

OFFICIAL STATEMENT  
DATED OCTOBER 18, 2016

NEW ISSUE - Book-Entry-Only

RATINGS: Fitch: "AAA"  
Moody's: "Aaa"  
S&P: "AAA"

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Commission, interest on the Series 2016A Bonds (defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, court decisions, and published rulings existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.*



**\$588,755,000**  
**TEXAS TRANSPORTATION COMMISSION**  
**STATE OF TEXAS HIGHWAY IMPROVEMENT**  
**GENERAL OBLIGATION BONDS, SERIES 2016A**



**Dated: Date of Initial Delivery**

**Due: April 1, as shown on the inside cover page**

The "Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2016A" (the "Series 2016A 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 2016A Bonds are being issued pursuant to the authority granted to the Commission, acting on behalf of the State, by Article III, Section 49-p of the Texas Constitution (the "Constitutional Provision"), Section 222.004 of the Texas Transportation Code (the "Enabling Act") and Chapter 1371 of the Texas Government Code; a "Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program" (the "Master Resolution"), adopted by minute order of the Commission on January 28, 2010, as supplemented by a "Fourth Supplemental Resolution" thereto, adopted by minute order of the Commission on January 28, 2016; and an Award Certificate of a Department Representative authorized by the Fourth Supplemental Resolution (the "Award Certificate"). The Master Resolution, the Fourth 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS" herein. The Series 2016A 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 costs of issuance of the Series 2016A Bonds. The Series 2016A Bonds are the seventh series of obligations being issued under the Program. See "PLAN OF FINANCE – General."

Interest on the Series 2016A Bonds will accrue from the Date of Initial Delivery (defined below), 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, 2017, until maturity or prior redemption. The Series 2016A Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Series 2016A Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Series 2016A Bonds will be made to the beneficial owners thereof. Principal, premium, if any, and interest on the Series 2016A Bonds will be payable by the paying agent/registrant (the "Paying Agent/Registrar"), initially U.S. Bank National Association, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of beneficial interests in the Series 2016A Bonds. See "DESCRIPTION OF THE SERIES 2016A BONDS – Paying Agent/Registrar" and "APPENDIX D – Book-Entry-Only System."

**THE SERIES 2016A 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 2016A BONDS" and "GENERAL INFORMATION REGARDING THE STATE" herein and "APPENDIX A – The State" attached hereto for general information regarding the State, including information concerning outstanding general obligation debt of the State.

Certain of the Series 2016A Bonds are subject to redemption prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2016A BONDS – Redemption Provisions."

This cover page contains information for quick reference only. It is not a summary of the Series 2016A Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision.

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**MATURITY SCHEDULE, INTEREST RATES,  
INITIAL YIELDS AND CUSIP NUMBERS**

See Inside Cover Page

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The Series 2016A Bonds are offered for delivery when, as, and if issued by the Commission and accepted by the underwriters of the Series 2016A Bonds shown below (the "Underwriters"). The issuance of the Series 2016A Bonds is 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 to the Commission. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, and Kassahn & Ortiz, P.C., San Antonio, Texas. It is expected that the Series 2016A Bonds will be delivered on or about November 2, 2016 (the "Date of Initial Delivery"), through the facilities of DTC.

**Wells Fargo Securities**

**Citigroup**

**Frost Bank**

**Goldman, Sachs & Co.**

**Jefferies**

**J.P. Morgan**

**Loop Capital Markets**

**Raymond James**

**MATURITY SCHEDULE**

**\$588,755,000**

**TEXAS TRANSPORTATION COMMISSION  
STATE OF TEXAS HIGHWAY IMPROVEMENT  
GENERAL OBLIGATION BONDS, SERIES 2016A**

**\$466,955,000 Serial Bonds**

<b>Maturity (April 1)<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP<sup>(3)</sup></b>
2018	\$20,305,000	5.000%	0.880%	8827234A4
2019	20,305,000	5.000%	1.010%	8827234B2
2020	20,305,000	5.000%	1.120%	8827234C0
2021	20,305,000	5.000%	1.210%	8827234D8
2022	20,305,000	5.000%	1.330%	8827234E6
2023	20,305,000	5.000%	1.470%	8827234F3
2024	20,305,000	5.000%	1.620%	8827234G1
2025	20,305,000	5.000%	1.760%	8827234H9
2026	20,305,000	5.000%	1.880%	8827234J5
2027	20,305,000	5.000%	1.990% <sup>(2)</sup>	8827234K2
2028	20,305,000	5.000%	2.110% <sup>(2)</sup>	8827234L0
2029	20,300,000	5.000%	2.220% <sup>(2)</sup>	8827234M8
2030	20,300,000	5.000%	2.320% <sup>(2)</sup>	8827234N6
2031	20,300,000	5.000%	2.390% <sup>(2)</sup>	8827234P1
2032	20,300,000	5.000%	2.450% <sup>(2)</sup>	8827234Q9
2033	20,300,000	5.000%	2.510% <sup>(2)</sup>	8827234R7
2034	20,300,000	5.000%	2.560% <sup>(2)</sup>	8827234S5
2035	20,300,000	5.000%	2.600% <sup>(2)</sup>	8827234T3
2036	20,300,000	5.000%	2.630% <sup>(2)</sup>	8827234U0
2037	20,300,000	5.000%	2.660% <sup>(2)</sup>	8827234V8
2038	20,300,000	5.000%	2.690% <sup>(2)</sup>	8827234W6
2039	20,300,000	5.000%	2.710% <sup>(2)</sup>	8827234Y2
2040	20,300,000	5.000%	2.720% <sup>(2)</sup>	8827234Z9

