

OFFICIAL STATEMENT DATED SEPTEMBER 22, 2010

NEW ISSUE - Book-Entry-Only

RATINGS: Fitch: "AAA"

Moody's: "Aaa"

Standard & Poor's: "AA+"

See "OTHER INFORMATION - Ratings" herein

The 2010A Bonds (defined herein) are not obligations described in Section 103(a) of the Internal Revenue Code of 1986 (the "Code"). See "TAX MATTERS" including the subsection "— 2010A Bonds" herein.

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the 2010B 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" including the subsection "— 2010B Bonds" herein.



\$977,810,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT
GENERAL OBLIGATION BONDS



Consisting of

\$815,420,000, Taxable Series 2010A
(Build America Bonds – Direct Payment)

\$162,390,000, Series 2010B

Dated: Date of Initial Delivery

Interest Accrues From: 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, Taxable Series 2010A (Build America Bonds – Direct Payment)" (the "2010A Bonds") and the "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2010B" (the "2010B Bonds" and, together with the 2010A Bonds, the "Series 2010 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 2010 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") and Section 222.004 of the Texas Transportation Code (the "Enabling Act"); Chapter 1371 of the Texas Government Code; a "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (the "Master Resolution"), as supplemented by a "First Supplemental Resolution" thereto, both adopted by minute order of the Commission on January 28, 2010; and an Award Certificate of a Department Representative authorized by the First Supplemental Resolution (the "Award Certificate"). The Master Resolution, the First 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 2010 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 2010 Bonds. The Series 2010 Bonds are the first series of obligations being issued or executed under the Program.

Interest on the Series 2010 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 April 1, 2011, until maturity or prior redemption. The Series 2010 Bonds are initially issuable as fully registered bonds under a global 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 and Global Clearance Procedures." Beneficial ownership of the Series 2010 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 2010 Bonds will be made to the beneficial owners thereof. Principal of, and premium, if any, on the Series 2010 Bonds and interest on the Series 2010 Bonds will be payable by the "Paying Agent/Registrar," initially Wells Fargo Bank, National Association, Austin, 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 the beneficial interests in the Series 2010 Bonds. See "DESCRIPTION OF THE SERIES 2010 BONDS – Paying Agent/Registrar" and "APPENDIX D – Book-Entry-Only System and Global Clearance Procedures."

Individual purchases of the 2010A Bonds may be made only in book-entry form through the facilities of DTC or, outside the United States, through Clearstream Banking, société anonyme, Luxembourg ("Clearstream Banking") or the Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"). Clearstream Banking and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories, which in turn, will hold positions in customers' securities accounts in such depository's name on the books of DTC. Purchasers will not receive certificates representing their interest in the 2010A Bonds purchased.

The Commission has elected to treat the 2010A Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), and has irrevocably elected pursuant to Section 6431 of the Code to receive a federal subsidy payment (each a "Subsidy Payment") from the United States Treasury equal to 35% of the interest payable on the 2010A Bonds. The Commission intends for the Subsidy Payments to be available for payment of debt service on the 2010A Bonds, but the Subsidy Payments have not been pledged as security to pay debt service on the 2010A Bonds. No holders of 2010A Bonds will be entitled to such Subsidy Payments or to receive a tax credit with respect to the 2010A Bonds. See "DESCRIPTION OF THE SERIES 2010 BONDS – Designation of the 2010A Bonds as Build America Bonds" herein.

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 2010 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 2010A Bonds are subject to optional make-whole redemption, extraordinary optional redemption and mandatory sinking fund redemption prior to maturity as more fully described herein. The 2010B Bonds are not subject to redemption prior to maturity at the option of the Commission. See "DESCRIPTION OF THE SERIES 2010 BONDS – Redemption Provisions".

This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision.

MATURITY SCHEDULES, INTEREST RATES, INITIAL YIELDS, CUSIP & ISIN NUMBERS AND COMMON CODES

See Inside Cover Page

The Series 2010 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 Fulbright & Jaworski L.L.P., Dallas, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord Bissell & Liddell LLP, Austin, Texas and Bates & Coleman, P.C., Houston, Texas.

It is expected that the Series 2010 Bonds will be delivered on or about September 29, 2010, through the facilities of DTC.

J.P. Morgan

Jefferies & Company
Ramirez & Co., Inc.

Loop Capital Markets
Siebert Brandford Shank & Co., LLC

Morgan Stanley
Wells Fargo Securities

\$815,420,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT
GENERAL OBLIGATION BONDS, TAXABLE SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)

MATURITY SCHEDULE
(Interest accrues from date of initial delivery)

Maturity (April 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP⁽¹⁾	ISIN⁽¹⁾	Common Codes⁽²⁾
2019	\$ 27,720,000	3.203 %	3.203 %	882722VF5	US882722VF55	54156138
2020	28,300,000	3.373	3.373	882722VG3	US882722VG39	54156154
2021	28,920,000	3.523	3.523	882722VH1	US882722VH12	54156120
2022	29,580,000	3.673	3.673	882722VJ7	US882722VJ77	54156162
2023	30,290,000	3.823	3.823	882722VK4	US882722VK41	54156103
2024	31,040,000	3.973	3.973	882722VL2	US882722VL24	54156146
2025	31,845,000	4.123	4.123	882722VM0	US882722VM07	54156090
2026	32,695,000	4.273	4.273	882722VQ1	US882722VQ11	54156057

\$257,600,000 4.631% Bond due April 1, 2033 @ Yield of 4.631% CUSIP No. 882722VP3⁽¹⁾ ISIN US882722VP38⁽¹⁾
Common Codes 54156073⁽²⁾

\$317,430,000 4.681% Bond due April 1, 2040 @ Yield of 4.681% CUSIP No. 882722VN8⁽¹⁾ ISIN US882722VN89⁽¹⁾
Common Codes 54156111⁽²⁾

\$162,390,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT
GENERAL OBLIGATION BONDS, SERIES 2010B

MATURITY SCHEDULE
(Interest accrues from date of initial delivery)

Maturity (April 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP⁽¹⁾
2012	\$ 5,000,000	2.00 %	0.50 %	882722VR9
2012	15,160,000	5.00	0.50	882722VY4
2013	1,025,000	2.00	0.69	882722VS7
2013	19,995,000	5.00	0.69	882722VZ1
2014	2,100,000	4.00	0.95	882722VT5
2014	19,940,000	5.00	0.95	882722WA5
2015	5,800,000	4.00	1.30	882722VU2
2015	17,320,000	5.00	1.30	882722WB3
2016	6,825,000	4.00	1.60	882722VV0
2016	17,395,000	5.00	1.60	882722WC1
2017	15,760,000	4.00	1.91	882722VW8
2017	9,600,000	5.00	1.91	882722WD9
2018	7,450,000	4.00	2.18	882722VX6
2018	19,020,000	5.00	2.18	882722WE7

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP and ISIN 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 or ISIN numbers shown herein.

(2) The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. Neither the Commission, the Department, the Financial Advisor nor the Underwriters take any responsibility for the accuracy of such numbers.

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>
Deirdre Delisi	Chair	February 1, 2013
Ned S. Holmes	Commissioner	February 1, 2011
Ted Houghton	Commissioner	February 1, 2015
William Meadows	Commissioner	February 1, 2013
Fred Underwood	Commissioner	February 1, 2015

TEXAS DEPARTMENT OF TRANSPORTATION

<u>Name</u>	<u>Position</u>	<u>Total Service with the Department</u>
Amadeo Saenz, Jr., P.E.	Executive Director	32 years
Steven E. Simmons, P.E.	Deputy Executive Director	27 years
David Casteel, P.E.	Assist. Exec. Dir., Field and District Operations	26 years
John A. Barton, P.E.	Assist. Exec. Dir., Engineering Operations	25 years
James M. Bass	Chief Financial Officer	22 years
Brian Ragland, CPA	Finance Director	4 years
John Muñoz, CPA	Deputy Director, Finance Division	22 years
Robert (Bob) W. Jackson	General Counsel	25 years

CONSULTANTS AND ADVISORS

Financial Advisor	Public Financial Management, Inc.
Bond Counsel	McCall, Parkhurst & Horton L.L.P.
Disclosure Counsel	Fulbright & Jaworski L.L.P.

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

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

Mr. Don Henderson
 Senior Managing Consultant
 Public Financial Management, Inc.
 700 Lavaca Street, Suite 1500
 Austin, Texas 78701
 (512) 472-7194

SALE AND DISTRIBUTION OF THE BONDS

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 2010 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 2010 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, Clearstream Banking or Euroclear as provided for in "APPENDIX D – Book-Entry-Only System and Global Clearance Procedures," as such information was furnished by DTC. Neither the State nor the Commission makes any representation or warranty with respect to information concerning offering restrictions in certain jurisdictions outside the United States.

Marketability

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2010 BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH SERIES 2010 BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH SERIES 2010 BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2010 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 2010 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 2010 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 2010 Bonds have been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Series 2010 Bonds have not been registered or qualified under the securities laws of any other jurisdiction (foreign or domestic).

The Commission assumes no responsibility for registration or qualification for sale or other disposition of the Series 2010 Bonds under the securities laws of any jurisdiction (foreign or domestic) in which the Series 2010 Bonds may be offered, sold or otherwise transferred.

This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2010 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."

[Remainder of page intentionally left blank.]

**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES⁽¹⁾**

MINIMUM UNIT SALES OUTSIDE THE UNITED STATES

FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE 2010A BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT), AND THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$100,000 U.S.).

EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “*Relevant Member State*”), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”) it has not made and will not make an offer of any 2010A Bonds which are the subject of the offering contemplated by this Official Statement to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such 2010A Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Commission; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any 2010A Bonds referred to in (a) through (d) above shall require the Commission or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of 2010A Bonds to the public” in relation to any 2010A Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the 2010A Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the 2010A Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Underwriter has represented and agreed that:

- (a) in relation to any 2010A Bonds having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any 2010A Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes

⁽¹⁾ Neither the State, the Commission nor the Department has provided any of the information under this caption, and the State, the Commission and the Department make no representation as to the accuracy, adequacy or completeness of such information.

of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the 2010A Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Commission;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any 2010A Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Commission; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such 2010A Bonds in, from or otherwise involving the United Kingdom.

