured by and payable solely from a pledge of the following (collectively, the “Security”): (i) the general obligation pledge of the State including the first money coming into the State treasury each fiscal year, not otherwise appropriated by the Texas Constitution, in an amount sufficient to pay principal of and interest on the Bonds that mature or become due during the fiscal year, including an amount sufficient to make payment under a related Credit Agreement; (ii) all amounts in the Interest and Sinking Fund; (iii) all of the proceeds of the foregoing, including, without limitation, investments thereof; and (iv) any applicable Credit Agreement to the extent set forth in such Credit Agreement.

Pursuant to the Master Resolution, the Commission has assigned and pledged the Security to the payment of the Annual Debt Service Requirements on Bonds, 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 Commission has further pledged the Security to the establishment and maintenance of any funds, accounts or subaccounts which may be provided to secure the repayment of any series of Bonds, including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement. Pursuant to the Constitutional Provision, the amounts constituting Security are appropriated when received by the State and may be used for the purposes provided by State law, including the Constitutional Provision, the General Appropriations Act and the Enabling Act.

Neither the Commission nor the State has ever defaulted on the payment of principal of, or interest on its bonds or other obligations. The Series 2012A Bonds constitute the third series of Bonds issued or executed by the Commission on behalf of the State under the Program.

General Obligation Pledge

THE SERIES 2012A BONDS ARE GENERAL OBLIGATIONS OF THE STATE AND, AS PROVIDED IN THE CONSTITUTIONAL PROVISION, THE ENABLING ACT AND THE RESOLUTION, THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE BONDS. For a reference to information describing the financial condition of the State, see “General Information Regarding the State” and “APPENDIX A – The State” attached hereto.

The Constitutional Provision provides that, while any of the Bonds or interest on the Bonds is outstanding and unpaid, there is appropriated out of the first money coming into the State treasury each fiscal year, not otherwise appropriated by the Texas Constitution, an amount sufficient to pay the principal of and interest on the Bonds that mature or become due during the fiscal year, including an amount sufficient to make payments under a related Credit Agreement.

Perfection

Chapter 1208, Texas Government Code, applies to the issuance of any series of Bonds and the pledge of the Security granted by the Commission under the Master Resolution and in any applicable Supplement, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while any Bonds are outstanding and unpaid such that the pledge of the Security granted by the Commission under the Master Resolution 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 Bonds the perfection of the security interest in said 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 & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Credit Agreements

The Enabling Act and the Resolution authorize the Commission at any time to enter into one or more Credit Agreements. The Master Resolution provides that, to the extent permitted by law, and as provided in a Supplement, the Commission may enter into one or more Credit Agreements upon the delivery to the Commission

of an Officer's Certificate to the effect that (i) the Credit Agreement is in the best interest of the Commission and (ii) to the best of his or her knowledge, the Commission and the Department 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 thereof or under any existing Credit Agreement. Each Credit Agreement must be approved by the Commission, to the extent required by law, either pursuant to a Supplement or by other action.

The Commission currently is not a party to any Credit Agreement with respect to the Bonds issued under the Program, and the Commission does not currently intend to enter into any Credit Agreement with respect to the Series 2012A Bonds. See "PLAN OF FINANCE – Anticipated Issuance of Additional Obligations." However, the Commission has the ability to enter into Credit Agreements at any time for the Series 2012A Bonds or other series of Bonds issued under the Program.

Enforcement

The State has not waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State relating to the Series 2012A Bonds. Any owner of Series 2012A Bonds in the event of default in connection with any covenant contained in the Resolution or in any Supplement, or default in the payment of Annual Debt Service Requirements due in connection with the Series 2012A Bonds, 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 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.

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 Series 2012A Bonds will be liable personally for payment on the Series 2012A Bonds or be subject to any personal liability or accountability by reason of the issuance of the Series 2012A Bonds.

Creation of Accounts and Subaccounts With Respect to the Program

The Master Resolution creates: (i) the General Obligation Interest and Sinking Fund (the "Interest and Sinking Fund") and (ii) the General Obligation Proceeds Fund (the "Proceeds Fund"). The Second Supplemental Resolution creates the Rebate Fund for the Series 2012A Bonds (the "Rebate Fund").

Interest and Sinking Fund. The Master Resolution requires the Commission to cause to be deposited into the Interest and Sinking Fund, from funds that are available for such purpose under the Constitutional Provision, an amount that is sufficient (together with any other funds on deposit therein) to provide for the timely payment of Bonds not later than the Business Day preceding each date on which any Bonds come due. The Department Representative is authorized to direct any such deposit to be made on an earlier date. Amounts on deposit in the Interest and Sinking Fund must be applied at such time and in such amounts as required for the timely payment of any series of Bonds.

Bond Proceeds Fund. Proceeds from the issuance of a series of Bonds are required to be deposited from time to time upon the issuance of such Bonds as provided by the applicable Supplement into the Proceeds Fund created with respect to such series of Bonds or into the State Infrastructure Bank account as further set forth in the applicable Supplement. Such proceeds and the interest thereon remain in the Proceeds Fund until expended to accomplish the purposes for which any series of Bonds were issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Proceeds Fund or the State Infrastructure Bank account do not constitute Security.

Rebate Fund. The Second Supplemental Resolution establishes the Rebate Fund for the Series 2012A 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.

Other Accounts. In connection with the issuance of any series of Bonds or for other purposes, the Commission may establish one or more additional funds, accounts or subaccounts for other purposes.

Flow of Funds

Interest and Sinking Fund. Pursuant to the Master Resolution, the Commission will cause to be deposited into the Interest and Sinking Fund, but solely from the Security including funds that are available for such purpose under the Constitutional Provision, an amount that is sufficient (together with any other funds on deposit therein) to provide for the timely payment of Bonds not later than the Business Day preceding each date on which any Bonds come due. The Department Representative may direct any such deposit to be made on an earlier date. If, on any date that funds in the Interest and Sinking Fund are required (pursuant to the Master Resolution or any Supplement) to be withdrawn for the payment of Bonds, the Interest and Sinking Fund does not contain sufficient funds for such purpose, an amount of immediately available funds sufficient (together with the funds then on deposit in the Interest and Sinking Fund) to pay such Bonds shall be transmitted to the appropriate payee(s) for such purpose from funds made available under the Constitutional Provision, at such time as will cause such Bonds to be timely paid.

Proceeds Fund. Furthermore, the Master Resolution provides that proceeds from the issuance of a series of Bonds shall be deposited from time to time upon the issuance of such Bonds as provided by the applicable Supplement into the Proceeds Fund created with respect to such series of Bonds or into the State Infrastructure Bank account as further set forth in the applicable Supplement. Such proceeds and the interest thereon shall remain in the Proceeds Fund until expended to accomplish the purposes for which any series of Bonds were issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Proceeds Fund or the State Infrastructure Bank account do not constitute Security.