**\$121,800,000 Term Bonds**

**\$81,200,000 5.000% Term Bonds due April 1, 2044, Yield 2.760%; CUSIP No. 8827235A3<sup>(1)(2)(3)(4)</sup>**

**\$40,600,000 4.000% Term Bonds due April 1, 2046, Yield 3.030%; CUSIP No. 8827234X4<sup>(1)(2)(3)(4)</sup>**

(Interest accrues from the Date of Initial Delivery of the Series 2016A Bonds)

- (1) Certain Series 2016A Bonds are subject to redemption prior to maturity as more fully described herein. See “DESCRIPTION OF THE SERIES 2016A BONDS – Redemption Provisions.”
- (2) Yield calculated assuming such Series 2016A Bonds are redeemed on the first optional redemption date of April 1, 2026 at a price of par plus accrued interest to the date of redemption.
- (3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ 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 Global Services. None of the Department, the Commission, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (4) The Term Bonds are subject to mandatory sinking fund redemption as more fully described herein. See “DESCRIPTION OF THE SERIES 2016A BONDS – Redemption Provisions.”

**STATE OF TEXAS OFFICIALS**

Greg Abbott	Governor
Dan Patrick	Lieutenant Governor
Ken Paxton	Attorney General
Glenn Hegar	Comptroller of Public Accounts
George P. Bush	Commissioner of the General Land Office
Sid Miller	Commissioner of Agriculture

**TEXAS TRANSPORTATION COMMISSION**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tryon D. Lewis	Chairman	February 1, 2021
Jeff Austin, III	Commissioner	February 1, 2019
J. Bruce Bugg, Jr.	Commissioner	February 1, 2021
Laura Ryan	Commissioner	February 1, 2017
Victor Vandergriff	Commissioner	February 1, 2019

**TEXAS DEPARTMENT OF TRANSPORTATION-SELECTED PERSONNEL**

<u>Name</u>	<u>Position</u>	<u>Total Years of Service with the Department</u>
James M. Bass	Executive Director	31 years
Marc D. Williams, P.E.	Deputy Executive Director	4 years
Brian D. Ragland, CPA	Chief Financial Officer	10 years
Benjamin H. Asher	Director, Project Finance, Debt and Strategic Contracts Division	4 years
Stephen Stewart	Director, Financial Management Division	4 years
Jeff Graham	General Counsel	4 years

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 Paying Agent/Registrar..... U.S. Bank National Association

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 Austin, Texas 78701  
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## SALE AND DISTRIBUTION OF THE SERIES 2016A BONDS

### Use of Official Statement

No dealer, broker, salesman, or other person has been authorized by the Commission, the Commission's Financial Advisor or the underwriters set forth on the cover page hereof (collectively, the "Underwriters") 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, the Commission's Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016A 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" herein for a description of the Commission's undertakings and the undertakings of the Texas Comptroller of Public Accounts 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 by the Commission, 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 2016A BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

None of the State, the Department, the Commission, the Commission's Financial Advisor or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York ("DTC") or its book-entry-only system as provided for in "APPENDIX D – Book-Entry-Only System," as such information was furnished by DTC.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

The financial and other information contained herein has been obtained from the Commission's records and other sources which the Commission believes to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and the Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

### Marketability

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2016A BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH SERIES 2016A BONDS ARE RELEASED FOR SALE, AND SUCH SERIES 2016A BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES

TO DEALERS WHO MAY SELL SUCH SERIES 2016A BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2016A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2016A 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 2016A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR HAS THE SEC 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 2016A Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder, nor have the Series 2016A Bonds been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Series 2016A Bonds have not been registered or qualified under the securities laws of any other jurisdiction (domestic or foreign).

The Commission assumes no responsibility for registration or qualification for sale or other disposition of the Series 2016A Bonds under the securities laws of any jurisdiction (domestic or foreign) in which the Series 2016A Bonds may be offered, sold or otherwise transferred.

This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2016A 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 of this Official Statement or the date of the Bond Appendix or the 2015 CAFR (as such terms are defined herein), respectively, and the Commission and the State assume no obligation to update any such forward-looking statements. See “OTHER INFORMATION – Forward-Looking Statements.”

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the SEC.