Australia

No prospectus, product disclosure statement or other disclosure document (as defined in the Corporations Act) in relation to the 2010A Bonds has been, or will be, lodged with the Australian Securities and Investments Commission (“ASIC”). Each Joint Lead Manager has represented and agreed that it: (a) has not (directly or indirectly) offered for issue or sale or invited applications for the issue or offers to purchase, and will not offer for issue or sale or invite applications for the issue or offers to purchase, made or invited, and will not make or invite, an offer of any 2010A Bonds for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering or information memorandum, advertisement or other offering material relating to the 2010A Bonds in Australia, unless (i) the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act and is not an offer to a “retail client” under Chapter 7 of the Corporations Act, and (ii) such action complies with all applicable laws and directives and does not require any document to be lodged with ASIC.

Belgium

This Official Statement is not intended to constitute a public offer in Belgium and may not be distributed to the Belgian public. The Belgian Banking, Finance and Insurance Commission (Commission Bancaire, Financière et des Assurances) has not been notified of the offer under this Official Statement pursuant to Article 32 of the Belgian law of 16 June 2006 on the Public Offering of Securities and the Admission of Securities to Trade on Regulated Markets (the “*Prospectus Law*”) nor has this Official Statement been, or will it be, approved by the Belgian Banking, Finance and Insurance Commission pursuant to Article 23 of the Prospectus Law. Accordingly, each Underwriter has represented and agreed that it will not offer or sell the 2010A Bonds or distribute this Official Statement or any other information, document, brochure or similar document, directly or indirectly, to any person in Belgium other than to investors who are required to acquire 2010A Bonds for an amount of at least €50,000 (or its equivalent in foreign currencies) per investor, for each separate offer, as specified in article 3, §2 c) of the Prospectus Law.

Brazil

The 2010A Bonds have not been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM). The 2010A Bonds may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

Neither the Commission nor the 2010A Bonds offered herein are registered in the Securities Registry maintained by the Chilean Superintendency of Securities and Insurance (*Superintendencia de Valores y Seguros de Chile*, the “SVS”) pursuant to the Chilean Securities Market Law 18,045, as amended and restated, and supplemental rules enacted thereunder (“Law 18,045”). Accordingly, the 2010A Bonds may not be offered in Chile

except in circumstances which do not constitute a public offer of securities in Chile within the meaning of Article 4 of Law 18,045.

This prospectus is confidential and personal to each offeree and does not constitute an offer to any other person or to the general public in Chile to acquire the 2010A Bonds. Distribution of the prospectus in Chile to any person other than the offeree is unauthorized, and any disclosure of any of the contents of the prospectus within Chile without our prior written consent is prohibited.

Each prospective investor in Chile, by accepting the delivery of this prospectus, agrees to the foregoing and will not make photocopies or any other reproduction, either physical or electronic, of the prospectus or any other documents referred to herein.

Colombia

The registration at the Issuers and Securities National Registry (“Registro Nacional de Valores y Emisores”) does not imply any rating nor any responsibility from the Superintendence of Finance in relation to the registered entities nor to the price, negotiability and kindness of the securities nor of the respective issue, nor of the solvency of the issuer.

Denmark

The Official Statement is not intended to constitute a public offering in Denmark and will not be registered with and has not been approved by or otherwise published by the Danish Financial Supervisory Authority, the Danish Securities Council or the Danish Commerce and Companies Agency under the relevant Danish acts and regulations. The 2010A Bonds have not been offered or sold and may not be offered or sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with Chapter 6 of the Danish Securities Trading Act and Executive Orders, including Executive Order no 223 of 10 March 2010 issued pursuant thereto from time to time.

Dubai International Financial Centre

Each Underwriter has represented and agreed that it has not offered and will not offer the 2010A Bonds to be issued to any person in the Dubai International Financial Centre unless such offer is:

- (a) deemed to be an “*Exempt Offer*” in accordance with the offered securities rules of the Dubai Financial Services Authority (the “*DFSA*”); and
- (b) made only to persons who meet the professional client criteria set out in Rule 2.3.2 of the DFSA conduct of business module.

France

Each of the Underwriters has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any 2010A Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Official Statement or any other offering material relating to the 2010A Bonds and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Germany

Each of the Underwriters has represented and agreed that in Germany the 2010A Bonds will be offered only to qualified investors within the meaning of §2(6) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), or to investors who acquire the 2010A Bonds for a total consideration of at least \$100,000 U.S. per investor for each separate offer, or otherwise in compliance with German law and that in making any such offers any applicable German laws or regulations will be complied with.

Grand Duchy of Luxembourg

In addition to the cases described in the section “*EEA*” in which each Underwriter can make an offer of the 2010A Bonds to the public in an European Economic Area Member State (including the Grand Duchy of Luxembourg) (Luxembourg), each Underwriter can also make an offer of the 2010A Bonds to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;
- (b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Law of 10 dated July, 2005 on Prospectus for Securities implementing the Prospective Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de Surveillance du Secteur Financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

Hong Kong

Each Underwriter has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any of the 2010A Bonds other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the Official Statement being a “*prospectus*” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 2010A Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 2010A Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

India

Each Underwriter has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in India, by means of this Official Statement or any other document, any 2010A Bonds in circumstances which would constitute an offering to the public within the meaning of the (Indian) Companies Act, 1956;
- (b) this Official Statement and any document by means of which it offers the 2010A Bonds will not be generally distributed or circulated in India and will be for the sole consideration and exclusive use of the persons permitted to acquire 2010A Bonds under Indian law to whom it is issued; and
- (c) the 2010A Bonds will not be offered, directly or indirectly, to persons exceeding 49 in number in India or any other number as may be specified under the (Indian) Companies Act, 1956 from time to time.

This Official Statement is strictly personal to the recipient and neither this Official Statement nor the issue is calculated to result, directly or indirectly, in the securities becoming available for subscription or purchase by persons other than those receiving the invitation or offer.

The 2010A Bonds have not been approved by the Securities and Exchange Board of India, reserve bank of India or any other regulatory authority of India, nor have the foregoing authorities approved this Official Statement or confirmed the accuracy or determined the adequacy of the information contained in this Official Statement. This Official Statement has not been and will not be registered as a prospectus or a statement in lieu of prospectus with the Registrar of Companies in India.

Prospective investors from India must seek legal advice as to whether they are entitled to subscribe to the 2010A Bonds and must comply with all relevant Indian laws in this respect. Each investor is deemed to have acknowledged and agreed that it is eligible and permitted to invest in the 2010A Bonds under applicable laws and regulations in India and that it is not prohibited under any law or regulation in India from acquiring, owning or selling the 2010A Bonds.

Ireland

The 2010A Bonds may be offered, sold or placed in Ireland only in the circumstances described in Regulation 9(1)(a), (b) or (c) of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland. The 2010A Bonds may not be offered, sold or placed in Ireland in any other circumstances.

Italy

The offering of the 2010A Bonds has not been registered pursuant to Italian securities legislation and, accordingly, each Underwriter has represented and agreed that it has not offered, sold or delivered, will not offer, sell or deliver, has not distributed and will not distribute and has not made and will not make available in Italy any 2010A Bonds, the Official Statement nor any other offering material relating to the 2010A Bonds other than:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Articles 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”) and Article 34-ter, first paragraph, letter b) of Consob Regulation No. 11971 of May 14, 1999, as amended from time to time (“Regulation no. 1971”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the 2010A Bonds or distribution of copies of the Official Statement or any other document relating to the bonds in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree no. 385 of September 1, 1993, as amended from time to time (the “Banking Act”), and Consob Regulation no. 16190 of October 29, 2007 (as amended);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and
- (iii) in accordance with any other applicable laws and regulations or requirement imposed by Consob or other Italian authority.

Please note that in accordance with Article 100-Bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the 2010A Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may

result in the sale of such 2010A Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Japan

The 2010A Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “*FIEA*”). Accordingly, the 2010A Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws and regulations of Japan.

For the primary offering of the 2010A Bonds, the 2010A Bonds and the solicitation of an offer for acquisition thereof have not been and will not be registered under Paragraph 1, Article 4 of the FIEA. As it is a primary offering, the 2010A Bonds may only be offered, sold, resold or otherwise transferred, directly or indirectly to, or for the benefit of, (i) a person who is not a resident of Japan or (ii) a Qualified Institutional Investor (“*QII*”) defined in Article 10 of the Cabinet Ordinance Concerning definitions under Article 2 of the FIEA (Ordinance No. 14 of 1993, as amended). A person who purchased or otherwise obtained the 2010A Bonds cannot resale or otherwise transfer the 2010A Bonds in Japan to any person except another QII.

Korea

No registration statement for the offering and sale of the 2010A Bonds has been filed with the Financial Services Commission of Korea. Accordingly, no 2010A Bonds may be offered, sold or delivered, directly or indirectly, in Korea or to, or for the benefit of, any Korean resident (as such term is defined in the Foreign Exchange Transaction law of Korea), except as otherwise permitted by applicable Korean laws and regulations. Furthermore, a holder of the 2010A Bonds will be prohibited from offering, delivering or selling any 2010A Bonds, directly or indirectly, in Korea or to any Korean resident, except as may be permitted by applicable Korean laws and regulations.

Mexico

The 2010A Bonds offered hereby are not and will not be registered in the National Securities Registry (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*). The 2010A Bonds may not be publicly offered or sold in Mexico without the applicability of an exemption for the private placement of securities pursuant to the Mexican securities law. In making an investment decision, you should rely on your own review and examination. The 2010A Bonds are not being offered and may not be offered nor acquired within the territory of the United Mexican States.

Netherlands

Each Underwriter has undertaken that in relation to the issue of the 2010A Bonds it has not and will not, directly or indirectly, offer, sell, transfer or deliver any 2010A Bond as part of their initial distribution or at any time thereafter (including rights representing an interest in a global bond) to individuals or legal entities who or which are established, domiciled or have their residence in the Netherlands other than for a minimum consideration of €50,000, or the equivalent in another currency than Euro, per investor.