Authorization of Comptroller. The Master Resolution authorizes and directs the Comptroller to make the deposits and transfers required under all provisions of the Master Resolution and any Supplement as requested or instructed by a Department Representative in accordance with applicable State law, and further authorizes and directs the Comptroller to make current funds available to pay the principal amount of and interest on all Bonds as they mature and come due and payable. The Commission, through the Department Representative, has agreed to cooperate with and aid the Comptroller in calculating the amounts to be deposited in or transferred to the appropriate accounts and in ascertaining the amounts to be remitted to the respective Paying Agent to meet the requirements for the due and punctual payment of any series of Bonds as they become due and payable.

Investment of Funds

Moneys in all funds, accounts and subaccounts established pursuant to the Master Resolution and any Supplement may be invested or reinvested by the Comptroller in accordance with applicable State law. Such State law is subject to change. The investments of each fund, account and subaccount must be made under conditions that will timely provide money sufficient to satisfy the Comptroller's and the Commission's obligations under the Master Resolution and under any Supplement. For additional information with respect to the State's investments, see "APPENDIX A – The State."

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 State Legislature changed the name of the State Highway Commission to the "State Highway and Public Transportation Commission." In 1991, the State 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 presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person's spouse is employed by or manages a business that is regulated by or regularly receives funds from 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

Mr. Holmes was appointed to the Commission by Governor Rick 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 Rick 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 commissioner 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 & 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 & 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 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 State Legislature.

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 and (ii) 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 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 25 district offices, 4 regional offices and 26 divisions/offices located throughout the State. Each district is responsible for the planning, design, construction, maintenance, and operation of its area's transportation systems.

The Department is managed by an Executive Director, subject to and under the direction of the Commission. The Executive Director and other key Department personnel are listed below.

Phil Wilson, Executive Director

The Commission selected Phil Wilson as the Department's Executive Director, effective October 17, 2011. Mr. 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 Rick 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

Mr. Barton is the Deputy Executive Director. He is responsible for assisting in all phases of directing, managing and implementing 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 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 Texas Department of Transportation and now has more than 26 years of service with Department.

Mr. Barton began working for 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 after graduating from Texas A&M. Like most Department employees he has worn many hats during his time with 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 the agency until 2003, when he joined the Department. Mr. Ragland received his Bachelor of Business Administration from Southwest Texas State in 1999. He is a licensed Certified Public Accountant.

John Muñoz, Deputy Finance Director

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 CPA 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 Doctor of Jurisprudence from the University of Houston Law School in 1990.

Department Organizational Review

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. The Department is 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 Official Statement.)

Retirement Plan of the Department

Pension Benefits. The Department participates in joint contributory retirement plans of the State (collectively the "Plan") administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and law enforcement and custodial officers. The Department employs approximately 12,000 employees, and the Department makes monthly payments to ERS for virtually all of its employees. ERS does not account for each State agency separately.

Other Post-Employment Benefits. The Department provides other post-employment benefits ("OPEBSs") through the Texas Employees Group Benefits Program ("GBP") administered by the ERS, which is operated by the State and which covers State employees, elected officials, law enforcement and custodial officers, and judges. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees and other participants. OPEBs are paid for as on a pay-as-you go basis and are subject to appropriation by the State Legislature.

For more detailed information on ERS, the Plan, OPEBs and other State sponsored retirement plans, their respective funding and liabilities, see "APPENDIX A – The State."

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.

State Audits

The State Auditor's Office ("SAO") is the independent auditor for Texas state government. The SAO operates with oversight from the Legislative Audit Committee, a six-member permanent standing committee of the State Legislature, jointly chaired by the Lieutenant Governor and the Speaker of the House of Representatives.

The SAO is authorized, by Chapter 321, Texas Government Code, to perform audits, reviews, and investigations of any entity receiving State funds, including State agencies and higher education institutions. Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants.

In connection with the State's Comprehensive Annual Financial Report, the SAO issued an audit report in February 2012 which included a discussion of the Department's statewide financial and federal compliance for fiscal year ended August 31, 2011. The SAO regularly audits State agencies that receive federal funds to ensure compliance with applicable federal requirements for the receipt of such funds. The SAO indicated the Department should strengthen certain aspects of its financial and information technology operations. The Department concurred with the recommendations of the SAO and has implemented corrective actions. State audit reports, including reports covering various aspects of the Department's performance, are available at <http://www.sao.state.tx.us>.

Existing 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 Texas Mobility Fund and through the issuance of the State Highway Fund revenue bonds, obligations and other commitments. In addition, in the past two years, 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 annual \$250 million "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. **Except as otherwise specifically described below, none of such financing programs are part of the Program and, except for the Texas Mobility Fund, they are not secured by the full faith and credit of the State. Additionally, the revenues dedicated to the Texas Mobility Fund and the State Highway Fund are not part of the Security and are not pledged to the payment of the Series 2012A Bonds or any other series of Bonds.**

Texas Mobility Fund. The State Legislature established the Texas Mobility Fund (the "Mobility Fund") pursuant to Article III, Section 49-k of the Texas Constitution and Subchapter M of Chapter 201, Texas Transportation Code. The Mobility Fund is 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 Mobility 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. As of March 1, 2012, the Commission has issued obligations in an aggregate principal amount of \$6,255,100,000, and \$244,900,000 remain unissued out of the \$6.5 billion currently established for the Texas Mobility Fund Revenue Financing Program (the "Mobility Fund Program").

Obligations issued under the Mobility Fund Program are secured by certain revenue sources that have been allocated by the State Legislature for the benefit of the Mobility Fund, including, but not limited to, driver's license fees, driver record information fees, motor vehicle inspection fees and certificate of title fees. In addition, obligations issued under the Mobility Fund Program are further secured by the full faith and credit of the State to payments due on the Bonds and, therefore, should the revenue and money dedicated to and on deposit in the Mobility Fund be insufficient to make payments due on such obligations an amount that is sufficient to make payments due on such obligations would be appropriated pursuant to Article III, Section 49-k of the Texas Constitution.

Obligations issued by the Commission under the Mobility Fund are not part of the Program, but are additionally secured by the full faith and credit of the State as described above.

State Infrastructure Bank. Under Subchapter D of Chapter 222, Texas Transportation Code, the Commission has established the State Infrastructure Bank ("SIB") as an account in the State Highway Fund which is used to provide financial assistance and loans to public or private entities for qualified projects.

Thus far, the SIB has been capitalized through a combination of federal funds, State matching funds and State funds. The Commission is also authorized to issue revenue bonds for the purpose of providing additional funds for the SIB. Any such revenue bonds are special obligations of the Commission payable only from income and receipts of the SIB and do not constitute a debt of the State or a pledge of the faith and credit of the State. Revenue obligations issued by the Commission for the SIB are not part of the Program and will not be secured by the Security. No SIB revenue obligations have been issued to date.