Norway

This Official Statement has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither this Official Statement nor any other offering material relating to the offering or the 2010A Bonds constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 29 June 2007. The 2010A Bonds may not be offered or sold, directly or indirectly, in Norway except;

- (a) in respect of an offer of 2010A Bonds addressed to investors subject to a minimum purchase of 2010A Bonds for a total consideration of not less than €50,000 per investor;

- (b) to “*professional investors*” as defined in the Norwegian Securities Regulation of 29 June 2007 No. 876, being;
- (i) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in 2010A Bonds;
 - (ii) any legal entity which is registered as a professional investor with the Norwegian Financial Supervisory Authority (No. Finanstilsynet) and which has two or more of; (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
 - (iii) any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. *Oslo Børs*) and who meets two or more of the following criteria; (1) has an average execution of at least ten (10) transactions in securities of significant volume per quarter for the last four quarters; (2) has a portfolio of securities with a market value of at least €500,000; (3) has worked or works, for at least one (1) year, within the financial markets in a position which presupposes knowledge of investing in securities;
- (c) to fewer than 100 natural or legal persons (other than “*professional investors*” as defined in the Norwegian Securities Regulation of 29 June 2007 No. 876), subject to obtaining the prior consent of the Underwriters for any such offer; or
- (d) in any other circumstances provided that no such offer of 2010A Bonds shall result in a requirement for the registration, or the publication by the Commission or any Underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Peru

The 2010A Bonds and the information contained in this Official Statement have not been and will not be registered with or approved by the Peruvian Securities Exchange Commission (*Comisión Nacional Supervisora de Empresas y Valores – CONASEV*) or the Lima Securities Exchange (*Bolsa de Valores de Lima – BVL*). Accordingly, the 2010A Bonds cannot be offered or sold in Peru, except if such offer qualifies as a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private if it is directed exclusively to institutional investors.

Portugal

This offer and the Official Statement have not been and will not be registered or approved by the Portuguese Securities Market Commission (“*Comissão do Mercado dos Valores Mobiliários*”) nor has a Prospectus recognition procedure been commenced with the Portuguese Securities Market Commission and therefore the offering of the 2010A Bonds is not addressed to investors resident and/or located in Portugal and can not be made to the public in Portugal or under circumstances which are deemed to be a public offer under the Portuguese Securities Code (“*Código dos Valores Mobiliários*”) and other securities legislation and regulations applicable in Portugal. In addition, the Official Statement and other offering materials are only being publicly distributed in the jurisdictions where lawful and may not be publicly distributed in Portugal, nor may any publicity or marketing activities related to the offering be conducted in Portugal.

The offering of the 2010A Bonds is not addressed to investors residing and/or located in Portugal, and no tenders from investors residing and/or located in Portugal will be accepted, except if those investors are all qualified investors (“*investidores qualificados*”), as defined in articles 30.º and 110.º-A of the Portuguese Securities Code, or 99 or fewer non-qualified investors, in which case the offering can be made through a private placement (“*oferta particular*”), in accordance with the relevant provisions of the Portuguese Securities Code.

Singapore

Each Underwriter acknowledges that the Official Statement has not been registered as a prospectus with the Monetary Authority of Singapore, and the 2010A Bonds will be offered pursuant to exemptions under the Securities

and Futures Act, Chapter 289 of Singapore (the “*Securities and Futures Act*”). Accordingly, each Underwriter represents and agrees that it has not offered or sold any 2010A Bonds or caused the 2010A Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any 2010A Bonds or cause the 2010A Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Official Statement or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any 2010A Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act that has subscribed or purchased the 2010A Bonds, namely a person who is:

- (a) a corporation (that is not an accredited investor” as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interests in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the 2010A Bonds under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

Spain

Neither the 2010A Bonds nor this Official Statement have been or will be verified or registered in the administrative registries of the Spanish Securities Markets Commission (Comisión Nacional de Mercado de Valores), and therefore this Official Statement is not intended for any public offer of the 2010A Bonds in Spain.

Accordingly, the 2010A Bonds may not be offered, sold or distributed in the Kingdom of Spain except in circumstances which do not constitute a public offering of securities in the Kingdom of Spain within the meaning of Section 30-Bis of law 24/1988, of 28 July, on the securities market (Ley 24/1988, de 28 de Julio, del Mercado de Valores) as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing law 24/1988, of 28 July, on the securities market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (Real Decreto 1310/2005, de 4 de Noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos) and the supplemental rules enacted thereunder or in substitution thereof from time to time.

Sweden

Each Underwriter has represented and agreed, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy 2010A Bonds or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances that will not result in

a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. *Lag (1991:980) om handel med finansiella instrument*).

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the 2010A Bonds described herein. The 2010A Bonds may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Official Statement nor any other offering or marketing material relating to the 2010A Bonds constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of SIX Swiss Exchange Ltd or any other regulated trading facility, and neither this Official Statement nor any other offering or marketing material relating to the 2010A Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Taiwan

The 2010A Bonds have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Law, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the 2010A Bonds in Taiwan, the Republic of China.

Thailand

The 2010A Bonds have not been approved for marketing and sale in the Kingdom of Thailand by the Securities and Exchange Commission of Thailand. Accordingly, the Bonds may not be offered or sold, or this Official Statement or any other documents relating to the offer of the 2010A Bonds be distributed, directly or indirectly, in Thailand to any Thai Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time. For this person, "Thai Person" means any person resident in Thailand, including any corporation or other entity organised under the laws of Thailand.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Underwriter has represented and agreed that the 2010A Bonds to be issued have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Underwriter has acknowledged that the information contained in this Official Statement does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Official Statement is not intended to lead to the conclusions of any contract within the territory of the United Arab Emirates.

[Remainder of Page Intentionally Left Blank]

[This page is intentionally left blank.]

TABLE OF CONTENTS

	<u>Page</u>
SALE AND DISTRIBUTION OF THE BONDS	iv
INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES	vi
INTRODUCTION	1
PLAN OF FINANCE	2
General	2
Anticipated Issuance of Additional Obligations.....	2
ESTIMATED SOURCES AND USES OF FUNDS	3
DESCRIPTION OF THE SERIES 2010 BONDS.....	3
General	3
Build America Bonds	3
Designation of the 2010A Bonds as “Build America Bonds”	4
Payment of the Bonds	4
Paying Agent/Registrar	5
Redemption Provisions	5
Selection of 2010A Bonds to be Redeemed	7
Notice of Redemption or Defeasance.....	8
Purchase in Lieu of Redemption	8
Limitation on Transfer of 2010A Bonds Called for Redemption	9
Redemption Through The Depository Trust Company	9
Transfer, Exchange and Registration	9
Defeasance	10
Amendments to the Master Resolution Without Consent of Owners.....	11
Amendments to the Master Resolution With Consent of Owners.....	11
Amendments to First Supplemental Resolution Without Consent of Owners.....	11
Amendments to First Supplemental Resolution With Consent of Owners.....	12
Use of Certain Terms in Other Sections of this Official Statement.....	12
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS	12
General	12
General Obligation Pledge	13
Perfection	13
Credit Agreements.....	13
Enforcement	13
Limitation of Liability of Officials of the Commission.....	14
Creation of Accounts and Subaccounts With Respect to the Program.....	14
Creation of Subaccounts in the First Supplemental Resolution	14
Flow of Funds.....	15
Investment of Funds	15
THE COMMISSION AND THE DEPARTMENT	15
The Commission	15
The Department.....	17
Department Organizational Review	19
Retirement Plan of the Department	19
Sunset Review.....	20
State Audits	20
State Budget Reduction Request	21
Existing Financing Programs	21
GENERAL INFORMATION REGARDING THE STATE	24
Bond Appendix	24
2009 State CAFR	24
Constitutional Limitation on Debt.....	24
Possible Revenue Shortfall for 2012-2013	24

TABLE OF CONTENTS
(continued)

	<u>Page</u>
LEGAL MATTERS	25
Legal Opinions	25
Litigation	26
Eligibility for Investment in Texas	26
Registration and Qualification of Bonds for Sale	26
TAX MATTERS	27
Certain Federal Income Tax Considerations	27
2010A Bonds	28
2010B Bonds	29
CONTINUING DISCLOSURE OF INFORMATION	30
Continuing Disclosure Undertaking of the Commission	30
Continuing Disclosure Undertaking of the Comptroller	31
Availability of Information	32
Limitations and Amendments	32
Compliance With Prior Undertakings	32
OTHER INFORMATION	32
Ratings	32
Underwriting	33
Forward-Looking Statements	34
Certification of Official Statement	34
Financial Advisor	34
Approval of Official Statement	35
APPENDIX A – The State	
APPENDIX B – Select Provisions of the Resolution	
APPENDIX C – Forms of Opinions of Bond Counsel	
APPENDIX D – Book-Entry-Only System and Global Clearance Procedures	
APPENDIX E – Principal Paydown Factor Table Pro Rata Pass-Through Distribution of Principal	

[This page is intentionally left blank.]

**OFFICIAL STATEMENT
RELATING TO

\$977,810,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS**

Consisting of

**\$815,420,000 TAXABLE SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)
and
\$162,390,000 SERIES 2010B**

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, Taxable Series 2010A (Build America Bonds – Direct Payment)” (the “2010A Bonds”) and the “Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2010B” (the “2010B Bonds” and, together with the 2010A Bonds, the “Series 2010 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 amounts set forth above. The Series 2010 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”) and Section 222.004 of the Texas Transportation Code (the “Enabling Act”); Chapter 1371 of the Texas Government Code; the “Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program” (the “Master Resolution”) and a “First Supplemental Resolution” thereto (the “First Supplemental Resolution”), both adopted by minute order of the Commission on January 28, 2010; and the Award Certificate of a Department Representative authorized by the First Supplemental Resolution (the “Award Certificate”). The Master Resolution, the First Supplemental Resolution and the Award Certificate are collectively referred to herein as the “Resolution”. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein.

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 2010 Bonds and other bonds issued under the Program are collectively referred to herein as the “Bonds.”

The Constitutional Provision provides that any bonds issued pursuant thereto shall constitute a general obligation of the State. ACCORDINGLY, THE SERIES 2010 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 2010 BONDS. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS – General Obligation Pledge.”

This Official Statement includes descriptions of the Series 2010 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, 125 E. 11th Street, Dewitt Greer State Office Building, Austin, Texas 78701. Reference is made to the caption “Selected Definitions in the Master Resolution and the First Supplemental Resolution” in APPENDIX B – “SELECT PROVISIONS OF THE RESOLUTION” and to the Resolution for the definition of certain terms used herein.

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.

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.

Under the First Supplemental Resolution, the Commission has authorized the issuance of up to an aggregate of \$3 billion of Bonds under the Program. In addition to the approval of the Commission, the approval of the Texas Bond Review Board (the “BRB”) is required for the issuance of Bonds. At its meeting on July 30, 2010, the BRB approved the issuance of one or more series of Bonds in the aggregate principal amount of not to exceed \$3 billion (including premium), subject to certain conditions including that no more than \$2 billion of Bonds would be issued prior to August 31, 2011 and that the Legislative Budget Board (“LBB”) approve the use of Bond proceeds for Bonds issued prior to August 31, 2011. In addition, the BRB required that the final \$1 billion of Bonds approved at its July 30th meeting would require additional State legislative appropriation. Thus far, the LBB has approved the use of Bond proceeds in the amount of \$1 billion.

Additional issuances of Bonds under the First Supplemental Resolution in excess of \$1 billion would require additional LBB approval. As specified in the BRB approval, additional issuances of Bonds under the First Supplemental Resolution in excess of \$2 billion will require additional State legislative appropriation. The issuance of Bonds in excess of \$3 billion (up to the total \$5 billion aggregate principal amount of Bonds currently established for the Program) would require further legislative appropriation, Commission action and BRB approval. See “PLAN OF FINANCE – Anticipated Issuance of Additional Obligations” below for information concerning future issuances of obligations under the Program

The Series 2010 Bonds are the first series of obligations issued or executed under the First Supplemental Resolution and the Program. The Series 2010 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 2010 Bonds.

Anticipated Issuance of Additional Obligations

Following the issuance of the Series 2010 Bonds, the Commission currently expects to issue additional new money Bonds under the Program in the approximate amount of \$1 billion within the next nine to twelve months. See “PLAN OF FINANCE – General” and “DESCRIPTION OF THE SERIES 2010 BONDS.”

[Remainder of page left blank intentionally]

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2010A Bonds are estimated to be applied as follows:

Sources of Funds

Principal Amount of 2010A Bonds	\$ 815,420,000.00
Total Sources	<u>\$ 815,420,000.00</u>

Uses of Funds

Deposit to Proceeds Fund (2010A Subaccount)	\$ 810,597,242.61
Underwriters' Discount	4,322,402.53
Costs of Issuance	<u>500,354.86</u>
Total Uses	<u>\$ 815,420,000.00</u>

The proceeds from the sale of the 2010B Bonds are estimated to be applied as follows:

Sources of Funds

Principal Amount of 2010B Bonds	\$ 162,390,000.00
Original Issue Premium	<u>22,187,536.15</u>
Total Sources	<u>\$ 184,577,536.15</u>

Uses of Funds

Deposit to Proceeds Fund (2010B Subaccount)	\$ 183,870,046.65
Underwriters' Discount	607,844.36
Costs of Issuance	<u>99,645.14</u>
Total Uses	<u>\$ 184,577,536.15</u>

DESCRIPTION OF THE SERIES 2010 BONDS

General

The Series 2010 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 April 1, 2011, until maturity or, with respect to the 2010A Bonds, prior redemption, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2010 Bonds will be issued in book-entry form under a global book-entry-only system operated by Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), described in Appendix D. Beneficial owners of Series 2010 Bonds will not receive physical delivery of the Series 2010 Bond certificates. The Series 2010 Bonds will be issued in fully registered form in denominations of \$5,000 of principal amount and integral multiples thereof within a maturity and series, and will mature in the respective principal amounts on the respective dates shown on the inside cover page of this Official Statement. The Series 2010 Bonds will be dated the date of their initial delivery.

Build America Bonds

In February 2009, as part of the Recovery Act, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986 (the "Code"), which permit state and local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such obligations are referred to as Build America Bonds. A Build America Bond is a qualified bond under Section 54AA(g) of the Code (a "Qualified Build America Bond") if it meets certain requirements of the Code and the related Treasury Regulations and the issuer has made an irrevocable election to treat the bonds as Qualified Build America Bonds. Interest on Qualified Build America Bonds is not excluded from gross income for federal income tax purposes, and owners of Qualified Build America Bonds will not receive any tax credits or Subsidy Payments (defined below) as a result of ownership of such Qualified Build America Bonds. Issuers of Qualified Build

America Bonds may apply to receive subsidy payments from the United States Department of the Treasury (the “Subsidy Payments”) equal to 35% of the taxable interest paid on such obligations on each Interest Payment Date.

Designation of the 2010A Bonds as “Build America Bonds”

The Commission has designated and irrevocably elected to treat the 2010A Bonds as Qualified Build America Bonds for purposes of Sections 54AA and 6431 of the Code, permitting the Commission to be eligible to receive the Subsidy Payments in connection with the 2010A Bonds. Pursuant to the Code, the Commission expects to receive Subsidy Payments from the United States Department of the Treasury equal to 35% of the interest payable on the 2010A Bonds on each Interest Payment Date.

Subject to any required State appropriation, the Commission will deposit or cause to be deposited all collections of Subsidy Payments into a Build America Bonds Subaccount within the Interest and Sinking Fund (the “2010A Subaccount”). Funds in the 2010A Subaccount will be used solely for the purpose of paying principal of and interest on the 2010A Bonds. The Department expects to receive future appropriations, to the extent required by applicable law, of the Subsidy Payments in connection with the annual debt service requirements for the 2010A Bonds. The Subsidy Payments received by the Commission have not been pledged to the payment of the 2010A Bonds and no holder of the 2010A Bonds will be entitled to a tax credit nor any Subsidy Payments with respect to the 2010A Bonds. The Subsidy Payments do not constitute a full faith and credit guarantee of the United States Government, but are required to be paid by the United States Department of the Treasury under the Recovery Act.

Section 403.0122 of the Texas Government Code (“Section 403.0122”) requires State agencies that receive money under the Recovery Act to deposit such money into a special fund created in the State treasury outside the general revenue fund (the “Recovery Act Fund”) as the Comptroller determines is necessary to hold and account for money received under the Recovery Act. The Comptroller has indicated that all payments made to the State from the federal government pursuant to the Recovery Act should initially be deposited in the Recovery Act Fund prior to the transfer of such funds to a debt service account. The Commission expects to file the required forms with the IRS in a timely manner and to receive the Subsidy Payments prior to or contemporaneously with the related interest payments on the 2010A Bonds, and does not expect that any requirement to process the Subsidy Payments through the Recovery Act Fund will have a material adverse effect on the timing of deposits of the Subsidy Payments in the 2010A Subaccount. Additionally, if the Subsidy Payments are not received by the Commission prior to or contemporaneously with each applicable Interest Payment Date for the 2010A Bonds, the Commission does not expect that such delay will interfere with the timely payment of interest on the 2010A Bonds.

Subsidy Payments (as well as other federal monies received by the Department) may be subject to offset against certain amounts that may, for unrelated reasons, be owed by the Commission or the Department to an agency of the United States of America. The Department has a discrete Federal Employer Identification Number which is not shared with other State agencies and has put in place procedures to minimize the risk of any offset.

Payment of the Bonds

Debt Service Payments. Principal of, interest and redemption premium, if any, on the Series 2010 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 2010 Bonds will be payable only upon the presentation and surrender of the Series 2010 Bonds to the Paying Agent/Registrar at its designated office. Interest on the Series 2010 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 2010 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 2010 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 2010 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 2010 Bonds is Wells Fargo Bank, National Association, Austin, 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 2010 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 2010 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 2010 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

Make-Whole Redemption of 2010A Bonds. The 2010A Bonds are subject to redemption prior to their respective maturities at the option of the Commission, in whole or in part, on any date at a redemption price equal to the greater of:

- (i) 100% of the principal amount of the 2010A Bonds to be redeemed; or
- (ii) the sum of the present values of the remaining scheduled payments of principal of, and interest on, the 2010A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010A Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the “Treasury Rate” (defined below) plus 20 basis points,

plus, in each case, accrued and unpaid interest on the 2010A Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, the following definitions apply:

“Treasury Rate” means, with respect to any redemption date for a particular 2010A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular 2010A Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2010A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010A Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2010A Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Commission.

“Reference Treasury Dealer” means each of the four firms, specified by the Commission from time to time, that are primary United States Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Commission will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

Extraordinary Optional Redemption of 2010A Bonds. The 2010A Bonds are subject to redemption prior to their stated maturity dates at the option of the Commission, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price (the “Extraordinary Redemption Price”) equal to the greater of:

- (1) 100% of the principal amount of the 2010A Bonds to be redeemed; or
- (2) the sum of the present values of the remaining scheduled payments of principal of, and interest on, the 2010A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010A Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 100 basis points,

plus, in each case, accrued and unpaid interest on the 2010A Bonds to be redeemed on the redemption date.

An “Extraordinary Event” will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to “Build America Bonds”) pursuant to which the Commission’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

At the request of the Paying Agent/Registrar, the redemption price of the 2010A Bonds to be redeemed at the option of the Commission will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Commission at the Commission’s expense to calculate such redemption price. The Paying Agent/Registrar and the Commission may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

For purposes of determining the Extraordinary Optional Redemption Price, “Treasury Rate,” shall have the meanings described above under the caption, “Make-Whole Redemption of 2010A Bonds.”

Mandatory Sinking Fund Redemption of 2010A Bonds. The 2010A Bonds maturing on April 1 in each of the years 2033 and 2040 (the “2010A Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity. The 2010A Term 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:

2010A Term Bonds Maturing April 1, 2033		2010A Term Bonds Maturing April 1, 2040	
Redemption Date (April 1)	Principal Amount	Redemption Date (April 1)	Principal Amount
2027	\$ 33,605,000	2034	\$ 41,370,000
2028	34,615,000	2035	42,630,000
2029	35,660,000	2036	43,925,000
2030	36,735,000	2037	45,265,000
2031	37,840,000	2038	46,645,000
2032	38,985,000	2039	48,065,000
2033*	40,160,000	2040*	49,530,000

* Stated maturity

The principal amount of the 2010A Term 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 2010A Term 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 2010A Term 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. Upon such purchase of such Bonds, the Paying Agent/Registrar shall then credit an amount equal to the principal of such Bonds so purchased towards the sinking fund installments for the Bonds of such maturity on a pro rata basis in accordance with a certificate of a Department Representative, which will direct the reduction of a ratable portion of each annual mandatory sinking fund installment requirement; in accordance with the procedures set forth under "Selection of Bonds to be Redeemed" below.

No Optional Redemption of 2010B Bonds. The 2010B Bonds are not subject to redemption prior to maturity at the option of the Commission.

Selection of 2010A Bonds to be Redeemed

If less than all of the 2010A Bonds are to be redeemed, the particular maturities of 2010A Bonds to be redeemed at the option of the Commission will be determined by the Commission in its sole discretion.

If the 2010A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such 2010A Bonds, if less than all of the 2010A Bonds of a maturity are called for prior redemption, the particular 2010A Bonds or portions thereof to be redeemed shall be selected on a *pro rata pass-through distribution of principal* basis in accordance with DTC procedures, provided that, so long as the 2010A Bonds are held in book-entry form, the selection for redemption of such 2010A Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2010A Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Commission intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Commission nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of 2010A Bonds on such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Paying Agent/Registrar will direct DTC to make a pass-through distribution of principal to the holders of the 2010A Bonds. A Pro Rata Pass-Through Distribution of Principal table is included as Appendix E to this

Official Statement and reflects the current schedule of mandatory sinking fund redemptions applicable to the 2010A Bonds and the factors applicable to such redemption amounts and remaining bond balances, which is subject to change upon certain optional redemptions. See “APPENDIX E—Principal Paydown Factor Table---Pro Rata Pass-Through Distribution of Principal.”