State Highway Fund - Revenue Bonds. 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. The maximum aggregate principal amount of State Highway Fund Revenue Obligations authorized to be issued was increased from \$3 billion to \$6 billion by an amendment to Section 222.003 enacted by the State Legislature in 2007. The Commission has issued approximately \$4.6 billion aggregate principal amount of State Highway Fund Revenue Obligations as of March 1, 2012 and has authority to issue a maximum amount of \$1.5 billion per year up to the current \$6 billion authorization, leaving approximately \$1.4 billion in remaining capacity.

Obligations issued by the Commission under the State Highway Fund are not part of the Program and are not secured by the Security.

State Highway Fund - Short-Term Borrowings. The Texas Constitution (Article III, Section 49-m) and the Texas Transportation Code (Section 201.115) authorizes the Commission to 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.

In 2005, the Commission authorized the issuance of State Highway Fund Revenue Commercial Paper Notes, Series A (the "Notes") in the maximum authorized amount of \$500 million. The Department intends to issue Notes, from time to time, 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.

In connection with the Notes, the Commission entered into a Revolving Credit Agreement, dated as of August 1, 2009, as amended on August 16, 2011 (the "Note Liquidity Agreement"), with Bank of America, N.A., State Street Bank and Trust Company and JPMorgan Chase Bank, National Association, to provide liquidity for the Notes in the event the dealers are unable to market the Notes. Although the Notes are payable from the State Highway Fund, the payment obligation with respect to the Notes and the Note Liquidity Agreement is subordinate to the Commission's State Highway Fund Revenue Obligations, which have a prior lien pledge of the revenues deposited into the State Highway Fund. The Note Liquidity Agreement is scheduled to expire on August 15, 2013.

Senate Bill 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 to address this temporary cash flow shortfall to the State Highway Fund through the issuance of Notes or other short term borrowing, if necessary.

Notes issued and obligations incurred by the Commission under the State Highway Fund are not part of the Program and are not secured by the Security.

State Highway Fund - Highway Tax and Revenue Anticipation Notes. The Texas Transportation Code (Sections 201.961, et seq.) authorizes the Commission to issue highway tax and revenue anticipation notes ("HTRANS") if the Commission anticipates a temporary cash flow shortfall in the State Highway Fund during any Fiscal Year. The Commission does not expect to issue HTRANS in 2012 and has never issued HTRANS. If and when HTRANS are issued by the Commission, such HTRANS would not be 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, including toll equity obligations and pass-through toll agreements. 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. See "- Texas Turnpike Authority" below.

Toll Equity Obligations. Section 222.101 of the Texas Transportation Code authorizes the Department to spend money, including money in 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 March 1, 2012, toll equity grants and loans approved by the Commission totaled \$_____ million and \$_____ million, respectively, of which \$_____ million had been disbursed. The Department is obligated to disburse up to approximately \$_____ million pursuant to such toll equity agreements for fiscal year 2012 through fiscal year 2014. The above amounts include the amount approved in September, 2011 for the Chisholm Trail Parkway

("CTP"), in a 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 CTP 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.

Payments by the Department pursuant to any toll equity loan agreement (including the TELA) are 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 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 March 1, 2012, the Department had executed ___ pass-through toll agreements with terms ranging from four to 20 years and total payments due from the Department of approximately \$___ billion. The \$___ million will be paid out in annual payments, and the total minimum annual reimbursement is approximately \$___ million and the total maximum annual reimbursement is approximately \$___ million. The Department has adopted an internal policy to limit its financial exposure with respect to Pass-Through Toll payments to not exceed the \$300 million Strategic Priority Funds per fiscal year, however, such policy is subject to change by the Commission.

Obligations in respect of Pass-Through Toll commitments are not part of the Program and are not secured by the Security.

Texas Turnpike Authority. The "Texas Turnpike Authority Division" (the "TTA") is a division of the Department and is controlled and governed by 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; Central Texas Turnpike System 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 March 1, 2012, such debt obligations total approximately \$2.2 billion and no additional TTA debt has been issued since that date.

Obligations issued by the Commission under the TTA (including the TIFIA Secured Loan Agreement) are not part of the Program and are not secured by the Security.

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).

Obligations 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.

GENERAL INFORMATION REGARDING THE STATE

The State was admitted to the Union as the 28th State on December 29, 1845, approximately nine years after its secession from the Republic of Mexico in 1836. The current Constitution of the State of Texas was adopted in 1876, succeeding earlier Constitutions of 1845, 1861, 1866, and 1869.

Bond Appendix

The Texas Comptroller of Public Accounts (the “Comptroller”) 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 most current 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 Series 2012A 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.

2011 State CAFR

The Texas 2011 Comprehensive Annual Financial Report for the year ended August 31, 2011 (the “2011 CAFR”) is currently on file with the Municipal Securities Rulemaking Board (the “MSRB”). The 2011 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2011 CAFR may be found at <http://www.window.state.tx.us/finances/pubs/cafr>.

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the State 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. Prior to the date of delivery of the Series 2012A Bonds, the Bond Review Board is expected to certify that the maximum annual debt service in any fiscal year on debt payable from the general revenue fund, including the debt service on the Series 2012A Bonds, does not exceed 5% of an amount equal to the average of the amount of general revenue fund expenditures, excluding revenues constitutionally dedicated for purposes other than payment of debt, for the three immediately preceding fiscal years. See “APPENDIX A – The State” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS – General Obligation Pledge.”

LEGAL MATTERS

Legal Opinions

The Commission will compile complete transcripts of proceedings incident to the authorization and issuance of the Series 2012A Bonds, including the approving opinions of the Attorney General of the State of Texas to the effect that the Series 2012A Bonds are valid and legally binding obligations of the Commission, payable solely from the Security, and based upon examination of such transcripts of proceedings, the legal opinion to like effect of McCall, Parkhurst & Horton L.L.P, Bond Counsel. In its capacity as Bond Counsel, such firm has

reviewed the information under the captions and subcaptions “PLAN OF FINANCE—General,” “DESCRIPTION OF THE SERIES 2012A BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS,” “LEGAL MATTERS – Legal Opinions,” “LEGAL MATTERS – Eligibility for Investment in Texas,” “LEGAL MATTERS – Registration and Qualification of Bonds for Sale,” “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaption “Compliance with Prior Undertakings,” as to which no opinion will be expressed, and any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller, as to which no opinion will be expressed), APPENDIX B and APPENDIX C, and such firm is of the opinion that such information relating to the Series 2012A Bonds and the Resolution is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. In connection with the transactions described herein, Bond Counsel and Andrews Kurth LLP, Austin, Texas, Disclosure Counsel, represent only the Commission. A portion of the legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Series 2012A Bonds is contingent on the sale and delivery thereof. The legal opinion of Bond Counsel in the form set forth in APPENDIX C will accompany the Series 2012A Bonds deposited with DTC. Certain legal matters will be passed upon for the Commission by Disclosure Counsel and the General Counsel of the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, _____, _____, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Series 2012A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering legal opinions, attorneys do not become insurers or guarantors 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 opinions guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

There is no litigation, proceeding, inquiry, or investigation pending or threatened by or before any court or other governmental authority or entity of which the Commission has notice or, to the Department’s knowledge, any basis therefor, against or affecting the State or any of its agencies or instrumentalities that (i) affects the existence of the Department or the Commission or the right of the present directors and officers of the Commission or the Department to hold their offices, (ii) affects the validity or enforceability of the provisions pursuant to which the Series 2012A Bonds are being issued, and (iii) would have a material adverse effect upon the power of the Commission to issue the Series 2012A Bonds.

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Series 2012A Bonds or the Security for the Series 2012A Bonds. As set forth in the Bond Appendix, in the opinion of the Comptroller, based on information provided by the State Attorney General as to the existence and legal status of such legal proceedings, none of such proceedings, except for those specifically disclosed in the Bond Appendix, 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 Series 2012A Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business & 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2012A Bonds are legal investments for State banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Series 2012A Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. 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 Series 2012A Bonds may have to be assigned a rating of at least “A” or its equivalent as to the investment quality by a national rating agency before the Series 2012A Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

No representation is made that the Series 2012A Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Commission has made no investigation of other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Series 2012A Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2012A Bonds for such purposes. The Commission has not made any review of laws in other states to determine whether the Series 2012A Bonds are legal investments for various institutions in those states.

Registration and Qualification of the Series 2012A Bonds for Sale

The sale of the Series 2012A Bonds has not been registered under the Federal Securities Act of 1933 (15 U.S.C. 77a, et seq.), as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Series 2012A Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Series 2012A Bonds have not been qualified under the securities acts of any other jurisdiction (foreign or domestic).

The Commission assumes no responsibility for qualification of the Series 2012A Bonds under the securities laws of any jurisdiction in which the Series 2012A Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred.

This disclaimer of responsibility for qualification for sale or other disposition of the Series 2012A Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or similar provisions.

TAX MATTERS

Opinion

On the date of initial delivery of the Series 2012A Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Series 2012A Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Series 2012A Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2012A Bonds. See “Appendix C - Form of Opinion of Bond Counsel”.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Commission, including information and representations contained in the Commission’s federal tax certificate related to the 2012 Bonds, and (b) covenants of the Commission contained in the 2012 Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the 2012 Bonds and the property financed or refinanced therewith. Failure by the Commission to observe the aforementioned representations or covenants could cause the interest on the 2012 Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2012 Bonds in order for interest on the 2012 Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the 2012 Bonds to be included in gross income retroactively to the date of issuance of the 2012 Bonds. The opinion of Bond Counsel to the Commission is conditioned on compliance by the Commission with such requirements, and Bond Counsel to the Commission has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2012A Bonds.

Bond Counsel’s opinion regarding the Series 2012A Bonds represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion related to the 2012 Bonds is not a guarantee of a result. 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 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 Series 2012A Bonds.

A ruling was not sought from the Internal Revenue Service by the Commission with respect to the Series 2012A Bonds or the property financed or refinanced with proceeds of the Series 2012A Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2012A Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the 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.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Series 2012A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2012A Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who purchased a Series 2012A Bonds as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

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 Series 2012A Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2012A BONDS.

Interest on the Series 2012A Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by Section 55 of the Code.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Series 2012A Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2012A Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012A Bonds under federal or state law and could affect the market price or marketability of the Series 2012A 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 Series 2012A 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 Series 2012A 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.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission

General. In the Second Supplemental Resolution, the Commission has made the following agreement for the benefit of the Owners and Beneficial Owners of the Series 2012A Bonds. The Commission is required to

observe the agreement for so long as it remains obligated to advance funds to pay the Series 2012A Bonds. Under the agreement, 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. The information will be available to investors through the MSRB's Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

Annual Reports. The Commission, acting by and through the Comptroller, 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 all quantitative financial information and operating data with respect to the State of the general type included in Appendix A. The Commission, acting by and through the Comptroller, will update and provide this information within 195 days after the end of each fiscal year ending in and after 2012. 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 Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

Event Notices. The Commission will provide notice to the MSRB of any of the following events with respect to the Series 2012A Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Series 2012A Bond calls; (4) release, substitution, or sale of property securing repayment of the Series 2012A Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The Commission will also provide notice to the MSRB of any of the following events with respect to the Series 2012A Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or 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 status of the Series 2012A Bonds, or other events affecting the tax status of the Series 2012A Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the Commission or the State (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Commission or the State in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commission or the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commission or the State).

The Commission will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). 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 OF INFORMATION - Continuing Disclosure Undertaking of the Commission - Annual Reports."

Should the Rule be amended to obligate the Commission to make filings with or provide notices to entities other than the MSRB, the Commission has agreed to undertake such obligation with respect to the Series 2012A Bonds in accordance with the Rule as amended.

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller has agreed for the benefit of the holders of the Series 2012A Bonds to provide certain updated information concerning the financial condition of State government and notices while the Series 2012A Bonds remain outstanding. The Commission and the legal and beneficial owners of the Series 2012A Bonds

are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe this agreement for so long as the Series 2012A 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 events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, 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 to the MSRB.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB. 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 to this Official Statement in Tables A-1 through A-15 and Table 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.

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.

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.

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 Series 2012A 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 Series 2012A 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 Series 2012A Bonds in the offering described herein in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the outstanding Series 2012A 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 Series 2012A 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 - Annual Reports" and "– Continuing Disclosure Undertaking of the Comptroller - 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 Series 2012A Bonds in the primary offering of the Series 2012A 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

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned ratings of "___", "___" and "___", respectively, to the Series 2012A 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, or either of them, may have an adverse effect on the market price of the Series 2012A Bonds.

Underwriting

_____, as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain conditions, for the Underwriters to purchase the Series 2012A Bonds from the Commission. The purchase price of the Series 2012A Bonds is \$_____ (which represents the par amount of the Series 2012A Bonds, plus an original issue premium of \$_____ and less an underwriting discount of \$_____). The Underwriters will be obligated to purchase all of the Series 2012A Bonds if any 2012 Bonds are purchased. The Series 2012A Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2012A Bonds into investment trusts) at prices lower than the public offering prices of the Series 2012A Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

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

Distribution Agreements. [TO COME]

Relationship of Parties. [TO COME]

Trade Name. [TO COME]

Forward-Looking Statements

The statements contained in this Official Statement, 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 Official Statement 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 Official Statement will prove to be accurate.

Financial Advisor

Public Financial Management, Inc. is serving as the Financial Advisor to the Commission (the “Financial Advisor”) in connection with the issuance of the Series 2012A Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2012A Bonds is not contingent upon the issuance and delivery of the Series 2012A 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 Series 2012A Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

Approval of Official Statement

The Second Supplemental Resolution approves the form and content of this Official Statement and authorizes its further use in the reoffering of the Series 2012A Bonds by the Underwriters. Questions regarding this Official Statement 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.