For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the 2010A Bonds.

If the 2010A Bonds are no longer registered in book-entry-only form, each owner will receive an amount of 2010A Bonds equal to the original face amount then beneficially held by that owner, registered in such investor’s name. Thereafter, any redemption of less than all of the 2010A Bonds of any maturity will continue to be paid to the registered owners of such 2010A Bonds on a pro-rata basis, based on the portion of the original face amount of any such 2010A Bonds to be redeemed.

Notice of Redemption or Defeasance

Unless waived by any Owner of the Series 2010 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 2010A 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 2010 Bonds and the Paying Agent/Registrar will give notice of redemption of 2010A Bonds or notice of defeasance of Series 2010 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 2010A Bond who has not sent the 2010A 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 2010A Bonds, unless certain prerequisites to such redemption required by the First Supplemental Resolution have been met and money sufficient to pay the principal of, premium, if any, and interest on the Series 2010A 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 2010A 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 2010A Bonds have not been redeemed.

Purchase in Lieu of Redemption

If and to the extent that the 2010A Bonds are subject to optional redemption, all or a portion of the 2010A 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 2010A 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 2010A 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 2010A Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase 2010A Bonds in lieu of optional redemption, no notice to the Owners of the 2010A 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 2010A Bonds if such 2010A Bonds had been redeemed rather than purchased. Each 2010A 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

2010A 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 2010A 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 2010A Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such 2010A Bond; provided, however, that such limitation on transfer will not be applicable to an exchange by the Owner of the unredeemed balance of a 2010A 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 2010 Bonds, will send any notice of redemption (with respect to the 2010A Bonds), notice of proposed amendment to the Resolution, or other notices with respect to the Series 2010 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 2010A Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the 2010A Bonds by the Commission will reduce the outstanding principal amount of such 2010A Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such 2010A 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 2010A Bonds from the Beneficial Owners. Any such selection of 2010A Bonds to be redeemed will not be governed by the First 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 2010A Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the 2010A Bonds for redemption (see "APPENDIX D – Book-Entry-Only System and Global Clearance Procedures").

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 2010 Bond may, in accordance with its terms and the terms of the First Supplemental Resolution, be transferred or exchanged for Series 2010 Bonds in Authorized Denominations upon the Security Register by the Owner, in person or by his duly authorized agent, upon surrender of such Series 2010 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 2010 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 2010 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 and series as the Series 2010 Bond or Bonds surrendered for transfer.

At the option of the Owner, the Series 2010 Bonds may be exchanged for other Series 2010 Bonds of Authorized Denominations and having the same Maturity, bearing the same rate of interest, and of like tenor and series and aggregate principal amount as the Series 2010 Bonds surrendered for exchange, upon surrender of the Series 2010 Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Series 2010 Bonds are surrendered for exchange, new Series 2010 Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

All Series 2010 Bonds issued upon any transfer or exchange of Series 2010 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 2010 Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Series 2010 Bonds pursuant to the First Supplemental Resolution will be made without expense or service charge to the Owner, except as otherwise provided in the First 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 2010 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 2010 Bond or Bonds registered and delivered in the exchange or transfer. Additionally, the term “Predecessor Bonds” includes any mutilated Series 2010 Bond that is surrendered to the Paying Agent/Registrar or any Series 2010 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 2010 Bond has or Bonds have been registered and delivered pursuant to the First Supplemental Resolution.

In the event that the date for any payment on the Series 2010 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 and Global Clearance Procedures” for a description of the system to be utilized initially in regard to the ownership and transferability of the Series 2010 Bonds.

Defeasance

Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Series 2010 Bonds shall be deemed to be “Defeased Bonds” within the meaning of the Master Resolution, except to the extent provided in the First Supplemental Resolution, when payment of the principal of such Series 2010 Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, redemption (with respect to the 2010A Bonds) 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 2010 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 2010 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 2010 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 2010 Bonds pursuant to the provisions of the First Supplemental Resolution to their stated maturity, the Commission retains the right under State law to later call those Defeased 2010A Bonds for redemption in accordance with the provisions of the First Supplemental Resolution and the Award Certificate relating to the Defeased 2010A Bonds. The Commission may call such Defeased 2010A Bonds for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the First Supplemental Resolution with respect to such Defeased 2010A Bonds as though such Defeased 2010A Bonds were being defeased at the time of the exercise of the option to redeem the Defeased 2010A 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 2010A 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 2010 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 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 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 the above-described provisions.

Amendments to First Supplemental Resolution Without Consent of Owners

Subject to the provisions of the Master Resolution, the First Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the Bonds, the First 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 First 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 First Supplemental Resolution; (ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the First 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 First 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 First 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 First Supplemental Resolution With Consent of Owners

Subject to the other provisions of the First 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 First 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 First 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 2010 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 2010 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 2010 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 2010 Bonds constitute the first series of Bonds issued or executed by the Commission on behalf of the State under the Program.

General Obligation Pledge

THE SERIES 2010 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 2010 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 2010 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 2010 Bonds. Any owner of Series 2010 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 2010 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 2010 Bonds will be liable personally for payment on the Series 2010 Bonds or be subject to any personal liability or accountability by reason of the issuance of the Series 2010 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 First Supplemental Resolution creates the Rebate Fund for the Series 2010 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. See “DESCRIPTION OF THE SERIES 2010 BONDS - Designation of the 2010A Bonds as ‘Build America Bonds’” and “- Creation of Subaccounts in the First Supplemental Resolution” for a description of the 2010A Subaccount, which is the subaccount of the Interest and Sinking Fund into which the Subsidy Payments will be deposited.

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 First Supplemental Resolution establishes the Rebate Fund for the Series 2010 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 Program bonds or for other purposes, the Commission may establish one or more additional funds, accounts or subaccounts for other purposes.

Creation of Subaccounts in the First Supplemental Resolution

The First Supplemental Resolution requires the Commission to establish, in the event any series of Bonds are issued as Build America Bonds, a Build America Bonds Interest and Sinking Subaccount within the Interest and Sinking Fund and further requires the Commission, subject to any required State appropriations, to deposit into such subaccount when received any Subsidy Payments received on the Build America Bonds.

The First Supplemental Resolution also requires the Commission to establish, in the event any series of Bonds are issued as Build America Bonds, a Build America Bonds Proceeds Subaccount within the Proceeds Fund or State Infrastructure Bank account, as applicable, and further requires the Commission to deposit into such 2010A Subaccount any proceeds of the Build America Bonds not otherwise deposited into the Build America Bonds Interest and Sinking Subaccount.

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.

Deirdre Delisi, Chair

Ms. Delisi is the chair of the Commission, which oversees the statewide activities of the Texas Department of Transportation. Governor Rick Perry appointed Ms. Delisi chair on April 30, 2008. Ms. Delisi has more than 12 years experience in government policy. She served as chief of staff and deputy chief of staff to Governor Perry, and served as his special assistant when he was lieutenant governor. A former policy advisor to the presidential campaigns of Lamar Alexander and George W. Bush, Ms. Delisi served at the Texas Department of Commerce and as legislative aide for Texas Senator Bill Ratliff. Ms. Delisi earned a bachelor's degree in political science from Duke University and master's degree in international policy studies from Stanford University.

Ted Houghton, Commissioner

Mr. Houghton was appointed to the Commission by Governor Perry in December of 2003. 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, on the board of directors of the El Paso Electric Company, as president of the Sun Bowl Association, and as a member of the 1984 Los Angeles Olympic Committee. He also served as vice president, chair of the public relations and communications committee and treasurer of the El Paso Rapid Transit Board. Mr. Houghton received his bachelors degree in finance from The University of Texas at El Paso.

Ned S. Holmes, Commissioner

Mr. Holmes was appointed to the Commission by Governor Perry in January of 2007. Mr. Holmes is chairman and CEO of Ned S. Holmes Investments, Inc., 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 Commission. He also served as chairman, board member and as an executive committee member of the Greater Houston Partnership, and as chairman of Commercial Bancshares, Inc. from 1986 to 2000, when the company merged with Prosperity Bancshares. He was chairman of Prosperity Bancshares, Inc. from 2001 to 2006. Mr. Holmes received his bachelor's degree and law degree from The University of Texas at Austin.

Fred Underwood, Commissioner

Mr. Underwood was appointed to the Commission by Governor Perry in January of 2007. Mr. Underwood is president and CEO of the Trinity Company, a cotton bale storage facility. He is both past vice president and past director of the National Cotton Council, and is a member of the advisory committee of Plains Capital Corporation. 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 also 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 was past vice chairman of the City of Fort Worth Parks and Community Services Advisory Board and past board member of the Fort Worth Chamber of Commerce and Southwestern University. Mr. Meadows received a bachelor's degree from Southwestern University and attended the Harlaxton Institute in Grantham, England.

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.

In March 2009, the Commission adopted Minute Order 111738, authorizing the development of four regional support centers which consolidated functions formerly provided at the district level. The establishment of regional support centers is the first phase of a Department-wide restructuring effort to improve the efficiency of Department processes, the accountability of the Department’s performance and transparency of the Department’s decisions to its many stakeholders, partners and customers.

The primary function of the Department has been to build roads. However, over the years, by act of the State Legislature or order of the Governor’s Office, various divisions have been created within the Department that are primarily customer-service related and vehicle related. These divisions include the Motor Carrier Division, the Automobile and Burglary Theft Prevention Division, the Motor Vehicle Division and the Vehicle Titles and Registration Division. House Bill 3097, passed during the 81st Session of the State Legislature, created the Texas Department of Motor Vehicles (“TxDMV”), which became operational on November 1, 2009. Pursuant to House Bill 3097, the TxDMV, rather than the Department, is now responsible for the following duties: vehicle registration and titling, issuing motor carrier operating authority, motor carrier enforcement, licensing vehicle dealers and awarding law enforcement agencies grants to reduce auto theft and increase public awareness.

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.