TEXAS TRANSPORTATION COMMISSION

By: _____
Chief Financial Officer
Texas Department of Transportation

APPENDIX A

THE STATE

The Bond Appendix dated February 2012 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained (i) using the MSRB's internet website, www.emma.msrb.org, by using the muni search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html> and will be updated from time to time by the Comptroller.

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APPENDIX B

SELECT PROVISIONS OF THE RESOLUTION

The following capitalized terms appearing in this Official Statement 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 and Conformed Definitions in the Master Resolution and the Second Supplemental Resolution

"Acts" - The Constitutional Provision, the Enabling Act, the General Appropriations Act, Chapter 1371 and other applicable provisions of State law.

"Annual Debt Service Requirements" means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Bonds 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 Bonds, or be payable in respect of any required purchase of such Bonds by the Commission) plus (ii) all payments required to be made by the Commission under each Credit Agreement constituting Bonds (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 Fund from original proceeds from the sale of Bonds or from any other lawfully available source 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 Bonds:

(1) Committed Take Out. If the Commission has entered into a Credit Agreement 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 either (i) 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 or (ii) an amortization which, in the judgment of the Department Representative, the Department reasonably expects to amortize the Balloon Debt;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if a Department 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 Bonds, 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 Bonds;

(5) Variable Rate. As to any Bonds that bear 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 Bonds shall be determined to be either (i) an interest rate equal to the average rate borne by such Bonds (or by comparable debt in the event that such Bonds have 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 Bonds bear 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 a Department Representative, (iii) if the Bonds bear interest at taxable 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 a Department Representative, (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 Bonds, is the average rate anticipated to be in effect with respect to such Bonds 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 Bonds issued as Short-Term Obligations, the debt service on such Bonds shall be calculated assuming that such Bonds will be refunded and refinanced to mature over a 30-year period with level debt service 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 Bonds 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 Bonds, 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 Representative" means the Executive Director and the Deputy 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 and Second Supplement.

"Bonds" means bonds, notes and other public securities issued in one or more series pursuant to the Constitutional Provision, the Enabling Act and governed by the Master Resolution.

"Business Day" - Any day except (i) a Saturday, Sunday or legal holiday, (ii) any other day on which commercial banks and trust companies in the City of New York, or any City in which the principal office of the Commission or the Paying Agent, are authorized or required to remain closed, or are closed for any other reason, or (iii) a day on which the New York Stock Exchange is closed.

"Chapter 1371" means Chapter 1371, Texas Government Code.

"Chief Financial Officer" - the Chief Financial Officer 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 Second Supplement and Master Resolution.

"Code" means the Internal Revenue Code of 1986, as amended, and the rulings, regulations, and procedures (including temporary, proposed, and final regulations and procedures) promulgated thereunder.

"Commission" means the Texas Transportation Commission and its successors and assigns.

"Comptroller" means the Comptroller of Public Accounts of the State and its successors and assigns.

"Constitutional Provision" means Article III, Section 49-p of the Texas Constitution.

"Credit Agreement" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Bonds, purchase or sale agreements, interest rate swap, cap and/or floor agreement or commitment, or other contract or agreement 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 Bonds, the interest on Bonds, or both.

"Current Interest Bonds" - The Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in an Award Certificate.

"Defeasance Securities" - Means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commission adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Commission adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

"Defeased Bonds" means any Bonds and the interest thereon deemed to be paid, retired, and no longer Outstanding pursuant to the provisions of the applicable Supplement authorizing such Bonds; and thus, no longer secured by, payable from, or entitled to the benefits of the Security.

"Department" means the Texas Department of Transportation or its successors.

"Department Representative" means an Authorized Representative, the Chief Financial Officer, the Director of the Finance Division of the Department, the Debt Management Director of the Department or such other officer or employee of the Department so designated by the Commission to perform the duties of Department Representative under the Master Resolution.

"DTC" - The Depository Trust Company, New York, New York, or any successor securities depository.

"DTC Participant" - Securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Electronic Means" - Telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"Enabling Act" means Section 222.004 of the Texas Transportation Code as enabling legislation for the Constitutional Provision.

"Favorable Opinion of Bond Counsel" - With respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action is permitted under the Acts, the Master Resolution and the Second Supplement and that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

"Federal Securities" - Direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"Financing Program" means the "Texas Transportation Commission Highway Improvement General Obligation Financing Program".

"Fiscal Year" means the fiscal year of the Department, currently the period commencing the first day of September and ending on the last day of August of the following year.

"Funded Debt" means all Bonds or Credit Agreements created, assumed or guaranteed by the Commission that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the Commission to a date, more than one year after the original creation, assumption or guarantee of such Bonds or Credit Agreement by the Commission.

"General Appropriations Act" means the appropriations act of the State for the applicable biennium.

"General Counsel" – general counsel to the Department, including any duly authorized associate general counsel to the department.

"Highest Lawful Rate" - 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, or any successor provisions).

"Holder" or "Bondholder" or "owner" means the (i) registered owner of any Bonds registered as to ownership, (ii) holder of any Bonds payable to bearer or (iii) obligee or counter party (other than the Commission) pursuant to any Credit Agreement.

"Interest and Sinking Fund" has the meaning assigned to that term in Section 3(d) hereof.

"Issuance Date" - The date of delivery of a Series of Bonds to the initial purchaser(s) thereof against payment therefor.

"Master Resolution" - The "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program," adopted by Minute Order of the Commission on January 28, 2010, as may be amended or supplemented from time to time.

"Maturity" when used with respect to any Bonds means the date on which the principal of such Bonds or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by call for redemption, or otherwise.

"Maturity Date" - The final maturity date of any series of Bonds which shall be such date as established pursuant to the Second Supplement.

"MSRB" - The Municipal Securities Rulemaking Board.

"Officer's Certificate" means a certificate signed by a Department Representative.

"Opinion of Counsel" means a written opinion of counsel which shall be acceptable to the Commission.

"Outstanding" when used with respect to Bonds means, as of the date of determination, all Bonds theretofore delivered under the Master Resolution or any Supplement, except:

(1) Bonds theretofore cancelled and delivered to the Commission or delivered to the Paying Agent or the Registrar for cancellation;

(2) Bonds deemed to be Defeased Bonds;

(3) Bonds upon transfer of or in exchange for and in lieu of which other Bonds have been authenticated and delivered pursuant to the Master Resolution or any Supplement; and

(4) Bonds 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, Bonds owned by the Commission and Bonds purchased with funds advanced pursuant to a Credit Agreement shall be deemed to be Outstanding as though they were 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 Bonds or to a series of Bonds 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 Bonds on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Bonds 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 as determined by the Department Representative.

"Owner" - The registered owners of the Bonds as shown on the Security Register and to the extent set forth in a Credit Agreement relating to the Bonds, the party contracting with the Commission under a Credit Agreement.

"Paying Agent" - The agent selected and appointed by the Commission for purposes of paying the principal of, premium, if any, and interest on the Bonds to the Owners thereof, as identified in the Second Supplement and any successor to such agent.

"Paying Agent/Registrar" - Collectively, the Paying Agent and the Registrar designated in the Second Supplement or any successor to such agent.

"Principal Payment Date" - Any date upon which the principal amount of the Bonds is due hereunder at Maturity or on any Redemption Date.

"Proceeds Fund" has the meaning assigned to that term in Section 3 of the Second Supplement and includes any account or subaccount thereof.

"Rebate Fund" - The fund by that name described in Section 4.02 of the Second Supplement.

"Record Date" - With respect to each interest payment date of a Current Interest Bond, the date as determined in the respective Award Certificate.

"Registrar" - The agent selected and appointed by the Commission for purposes of keeping and maintaining books and records relating to the registration, transfer, exchange, and payment of the Bonds and interest thereon, as identified in Section 2.03 of the Second Supplement and any successor to such agent.

"Rule" - SEC Rule 15c2-12, as amended from time to time.

"SEC" - The United States Securities and Exchange Commission.

"Section" - Unless the context clearly requires otherwise, refers to a Section of the Second Supplement.

"Second Supplement" - The Second Supplemental Resolution, which was adopted pursuant to authority reserved by the Commission under the Master Resolution and adopted by Minute Order of the Commission on January 26, 2012, as may be amended or supplemented from time to time.

"Security" has the meaning assigned to that term in Section 2(a) of the Second Supplement.

"Security Register" - The books and records kept and maintained by the Registrar relating to the registration, transfer, exchange, and payment of the Bonds and the interest thereon.

"Series" - A separate series of Bonds as specified by or pursuant to the terms of the Second Supplement.

"State" means the State of Texas.

"State Infrastructure Bank account" means the account within the State Highway Fund created pursuant to Subchapter D, Chapter 222 of the Texas Transportation Code and includes one or more subaccounts created pursuant to Section 222.076 of the Texas Transportation Code capitalized with State funds only.

"Stated Maturity" when used with respect to any Bonds or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Bonds or such installment of interest as a fixed date on which the principal of such Bonds or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Supplement" means a resolution supplemental to, and authorized and executed pursuant to the terms of, the Master Resolution as may be supplemented or amended from time to time as authorized by the Commission and such Supplement.

"Taxable Bonds" - The Series of Bonds bearing interest at a taxable rate.

"Tax-Exempt Bonds" - The Series of Bonds bearing interest which is excludable from gross income for Federal taxation purposes pursuant to section 103 of the Code.

"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) thirty years.

"Texas Transportation Commission Highway Improvement General Obligation Financing Program" or "Financing Program" means the Texas Transportation Commission Highway Improvement General Obligation Financing Program established by the Master Resolution.

Select Excerpts of the Master Resolution

Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF BONDS. As authorized by the Constitutional Provision, the Enabling Act, and other applicable provisions of State law, the General Obligation Financing Program is hereby established for the purpose of providing a financing structure for the issuance of multiple series of Bonds and the execution of Credit Agreements by the Commission secured by and payable from a general obligation pledge of the State. This Master Resolution is intended to establish a master financing program under which Bonds and Credit Agreements of the Financing Program can be issued or incurred. The Financing Program is initially established in the aggregate principal amount of Bonds outstanding at any time of not to exceed \$5 billion, subject to the limitations and requirements of the Constitutional Provision, the Enabling Act, the General Appropriations Act and other applicable provisions of State law, this Master Resolution, and each Supplement (the "Controlling Provisions"). Each issue or series of Bonds shall be issued, or Credit Agreements shall be executed, pursuant to a Supplement and no Bonds shall be issued unless the Commission has complied with the Controlling Provisions.

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 Bonds and any other matters related to any series of Bonds not inconsistent with the Controlling Provisions.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Any series of Bonds shall be secured by and payable solely from a pledge of the following (collectively, the "Security"): (i) the general obligation pledge of the State including the first money coming into the State treasury each fiscal year, not otherwise appropriated by the Texas Constitution, an amount sufficient to pay principal of and interest on the Bonds that mature or become due during the fiscal year, including an amount sufficient to make payment under a related Credit Agreement; (ii) all amounts in the Interest and Sinking Fund; (iii) all of the proceeds of the foregoing, including, without limitation, investments thereof; and (iv) any applicable Credit Agreement to the extent set forth in such Credit Agreement. The Commission hereby assigns and pledges the Security to the payment of the Annual Debt Service Requirements on Bonds 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 funds, accounts or subaccounts which may be provided to secure the repayment of any series of Bonds 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 this Master Resolution and any Supplement. Pursuant to the Constitutional Provision, the amounts constituting Security are appropriated when received by the State and may be used for the purposes provided by State law, including the Constitutional Provision, the General Appropriations Act and the Enabling Act.

(b) Credit Agreements. Credit Agreements entered into as provided in section 5 hereof and all or any portion of the obligations thereunder may, pursuant to their terms, be secured by a pledge of the Security as determined by the Department Representative.

(c) Perfection. Chapter 1208, Texas Government Code, applies to the issuance of any series of Bonds 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 any Bonds are 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 Bonds 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. FUNDS. (a) Creation of Funds. The Commission hereby establishes and affirms the creation of the following accounts held by the Comptroller, to-wit:

- (i) the General Obligation Interest and Sinking Fund (the "Interest and Sinking Fund") and
- (ii) the General Obligation Proceeds Fund (the "Proceeds Fund").

(b) Application of Constitutionally Appropriated Funds. The Commission shall cause to be deposited into the Interest and Sinking Fund, from funds that are available for such purpose under the Constitutional Provision, an amount that is sufficient (together with any other funds on deposit therein) to provide for the timely payment of Bonds not later than the Business Day preceding each date on which any Bonds come due. The Department Representative may direct any such deposit to be made on an earlier date.

If, on any date that funds in the Interest and Sinking Fund are required (pursuant to this Master Resolution or any Supplement) to be withdrawn for the payment of Bonds, the Interest and Sinking Fund does not contain sufficient funds for such purpose, an amount of immediately available funds sufficient (together with the funds then on deposit in the Interest and Sinking Fund) to pay such Bonds shall be transmitted to the appropriate payee(s) for such purpose from funds made available under the Constitutional Provision, at such time as will cause such Bonds to be timely paid.

(c) Interest and Sinking Fund. Amounts on deposit in the Interest and Sinking Fund shall be applied at such time and in such amounts as required for the timely payment of any series of Bonds.