Amadeo Saenz, Jr., P.E., Executive Director

Mr. Saenz, under the Commission’s direction, manages, directs, and implements the Department’s policies, programs, and operating strategies. He also represents the Department before the State Legislature and other entities. Mr. Saenz was appointed Executive Director on October 1, 2007. After earning a bachelor of science

degree in civil engineering with honors from The University of Texas at Austin, Mr. Saenz joined the Department in 1978 in the Pharr District as an engineering laboratory assistant. Mr. Saenz served in various positions of increasing responsibility within the Pharr District, and was named district engineer in 1993. In 2001, Mr. Saenz was appointed as Assistant Executive Director for Engineering Operations in Austin.

Steven E. Simmons, P.E., Deputy Executive Director

Mr. Simmons, under the direction of the Executive Director, implements and manages Department policies and programs. He assists with the daily administrative and engineering operations of the Department. Mr. Simmons was appointed Deputy Executive Director on November 1, 2001. After earning a bachelor's degree in civil engineering from The University of Houston in 1981, Mr. Simmons joined the Department's Houston District in 1982 as a project manager in the Northwest Harris/Waller Area Office. He became a licensed professional engineer in 1986 and served in several positions for the Houston District, including deputy district engineer. Mr. Simmons was named Fort Worth district engineer in June of 1998 and in that position he served on the Regional Transportation Council of the North Central Texas Council of Governments, working to solve transportation issues in that region. Under Mr. Simmons' leadership, the Fort Worth District received the Design Excellence Award for a Metropolitan District in 1997, 1998 and 1999; no other district office has attained this honor.

John A. Barton, P.E., Assistant Executive Director for Engineering Operations

As the Assistant Executive Director for Engineering Operations, Mr. Barton oversees and coordinates operations for nine divisions and offices. Mr. Barton 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 began working for the Department as a summer employee of the Wichita Falls District, while he was still in high school. After graduating from Texas A&M University, Mr. Barton continued his work for the Department. In 2003, Mr. Barton received the President's Award for Planning from the American Association of State Highway and Transportation Officials. Mr. Barton was District Engineer for the Beaumont District before being selected to his current position in February 2008.

David Casteel, P.E., Assistant Executive Director for Field and District Operations

As Assistant Executive Director for Field and District Operations, Mr. Casteel oversees the Department's 25 districts. He holds bachelors and masters degrees from Texas A&M University and is a graduate of the Governor's Executive Development Program at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin. A Department employee since his first summer job with the Department in 1983, Mr. Casteel served as District Engineer of the Childress, Corpus Christi and San Antonio Districts before being selected to his current position in February 2008.

James M. Bass, Chief Financial Officer

As the Department's Chief Financial Officer, 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. 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. The Finance Division also conducts cost-efficiency studies, manages the State Infrastructure Bank, manages debt programs and investment portfolios, and analyzes and reports the financial effects of proposed legislation. 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. After graduation from The University of Texas at Austin 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 LBB, 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, Director, Finance Division

As the Director of the Department's Finance Division, Mr. Ragland is responsible for the management and control of budget, revenue, disbursements, accounting and debt management for the Department as well as programming and scheduling and letting management of all transportation projects. Mr. Ragland began his service with the State 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 first joined the Department as the Director of the Department's Claims Management Section of the Finance Division. In 2005, Mr. Ragland left the Department to pursue an opportunity as Senior Vice President and Chief Financial Officer of Walden Affordable Group, LLC, an affordable housing management firm, but rejoined the Department in 2006 as Director of the Finance Division. Mr. Ragland received his Bachelor of Business Administration degree in 1990 from The University of Texas at Austin and his Master's of Business Administration from Southwest Texas State in 1999. He is a licensed Certified Public Accountant.

John Muñoz, Deputy Director, Finance Division

As Deputy Director of the Finance Division, Mr. Muñoz develops and implements systems and policies related to accounting, forecasting, budgeting, 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 22 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 degree in accounting from The University of Texas at Austin in 1986 and is also a CPA and Certified Internal Auditor.

Robert (Bob) W. 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 25 years ago as a planner in the Management Information, Policy and Research Section, has practiced law for 20 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 Lyndon B. Johnson School of Public Affairs at 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, 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 Commission directed Grant Thornton LLP to perform this review pursuant to a recommendation from the State Legislature in 2009. The final report was delivered to the Commission during its workshop meeting on May 26, 2010. Subsequent to such meeting, the Department has entered into agreements as directed by the Commission to engage the services of certain specified individual experts to advise the Commission in the selection of implementation plans for operational and management changes arising out of the Grant Thornton report and prior Departmental reviews. The Commission and the Department's administration are committed to improving the Department and preparing it to meet the needs of Texas in the 21st century.

Retirement Plan of the Department

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

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code)(the “Sunset Act”), which provides that virtually all agencies of the State, including the Department, are subject to periodic review by the State Legislature and that each agency subject to sunset review will be abolished unless the State Legislature specifically determines to continue its existence. The Department was subject to such sunset review in 2009 and was continued through September 1, 2011. Accordingly, the next scheduled review of the Department is during the Texas legislative session in 2011. If the Department is not continued in existence at that time, the Department will be abolished; provided, however, the Texas Sunset Act provides that the Department would in that instance remain in existence for an additional year (until September 1, 2012) for the sole purpose of concluding its business.

Pursuant to the Sunset Act, the State 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 future sunset review were to result in the Department being abolished, the Governor would be required by law to designate an appropriate State Agency that would continue to carry out all covenants contained in the Series 2010 Bonds (and in all other obligations) and the performance of all other obligations to complete the construction of projects or the performance of other obligations of the Department, including lease, contract and other written obligations. The designated State Agency would provide payment from the sources of payment of the Series 2010 Bonds in accordance with the terms of the Series 2010 Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from taxes, revenues or otherwise, until the principal of and interest on the Series 2010 Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, amounts sufficient to pay debt service on the Series 2010 Bonds would be automatically appropriated pursuant to the Texas Constitution.

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 March 2010 which included a discussion of the Department’s statewide financial and federal compliance for fiscal year ended August 31, 2009. 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>.

State Budget Reduction Request

On January 15, 2010, Governor Rick Perry, Lieutenant Governor David Dewhurst and Speaker of the House Joe Straus issued a joint request to all executive, legislative, and judicial agencies of the State (individually, a “State Agency” and, collectively, the “State Agencies”), requesting that each State Agency submit a plan (“Savings Plan”) to identify savings in priority increments totaling 5% of general revenue and general revenue-dedicated appropriations for the 2010-11 biennium. The request exempts (i) certain State programs and services and (ii) debt service payments on previously issued obligations.

With respect to the Department, such 5% reduction of general revenue and general revenue-dedicated appropriations equals approximately \$959,408 for the 2010-11 biennium. In order to achieve the requested reductions, on February 12, 2010, the Department submitted its Savings Plan recommending the reduction of the Department’s General Obligation Debt Service strategy by \$20,000,000. The Department is currently in the process of transferring the \$20,000,000 of appropriation savings for the current 2010-2011 biennium as instructed by the LBB. The Department does not expect the budget reductions to adversely affect the Department’s operations or financial condition.

On May 27, 2010, the Governor, the Lieutenant Governor and the Speaker of the House issued a letter directing the process by which each State Agency will develop its legislative appropriations request for the 2012-2013 biennial budget. The letter also directs agencies to submit a supplemental schedule detailing how they would reduce their baseline request by an additional 10 percent (in five percent increments) in general revenue-related funding. Exceptions to the baseline request limitation include amounts necessary to satisfy debt service requirements for bond authorizations. The Department has identified reductions in response to the request, and does not expect such potential budget reductions to have a material adverse effect on the Department or its operations for the 2012-13 biennium.

For a discussion of certain projections with respect to a possible State budget deficit, see “General Information Regarding the State – Possible Revenue Shortfall for 2012-2013.”

Existing Financing Programs

In recent years, the Commission has begun to implement 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 begun to implement 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 funding 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 2010 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 a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects. As of August 31, 2010, 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 and State matching funds. In 2009, the State Legislature authorized the Commission to issue up to \$1 billion of the Program Bonds to additionally capitalize the SIB to make loans to public entities for qualifying improvement projects. Pursuant to the First Supplemental Resolution and the Award Certificate, the proceeds of the sale of the Series 2010 Bonds will not be deposited into the SIB account. However, the Master Resolution provides for the proceeds of the sale of a future series of Bonds issued under the Program to be deposited into the SIB account, subject to the approval of the LBB.

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 \$4,457,390,000 aggregate principal amount of State Highway Fund Revenue Obligations as of August 31, 2010 and has authority to issue a maximum amount of \$1.5 billion per year up to the current \$6 billion authorization leaving \$1,542,610,000 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 (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 remarketing agents are unable to market or remarket 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 19, 2011.

Notes 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 - 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 2010 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. Such obligations 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 August 31, 2009, 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 August 2010 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 2010 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.

2009 State CAFR

The Texas 2009 Comprehensive Annual Financial Report for the year ended August 31, 2009 (the “2009 CAFR”) is currently on file with the Municipal Securities Rulemaking Board (the “MSRB”). The 2009 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2009 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 2010 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 2010 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 2010 BONDS – General Obligation Pledge.”

Possible Revenue Shortfall for 2012-2013

Budgeting for the State is handled through the Governor’s Office of Budget, Planning, and Policy (“GOBPP”) and the Legislative Budget Board. By statute, the Governor is the chief budget officer of the State and this function is carried out through the GOBPP. The LBB is the budget agency of the State Legislature. The GOBPP and the LBB generally cooperate with respect to matters pertaining to preparation of budgets and prepare uniform instructions and forms for budget requests.

The Texas Constitution requires the Comptroller to submit to the Governor and the State Legislature, at the commencement of each regular session of the State Legislature, a statement that contains, among other things, an itemized estimate of anticipated revenues, based on laws then in effect, that will be received by the State during the succeeding biennium. The Texas Constitution also requires the Comptroller to submit supplementary statements at any special session of the State Legislature and at such other times as may be necessary to show probable changes.

At this time, the Comptroller has indicated that the revenue estimate will be released as required by the Texas Constitution in January 2011.

On May 11, 2010, the Assistant Director of the LBB reported at a hearing before the Texas House Appropriations Committee that the LBB's projected gap between State expenditures at then current levels and available general revenue funds for the upcoming biennium was then estimated by the LBB to be an aggregate of \$15 billion to \$18 billion for fiscal years 2012 and 2013. The Governor has questioned this estimation. Further review by the State is necessary before any definitive projected revenue shortfall for the 2012-2013 biennium can be determined and such determination may not be possible until the Comptroller releases her revenue estimates in accordance with the requirements of the Texas Constitution (currently estimated to be in January 2011). The Texas Constitution requires that the State Legislature pass a balanced budget for each biennium. For a discussion of the State leadership's budget reduction request to State Agencies, see "The Commission and the Department – State Budget Reduction Request."