(d) Proceeds. Proceeds from the issuance of a series of Bonds shall be deposited from time to time upon the issuance of such Bonds as provided by the applicable Supplement into the Proceeds Fund created with respect to such series of Bonds or into the State Infrastructure Bank account as further set forth in the applicable Supplement. Such proceeds and the interest thereon shall remain in the Proceeds Fund until expended to accomplish the purposes for which any series of Bonds were issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Proceeds Fund or the State Infrastructure Bank account do not constitute Security.

(e) Other Accounts or Funds. The Commission reserves the right to establish, in connection with the issuance of any series of Bonds or for other purposes, one or more additional funds, accounts or subaccounts 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 fund, account or subaccount that the amounts in such additional fund, account or subaccount will be either included within or excluded from the Security.

(f) Authorization of Comptroller. The Comptroller is hereby authorized and directed to make the deposits and transfers required under all provisions of this Master Resolution and any Supplement as requested or instructed by a Department Representative in accordance with applicable State law. The Comptroller is hereby authorized and directed to make current funds available to pay the principal amount of and interest on all Bonds as they mature and come due and payable. Remittances to any Paying Agent must be made in accordance with any Paying Agent Agreement. The Commission, through the Department Representative, agrees to cooperate with and aid the Comptroller in calculating the amounts to be deposited in or transferred to the appropriate accounts and in ascertaining the amounts to be remitted to the respective Paying Agent to meet the requirements for the due and punctual payment of any series of Bonds as they become due and payable.

Section 4. GENERAL REPRESENTATIONS AND COVENANTS. The Commission further represents, covenants, and agrees that while Bonds or interest thereon is Outstanding:

(a) Performance. The Commission will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Master Resolution and in each Supplement, and in each and every Bond 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 any series of Bonds.

(b) Mandatory Redemption. The Commission will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, any Bonds which by its terms is mandatorily required to be redeemed prior to maturity, when and as required.

(c) Determination of Annual Debt Service Requirements. For all purposes of this 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.

(d) Lawful Authority. The Commission is lawfully authorized to pledge the Security herein pledged in the manner prescribed herein, and has lawfully exercised such right.

(e) Investments. Moneys in all funds, accounts and subaccounts established pursuant to this Master Resolution and any Supplement will be invested or reinvested by the Comptroller in accordance with applicable State law. The investments of each fund, account and subaccount shall be made under conditions that will timely provide money sufficient to satisfy the Comptroller's and the Commission's obligations hereunder and under any Supplement. The proceeds received from the disposition of any investment acquired with the funds and any income received from such investment, shall be deposited into such fund, provided, however, that investment proceeds of funds in the Proceeds Fund may be retained in such fund or transferred to the Interest and Sinking Fund. Uninvested funds, if any, shall be secured in the manner and to the extent required by State law.

(f) 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 Bonds at all reasonable times to inspect all records, accounts, and data of the Commission and the Department relating to the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

Section 5. ISSUANCE OF ONE OR MORE SERIES OF BONDS. (a) General. The Commission reserves and shall have the right and power to issue or incur one or more series of Bonds for any purpose authorized by law, including the refunding of any series of Bonds, pursuant to the provisions of this 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 any series of Bonds.

(b) Credit Agreements. To the extent permitted by law, and as provided in a Supplement, the Commission may enter into one or more Credit Agreements upon the delivery to the Commission of an Officer's Certificate to the effect that (i) the Credit Agreement is in the best interest of the Commission and (ii) to the best of his or her knowledge, the Commission and the Department have not failed to comply with the covenants contained in this 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 existing Credit Agreement. Each Credit Agreement shall be approved by the Commission, to the extent required by law, either pursuant to a Supplement or by other action.

(c) Increase in Financing Program. The principal amount of Bonds issued under 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 increase is authorized by the Texas Constitution and State law.

Section 6. WAIVER OF CERTAIN COVENANTS. The Commission may omit in any particular instance to comply with any covenant or condition set forth in Sections 4 and 5 hereof if before or after the time for such compliance the owners 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 Bonds, including designating in the relevant Supplement or award certificate any municipal

bond insurance company providing an insurance policy on the payment of the principal of and interest on any series of Bonds or the provider under a Credit Agreement as the sole owner of such Bonds.

Section 7. **INDIVIDUALS NOT LIABLE.** All covenants, stipulations, obligations, and agreements of the Commission contained in this Master Resolution and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Commission 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 any Bonds when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 8. **EVENTS OF DEFAULT AND REMEDIES.** (a) Events of Default. Each of the following occurrences or events for the purpose of this Master Resolution is hereby declared to be an Event of Default: (i) the failure to make payment of the principal of or interest on any of the Bonds or Credit Agreements when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the Commission or the State, the failure to perform which materially, adversely affects the rights of the owners of the Bonds or Credit Agreements, including, but not limited to, their prospect or ability to be repaid in accordance with this Master Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the Commission.

(b) Remedies. The State has not waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State relating to any series of Bonds or Credit Agreements. Any owner of Bonds or Credit Agreements 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 Bonds, or other costs and expenses related thereto, or Credit Agreements 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 this Master Resolution or any Supplement, by 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 9. **DEFEASANCE OF BONDS.** Each Supplement authorizing Bonds may provide by its respective terms the circumstances and conditions under which such Bonds may be considered Defeased Bonds.

Section 10. **AMENDMENT OF RESOLUTION.** (a) Amendment Without Consent. This Master Resolution and the rights and obligations of the Commission and of the owners may be modified or amended at any time without notice to or the consent of any owner, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Commission contained in this 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 this Master Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Master 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 this Master Resolution;

(iii) To supplement the Security for the Outstanding Bonds 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;

(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 Bonds, which changes or

amendments do not, in the judgment of the Commission, materially adversely affect the interests of the owners;

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate 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; or

(vii) To change the maximum principal amount of Bonds issued under the Financing Program as provided in Section 5(c) or change or supplement the purposes for which Bonds can be issued or Credit Agreements executed.

(b) Amendments With Consent. Subject to the provisions of Section 10(a) of this Master Resolution, the owners 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 this 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 all owners (unless such amendment shall be determined by the Commission to affect only certain owners, 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 this Master Resolution so as to:

(i) Grant to the owners of any Outstanding Bonds a priority over the owners of any other Outstanding Bonds; or

(ii) Materially adversely affect the rights of the owners of less than all Bonds 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 Bonds; or

(v) Reduce the rate of interest borne by any Outstanding Bonds; or

(vi) Reduce the amount of the principal payable on any Outstanding Bonds; 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 Bonds, 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 this 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 (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 Bonds for inspection by all owners of Bonds. 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 Bonds. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on any Bonds.

(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 this Master Resolution pursuant to the provisions of this Section, this 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 shall thereafter be determined, exercised, and enforced under this Master Resolution, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds and Credit Agreements, including designating any municipal bond insurance company providing an insurance policy on the payment of Bonds or the provider or counterparty under a Credit Agreement as the sole owner of such Bonds.

(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 under such Supplement a priority over the owners of any other Outstanding Bonds.