Article III, Section 49-g of the Texas Constitution establishes the Economic Stabilization Fund ("rainy day fund") which can be used to help balance the State's budget. If an estimate of anticipated revenues for a succeeding biennium prepared by the Comptroller is less than the revenues that are estimated at the same time by the Comptroller to be available for the current biennium, the State Legislature may, by a three-fifths vote of the members present in each house, appropriate for the succeeding biennium from the Economic Stabilization Fund an amount not to exceed this difference. In addition to such appropriation authority, the State Legislature may, by a two-thirds vote of the members present in each house, appropriate amounts from the Economic Stabilization Fund at any time and for any purpose. Pursuant to information made public by the Comptroller in August 2010, the Comptroller estimates that the ending balance in such rainy day fund will be approximately \$8.2 billion at the end of fiscal year 2011. No assurances can be given as to whether the State Legislature will appropriate all or a portion of the Economic Stabilization Fund to help balance the 2012-2013 budget or as to what type of savings plan or other actions the State Legislature may take during the 2011 Legislative Session to balance the budget and/or address any revenue shortfalls.

For further discussion of the appropriation and budgeting process for the State, see "APPENDIX A – The State."

LEGAL MATTERS

Legal Opinions

The Commission will compile complete transcripts of proceedings incident to the authorization and issuance of the Series 2010 Bonds, including the approving opinions of the Attorney General of the State of Texas to the effect that the Series 2010 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 opinions 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 2010 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 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 2010 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 Fulbright & Jaworski L.L.P., Dallas, 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 2010 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 2010 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 co-counsel, Locke Lord Bissell & Liddell LLP, Austin, Texas and Bates & Coleman, P.C., Houston, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Series 2010 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 2010 Bonds are being issued, and (iii) would have a material adverse effect upon the power of the the Commission to issue the Series 2010 Bonds.

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Series 2010 Bonds or the Security for the Series 2010 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 2010 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 2010 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 2010 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 PFIA, the Series 2010 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 2010 Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

No representation is made that the Series 2010 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 2010 Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2010 Bonds for such purposes. The Commission has not made any review of laws in other states to determine whether the Series 2010 Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

The sale of the Series 2010 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 2010 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Series 2010 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 2010 Bonds under the securities laws of any jurisdiction (foreign or domestic) in which the Series 2010 Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred.

This disclaimer of responsibility for qualification for sale or other disposition of the Series 2010 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

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE SERIES 2010 BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Series 2010 Bonds and is based on the Internal Revenue Code of 1986, as amended (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the IRS and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Series 2010 Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Series 2010 Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Series 2010 Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2010 Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Series 2010 Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2010 BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE SERIES 2010 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2010 BONDS BEFORE DETERMINING WHETHER TO PURCHASE SERIES 2010 BONDS.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2010 BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN

INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2010 Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

2010A Bonds

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. As described in "DESCRIPTION OF THE SERIES 2010 BONDS – Designation of the 2010A Bonds as 'Build America Bonds'" the Commission has made an election to treat the 2010A Bonds as Build America Bonds (Direct Payment); thus, the 2010A Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the 2010A Bonds or original issue discount, if any, accruing on the 2010A Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of 2010A Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the 2010A Bonds. Generally, a U.S. Holder's tax basis in the 2010A Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the 2010A Bonds has been held for more than one year.

Defeasance of the 2010A Bonds. Defeasance of any 2010A Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a 2010A Bond, will not be subject to U.S. federal income or withholding tax in respect of such 2010A Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

2010B Bonds

Opinion

On the date of initial delivery of the Series 2010 Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Commission, 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 2010B Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the 2010B Bonds are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and accordingly, the interest on the 2010B Bonds will not be included in the owner’s alternative minimum taxable income under section 55 of the Code. Except as stated above, Bond Counsel to the Commission will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the 2010B Bonds. See APPENDIX C -- FORMS OF OPINIONS 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 2010B Bonds, and (b) covenants of the Commission contained in the 2010B Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the 2010B 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 2010B 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 2010B Bonds in order for interest on the 2010B 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 2010B Bonds to be included in gross income retroactively to the date of issuance of the 2010B 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 2010B Bonds.

Bond Counsel’s opinion regarding the 2010B 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 2010B 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 2010B Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the 2010B Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the 2010B 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 U.S. Holder who has purchased a 2010B Bond 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 U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (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 six-month period ending on the date before the semiannual anniversary dates of the date of the 2010B Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount 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.

All U.S. Holders 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

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the 2010B 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 2010B 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.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission

General. In the First Supplemental Resolution, the Commission has made the following agreement for the benefit of the Owners and Beneficial Owners of the Series 2010 Bonds. The Commission is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 2010 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 by the MSRB through its 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 six months after the end of each Fiscal Year ending in and after 2010. 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").

Material Event Notices. The Commission will provide timely notices of certain events to the MSRB. The Commission will provide notice of any of the following events with respect to the Series 2010 Bonds, if such event is material to a decision to purchase or sell the Series 2010 Bonds: (i) principal and interest payment delinquencies;

(ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2010B Bonds; (vii) modifications to rights of holders of the Series 2010 Bonds; (viii) Series 2010 Bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series 2010 Bonds; and (xi) rating changes. 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 2010 Bonds in accordance with the Rule as amended.

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government, and the Comptroller has agreed for the benefit of the holders of the Series 2010 Bonds to provide certain updated information and notices while the Series 2010 Bonds remain outstanding. The Commission and the legal and beneficial owners of the Series 2010 Bonds are third-party beneficiaries of the Comptroller’s agreement. The Comptroller is required to observe this agreement for so long as the Series 2010 Bonds may be paid from money drawn on the State’s General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors designated by the SEC under the Rule to be provided such annual financial information and operating data and notices of specified material events (each, a “Repository”). Currently, the MSRB is the sole Repository under the Rule.

In addition 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 of the information to the MSRB. In addition, the Comptroller publishes (but is not obligated to publish), a monthly publication, ***Fiscal Notes***, which includes key economic indicators for the State’s economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Owners may subscribe to Fiscal Notes by writing to Fiscal Notes, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained by contacting the Comptroller’s ***BBS Window on State Government*** via the Internet at www.cpa.state.tx.us or at www.window.state.tx.us.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to each Repository annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in APPENDIX A 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. Currently, the Comptroller will provide such updated information only to the MSRB as the sole Repository under the Rule.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State’s current fiscal year end is August 31. Accordingly, it must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the

Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Material Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its agreement described above under “- Continuing Disclosure Undertaking of the Comptroller - Annual Reports.” Each notice described in this paragraph will be provided to the MSRB as the sole Repository under the Rule.

Availability of Information

The Commission and the Comptroller have agreed to provide the foregoing financial and operating information only as described above. The Commission and the Comptroller will be required to file their respective continuing disclosure information using the MSRB’s EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Commission and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Commission’s or the State’s financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Bonds in the primary offering of the Series 2010 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 “AAA”, “Aaa” and “AA+”, respectively, to the Series 2010 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 2010 Bonds.

Underwriting

2010A Bonds. J.P. Morgan Securities LLC ("JPMS"), as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain conditions, for the Underwriters to purchase the 2010A Bonds from the Commission. The purchase price of the 2010A Bonds is \$811,097,597.47 (which represents the par amount of the 2010A Bonds less an underwriting discount of \$4,322,402.53). The Underwriters will be obligated to purchase all of the 2010A Bonds if any 2010A Bonds are purchased. The 2010A Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2010A Bonds into investment trusts) at prices lower than the public offering prices of the 2010A Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

2010B Bonds. JPMS, as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain conditions, for the Underwriters to purchase the 2010B Bonds from the Commission. The purchase price of the 2010B Bonds is \$183,969,691.79 (which represents the par amount of the 2010B Bonds, plus an original issue premium of \$22,187,536.15 and less an underwriting discount of \$607,844.36). The Underwriters will be obligated to purchase all of the 2010B Bonds if any 2010B Bonds are purchased. The 2010B Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2010B Bonds into investment trusts) at prices lower than the public offering prices of the 2010B 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.

JPMS has provided the following paragraph for inclusion in this Official Statement. JPMS, one of the Underwriters of the Series 2010 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2010 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS& Co. will purchase Series 2010 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2010 Bonds that such firm sells.

Morgan Stanley has provided the following paragraph for inclusion in this Official Statement. Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2010 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010 Bonds.

Relationship of Parties. JPMS, or its affiliates, have, from time to time, provided various investment banking services, commercial banking services (including credit facilities and swap counterparty services) and/or advisory services to the State and its agencies, including the Commission, for which they have received customary compensation. JPMS, or its affiliates, may continue to engage in transactions with and perform services for the State and its agencies in the ordinary course of their respective businesses.

Trade Name. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

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.

Certification of Official Statement

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.

At the time of payment for and delivery of the Series 2010 Bonds, the Commission will be furnished a letter from the State, signed on behalf of the State by the Comptroller, upon which the Underwriters will be authorized to rely, to the effect that (i) the statements and data appearing in the financial information referred to in APPENDIX A hereto did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein not misleading and have been obtained from sources which she believes to be reliable and (ii) the Comptroller has agreed to provide continuing disclosure for the benefit of the Commission and the legal and beneficial owners of the Series 2010 Bonds, to provide, with respect to the State, updated financial information and operating data of the type referred to in APPENDIX A hereto and timely notice of certain material events.

Financial Advisor

Public Financial Management, Inc. is serving as the Financial Advisor to the Commission (the "Financial Advisor") in connection with the issuance of the Series 2010 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2010 Bonds is not contingent upon the issuance and delivery of the Series 2010 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 2010 Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

Approval of Official Statement

The First Supplemental Resolution approves the form and content of this Official Statement and authorizes its further use in the reoffering of the Series 2010 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: /s/James M. Bass
Chief Financial Officer
Texas Department of Transportation

[This page is intentionally left blank.]

APPENDIX A

THE STATE

The Bond Appendix dated August 2010 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.

[This page is intentionally left blank.]

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 First Supplemental Resolution

"Acts" - The Constitutional Provision, the Enabling 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 First 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 First 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 First 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".

"First Supplement" - The First 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 28, 2010, as may be amended or supplemented from time to time.

"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 First 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 First Supplement and any successor to such agent.

"Paying Agent/Registrar" - Collectively, the Paying Agent and the Registrar designated in the First 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 First Supplement and includes any account or subaccount thereof.

"Rebate Fund" - The fund by that name described in Section 4.02 of the First 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 First 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 First Supplement.