Select Excerpts of the Second Supplemental Resolution

Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF BONDS, Second Supplement. By adoption of the Master Resolution, the Commission has established the Texas Transportation Commission Highway Improvement General Obligation Financing Program for the purpose of enabling the Commission to provide for the financing of the highway improvement projects including loans for highway improvement projects authorized by the Constitutional Provision, the Enabling Act, and any other applicable provisions of State law pursuant to which the Commission may issue and enter into obligations, including bonds, notes and other public securities and Credit Agreements, secured by and payable from a pledge of and lien on all or part of the Security. This Second Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds and Credit Agreements. This Second Supplement is subject to the terms of the Master Resolution and the terms of the Master Resolution are incorporated herein by reference and as such are made a part hereof for all purposes.

Section 4.01. PAYMENTS. (a) Accrued Interest. Immediately after the delivery of each Series of Bonds the Commission shall deposit any accrued interest received from the sale and delivery of such Bonds to the credit of the Interest and Sinking Fund.

(b) Debt Service Payments. Semiannually on or before each principal or interest payment date while any of the Current Interest Bonds are outstanding and unpaid, commencing on the first interest payment date for the Current Interest Bonds as provided in the Award Certificate(s), the Commission shall cause to be available to the Paying Agent/Registrar, from funds that are available for such purpose under the Constitutional Provision, money

sufficient to pay such interest on and such principal of the Current Interest 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 Bonds and shall furnish the Commission with an appropriate certificate of cancellation.

Section 4.02. REBATE FUND. A separate and special fund to be known as the Rebate Fund is hereby established by the Commission pursuant to the requirements of Section 148(f) of the Code and the tax covenants of the Commission contained in Section 5.01 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 Section 5.01. Any moneys held within the Rebate Fund shall not constitute Security under the Master Resolution.

Section 5.02. 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 Tax-Exempt 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 Tax-Exempt Bonds, or (ii) the date the Tax-Exempt Bonds are retired, unless the Commission obtains an opinion of Bond Counsel that such expenditure will not adversely affect the tax-exempt status of the Tax-Exempt 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 5.03. DISPOSITION OF PROJECT. The Commission covenants that the property financed with the Tax-Exempt 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 an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Tax-Exempt 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.

Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS. Subject to the provisions of the Master Resolution, this Second Supplement and the rights and obligations of the Commission and of the Owners, this Second Supplement may be modified or amended at any time without notice to or the consent of any Owner, solely for any one or more of the following purposes:

- (i) To add to the covenants and agreements of the Commission contained in this Second Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Commission in this Second Supplement;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Second Supplement, 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 this Second Supplement;
- (iii) To supplement the Security for the Bonds or a Credit Agreement;
- (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;

(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 the Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners; 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.

Section 6.02. AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS. (a) Amendments. Subject to the other provisions of this Second Supplement and the Master Resolution, the Owners aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Section 6.01 hereof, to this Second Supplement that 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 all the Owners, the amendment of the terms and conditions in this Second Supplement 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 Outstanding Bonds;

(iii) Reduce the amount of the principal payable on 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;

(v) Affect the rights of the Owners of less than all Bonds then Outstanding; or

(vi) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment.

(b) Notice. If at any time the Commission shall desire to amend this Second Supplement pursuant to Subsection (a), 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 (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 the Paying Agent/Registrar for inspection by all Owners. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing to each Owner. A copy of such notice shall be provided in writing to each rating agency maintaining a rating on the Bonds.

(c) Receipt of Consents. Whenever at any time the Commission shall receive an instrument or instruments executed by all of the Owners or the Owners aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which 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.

(d) Consent Irrevocable. Any consent given by any Owner pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the Commission, but such revocation shall not be effective if the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount prior to the attempted revocation consented to and

approved the amendment. Notwithstanding the foregoing, any consent given at the time of and in connection with the initial purchase of Bonds shall be irrevocable.

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Security Register kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 7.01. DISPOSITION OF BOND PROCEEDS AND OTHER FUNDS. Proceeds from the sale of each Series of Bonds shall, promptly upon receipt thereof, be applied by the Department Representative as follows:

- (i) any underwriting discount or fees and any Credit Agreement fees for each Series of Bonds may be retained by and/or wired directly to such parties;
- (ii) any accrued interest shall be deposited as provided in Section 4.01; and
- (iii) an amount sufficient to pay the remaining costs of issuance of the Bonds and the cost of highway improvement projects being financed with the proceeds of each Series of Bonds shall be deposited in a separate subaccount for each Series within the Proceeds Fund or the State Infrastructure Bank account as directed by the Department Representative to comply with the General Appropriations Act.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be deposited into the Interest and Sinking Fund and applied to the payment of principal of and interest on the Current Interest Bonds and Maturity Amounts in the case of Capital Appreciation Bonds.

Section 7.03. DEFEASANCE OF BONDS. (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased Bonds 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 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) 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 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 Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as Bonds shall be deemed to be a Defeased Bond hereunder, as aforesaid, such 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 Bonds as aforesaid when proper notice of redemption of such 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 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 Bonds or an eligible trust

company or commercial bank pursuant to this Section which is not required for the payment of such 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 Interest and Sinking 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 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular 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 Bonds shall have become due and payable, the Paying Agent/Registrar for such Defeased Bonds shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Department 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 Bonds or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such 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 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 Bonds to be paid at its maturity, the Commission retains the right under State law to later call that Defeased Bonds for redemption in accordance with the provisions of this Second Supplemental Resolution and the Award Certificate relating to the Defeased Bonds, the Commission may call such Defeased Bonds 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 Bonds as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bonds and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bonds.

Section 7.05. FURTHER PROCEDURES. Each Department Representative is hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Commission all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Second Supplement, each Series of Bonds, the sale and delivery of each Series of Bonds, and fixing all details in connection therewith, and the Paying Agent/Registrar Agreement, and to approve the Official Statement, or supplements thereto, in connection with each Series of Bonds. In connection with the issuance and delivery of each Series of Bonds, the above-stated officers, with the advice of General Counsel and Bond Counsel to the Department, are hereby authorized to approve, subsequent to the date of the adoption of this Second Supplement, any amendments to the above named documents, and any technical amendments to this Second Supplement as permitted by Section 6.01 (v) or (vi) and a Department Representative is hereby authorized to execute this Second Supplement to evidence approval of such changes.

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

This section 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 (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. 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 (1) DTC will distribute payments of debt service on the Series 2012A Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2012A Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012A Bond certificate will be issued for serial installment or maturity of the Series 2012A Bonds, and will be deposited with DTC.

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

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012A 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 Series 2012A 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 Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A 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 Series 2012A 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 Series 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A 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 Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A 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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2012A 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 the 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, the Paying Agent/Registrar, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of Commission or the 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 Series 2012A Bonds at any time by giving reasonable notice to the Commission or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2012A Bond certificates are required to be printed and delivered.

To the extent permitted by law, the Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.