"Security" has the meaning assigned to that term in Section 2(a) of the First 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 First 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 First Supplemental Resolution

Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF BONDS, First 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 First Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds and Credit Agreements. This First 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, or any Build America Bond Interest and Sinking Subaccount within the Interest and Sinking Fund with respect to any Build America Bonds, 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 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.

(c) Subsidy Payments. If any Series of Bonds are issued as Build America Bonds, the Commission shall create a Build America Bonds Interest and Sinking Subaccount within the Interest and Sinking Fund and shall, subject to any required State appropriations, deposit into such subaccount when received any federal subsidy payments received on the Build America Bonds.

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 First Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this First 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 First 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 First Supplement and the rights and obligations of the Commission and of the Owners, this First 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 First 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 First Supplement;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this First 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 First 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 First 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 First 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 First 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 First 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 First 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 First 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 First 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 First Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this First 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 First 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. (a) General. 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 First 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 First Supplement, any amendments to the above named documents, and any technical amendments to this First Supplement as permitted by Section 6.01 (v) or (vi) and a Department Representative is hereby authorized to execute this First Supplement to evidence approval of such changes.

(b) Build America Bonds. In the event the Commission determines to issue Build America Bonds, the Department Representative is hereby further expressly authorized, acting for and on behalf of the Commission, to make an irrevocable election under Section 54AA(d)(1)(C) of the Code, if the Department Representative determines that it is in the best interest of the Commission to designate all or any portion of the Bonds as "Build America Bonds." The Department Representative is hereby further expressly authorized, acting for and on behalf of the Commission, to make an irrevocable election pursuant to Section 54AA(g)(2)(B) of the Code to receive direct payment of the credit provided in Section 6431 of the Code to the extent the Department Representative determines that it is in the best interest of the Commission to make such election with respect to all or any portion of the Build America Bonds. In the event the Department Representative makes any such election or elections, the Department Representative is hereby expressly authorized, empowered and directed from time to time and at any time to perform all such acts and things deemed necessary or desirable and to execute and deliver any agreements, certificates, documents or other instruments, whether or not herein mentioned, to carry out the terms and provisions of this Section 7.05(b), including but not limited to, the preparation and making of any filings with the Internal Revenue Service and taking any actions deemed necessary to obtain any amounts from the Federal government that may be available to the Commission.

[This page is intentionally left blank.]

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

[This page is intentionally left blank.]

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS
TAXABLE SERIES 2010A
(BUILD AMERICA BONDS - DIRECT PAYMENT)
\$815,420,000**

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined the legality of and validity of the issue of bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates specified, all in accordance with the "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (the "Master Resolution") as supplemented by the "First Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (the "First Supplement") both adopted by Minute Order No. 112100 of the Commission on January 28, 2010 and the Award Certificate of the Department Representative dated September 22, 2010 (the "Award Certificate"), (the Master Resolution, the First Supplement and the Award Certificate are collectively referred to as the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas (the "State"), a transcript of certified proceedings of the Commission, the Master Resolution, as supplemented by the First Supplement, the Award Certificate and other pertinent instruments relating to the authorization, issuance and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Commission and the Department upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Commission and the State relating to bankruptcy, reorganization and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise

of judicial discretion, the Bonds constitute valid and legally enforceable general obligations of the State payable solely from the Security including money made available for such purpose pursuant to Article III, Section 49-p of the State Constitution.

THE COMMISSION has reserved the right to amend the Master Resolution and First Supplement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of the Bonds.

WE EXPRESSLY STATE NO OPINION herein with the respect to the proper federal, state or local tax treatment of any payments made with respect to the Bonds. Purchasers of the Bonds should consult their own tax advisors as to the tax treatment which may be anticipated to result from the purchase, ownership and disposition of the Bonds or the receipt of payments on the Bonds before determining whether to purchase the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Commission or the State, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Commission and the Comptroller of Public Accounts of the State with respect to the current outstanding general obligation debt of the State and the sufficiency of the general obligation revenues pledged to the Bonds. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS,
SERIES 2010B
\$162,390,000**

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined into the legality of and validity of the issue of bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates specified, all in accordance with the "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (the "Master Resolution") as supplemented by the "First Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (the "First Supplement") both adopted by Minute Order No. 112100 of the Commission on January 28, 2010 and the Award Certificate of the Department Representative dated September 22, 2010 (the "Award Certificate"), (the Master Resolution, the First Supplement and the Award Certificate are collectively referred to as the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas (the "State"), a transcript of certified proceedings of the Commission, the Master Resolution, as supplemented by the First Supplement, the Award Certificate and other pertinent instruments relating to the authorization, issuance and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Commission and the Department upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Commission and the State relating to bankruptcy, reorganization and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally enforceable general obligations of the

State payable solely from the Security including money made available for such purpose pursuant to Article III, Section 49-p of the State Constitution.

THE COMMISSION has reserved the right to amend the Master Resolution and First Supplement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of all Bonds.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and that, accordingly, interest on the Bonds will not be included in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Commission with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Commission to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Commission as the taxpayer. We observe that the Commission has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the

sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Commission or the State, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Commission and the Comptroller of Public Accounts of the State with respect to the current outstanding general obligation debt of the State and the sufficiency of the general obligation revenues pledged to the Bonds. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

[This page is intentionally left blank.]

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information in this section concerning DTC, DTC's book-entry system and the global clearance procedures of Clearstream Banking, société anonyme, Luxembourg ("Clearstream Banking"), and the Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"), has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy or completeness thereof. The Commission cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2010 Bonds (b) bonds representing ownership interest in or other confirmation or ownership interest in the Series 2010 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2010 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" 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 Bonds. The 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 Bond certificate for each series will be issued for the aggregate principal amount of each series of the 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 2010A 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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or 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 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, 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, 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.

Global Clearance Procedures

Clearstream Banking and Euroclear. The Series 2010B Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream Banking and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream Banking and Euroclear

will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date, but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

Clearstream Banking is incorporated under the laws of Luxembourg as a professional depository. Clearstream Banking holds securities for its participating organizations ("Clearstream Banking Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Banking Participants through electronic book-entry changes in accounts of Clearstream Banking Participants, thereby eliminating the need for physical movement of certificates. Clearstream Banking provides to its Clearstream Banking Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Banking interfaces with domestic markets in several countries. As a professional depository, Clearstream Banking is subject to regulation by the Luxembourg Monetary Institute. Clearstream Banking Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream Banking is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Banking Participant, either directly or indirectly.

Euroclear was created to hold securities for participants of the Euroclear system ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear system includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks, securities brokers and dealers and other professional financial intermediaries). Indirect access to the Euroclear system is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear Systems and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within the Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments with respect to securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants.

THE COMMISSION CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM BANKING, CLEARSTREAM BANKING PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM BANKING, CLEARSTREAM BANKING PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE COMMISSION DOES NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM BANKING, CLEARSTREAM BANKING PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM BANKING, CLEARSTREAM BANKING PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM BANKING, CLEARSTREAM BANKING PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM BANKING, CLEARSTREAM BANKING PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream Banking and Euroclear may hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream Banking and Euroclear’s names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers’ securities accounts in its U.S. Depository’s name on the books of DTC. Citibank, N.A. acts as depository for Clearstream Banking and the Euroclear Operator acts as depository for Euroclear (the “U.S. Depositories”).

Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream Banking or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems.

Investors electing to hold their Bonds through Euroclear or Clearstream Banking accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream Banking holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream Banking will be credited to the cash accounts of Clearstream Banking customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream Banking or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream Banking customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Issuers (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Secondary market trading between Euroclear Participants and/or Clearstream Banking customers will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

When securities are to be transferred from the account of an Issuer (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream Banking customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream Banking, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Issuer's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream Banking customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream Banking cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream Banking customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream Banking. Under this approach, they may take on credit exposure to Euroclear or Clearstream Banking until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream Banking has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream Banking customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds.

Because the settlement is taking place during New York business hours, Issuers can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream Banking customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Issuer, a cross-market transaction will settle no differently from a trade between two Issuers.

Due to time zone differences in their favor, Euroclear Participants and Clearstream Banking customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Issuer's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Issuer's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream Banking customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream Banking customers' accounts will be back-valued to the

value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream Banking customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream Banking customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream Banking and Euroclear have agreed to these procedures to facilitate transfers of securities among DTC and its Issuers, Clearstream Banking and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

[Remainder of this page intentionally left blank.]

APPENDIX E

PRINCIPAL PAYDOWN FACTOR TABLE

PRO RATA PASS THROUGH DISTRIBUTION OF PRINCIPAL

2033 2010A Term Bond Principal Paydown Factor Table

Redemption/Principal Paydown Dates (April 1)	Mandatory Sinking Fund/Paydown Amounts⁽¹⁾	Paydown Amount per \$1,000	Remaining Balance per \$1,000	Paydown Factor	Remaining Bond Factor
ORIGINAL	\$ -	\$ -	\$ 1,000.00	-	1.000000
2027	33,605,000	130.45	869.55	0.130454	0.869546
2028	34,615,000	134.38	735.17	0.134375	0.735171
2029	35,660,000	138.43	596.74	0.138432	0.596739
2030	36,735,000	142.61	454.13	0.142605	0.454134
2031	37,840,000	146.89	307.24	0.146894	0.307240
2032	38,985,000	151.34	155.90	0.151339	0.155901
2033	40,160,000	155.90	-	0.155901	-

2040 2010A Term Bond Principal Paydown Factor Table

Redemption/Principal Paydown Dates (April 1)	Mandatory Sinking Fund/Paydown Amounts⁽¹⁾	Paydown Amount per \$1,000	Remaining Balance per \$1,000	Paydown Factor	Remaining Bond Factor
ORIGINAL	\$ -	\$ -	\$ 1,000.00	-	1.000000
2034	41,370,000	130.33	869.67	0.130328	0.869672
2035	42,630,000	134.29	735.38	0.134297	0.735375
2036	43,925,000	138.38	597.00	0.138377	0.596998
2037	45,265,000	142.60	454.40	0.142599	0.454399
2038	46,645,000	146.95	307.45	0.146945	0.307454
2039	48,065,000	151.42	156.03	0.151420	0.156034
2040	49,530,000	156.03	-	0.156034	-

(1) Subject to change in the event of certain optional redemptions or purchases of 2010A Bonds and subject to DTC's (or other securities depository) operational procedures on the date such mandatory sinking fund redemption payments are due.

[THIS PAGE INTENTIONALLY LEFT BLANK]