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## OFFICIAL STATEMENT

relating to

**\$588,755,000**

### **TEXAS TRANSPORTATION COMMISSION STATE OF TEXAS HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS, SERIES 2016A**

#### INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover page, the Appendices hereto, and the information incorporated by reference into this Official Statement as described in “GENERAL INFORMATION REGARDING THE STATE”) is to furnish information concerning the offering of the “Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Series 2016A” (the “Series 2016A Bonds”), which are being issued by the Texas Transportation Commission (the “Commission”), the governing body of the Texas Department of Transportation (the “Department”), an agency of the State of Texas (the “State”), in the aggregate principal amount set forth above. The Series 2016A Bonds are being issued pursuant to the authority granted to the Commission by Article III, Section 49-p of the Texas Constitution (the “Constitutional Provision”), Section 222.004 of the Texas Transportation Code (the “Enabling Act”) and Chapter 1371 of the Texas Government Code; the “Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program” (the “Master Resolution”), adopted by minute order of the Commission on January 28, 2010, and a “Fourth Supplemental Resolution” thereto (the “Fourth Supplemental Resolution”), adopted by minute order of the Commission on January 28, 2016; and an Award Certificate of a Department Representative authorized by the Fourth Supplemental Resolution (the “Award Certificate”). The Master Resolution, the Fourth Supplemental Resolution and the Award Certificate are collectively referred to herein as the “Resolution.” Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, as set forth in “APPENDIX B – Select Provisions of the Resolution – Select and Conformed Definitions in the Master Resolution and the Fourth Supplemental Resolution.”

The Master Resolution establishes the Texas Transportation Commission Highway Improvement General Obligation Financing Program (the “Program”) to provide a financing structure for the issuance of obligations secured by and payable solely from the general obligation pledge of the State pursuant to the Constitutional Provision and the Enabling Act, including the first money coming into the State treasury each fiscal year, not otherwise appropriated by the Texas Constitution. The Series 2016A Bonds, the Previously Issued Bonds (as hereinafter defined) and other bonds issued under the Program are collectively referred to herein as the “Bonds.” See “PLAN OF FINANCE.”

PURSUANT TO THE CONSTITUTIONAL PROVISION, THE SERIES 2016A BONDS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE SERIES 2016A BONDS. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS – General Obligation Pledge.”

This Official Statement includes descriptions of the Series 2016A Bonds, the Commission, the Department, the State, and certain other matters, along with summaries and excerpts of portions of the Resolution. The excerpts and summaries of documents contained herein do not purport to be complete or verbatim and are qualified in their entirety by reference to the respective documents. The Resolution is available for inspection at the office of the Department, DeWitt C. Greer State Office Building, 125 East 11th Street, Austin, Texas 78701.

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 undertaking and the undertaking 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.

The Commission has previously issued six series of Bonds under the Program pursuant to the Constitutional Provision. Such previously issued Bonds consist of the Commission's State of Texas Highway Improvement General Obligation Bonds, Taxable Series 2010A (Build America Bonds - Direct Payment); State of Texas Highway Improvement General Obligation Bonds, Series 2010B; State of Texas Highway Improvement General Obligation Bonds, Series 2012A; State of Texas Highway Improvement General Obligation Bonds, Taxable Series 2012B; State of Texas Highway Improvement General Obligation Bonds, Series 2014 and State of Texas Highway Improvement General Obligation Bonds, Series 2016 (collectively, the "Previously Issued Bonds"), in the aggregate principal amount of \$3,771,015,000. As of the date of this Official Statement, \$3,521,965,000 in aggregate principal amount of such Previously Issued Bonds are outstanding. For information concerning other general obligation debt of the State, see the caption "State Debt" within the Bond Appendix (as defined herein), which is incorporated by reference into and made a part of this Official Statement as if set forth herein. See "GENERAL INFORMATION REGARDING THE STATE" and "APPENDIX A – The State."

Under the Fourth Supplemental Resolution, the Commission has authorized the issuance in one or more series of additional Bonds under the Program for new money and refunding purposes. The Series 2016A Bonds are the second series of obligations issued or executed under the Fourth Supplemental Resolution and the seventh series of obligations issued under the Program. The Series 2016A 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 costs of issuance of the Series 2016A Bonds. Following the issuance of the Series 2016A Bonds, which represents the remaining voted authorization pursuant to the Constitutional Provision, the Commission will not be authorized to issue any additional new money general obligation bonds of the State pursuant to the Constitutional Provision.

### *Anticipated Issuance of Additional General Obligation Bonds*

Various State entities, including the Commission, have issued and are authorized to issue general obligation bonds or other obligations of the State. In addition, by constitutional amendment, the voters of the State may authorize the issuance of additional general obligation bonds or other indebtedness for which the full faith, credit and taxing power of the State are pledged. See "PLAN OF FINANCE – General" and "APPENDIX A – The State."

### *Bond Review Board Approval*

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Commission, must be approved by the Texas Bond Review Board ("BRB") prior to their issuance. The BRB is composed of the Governor of the State (the "Governor"), the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the BRB. Each member of the BRB may, and frequently does, act through a designee.

On March 17, 2016, the BRB approved the issuance by the Commission of Bonds in one or more series under the Program with a maximum par amount of \$1,657,520,000 and a maximum total proceeds amount of \$1,708,978,719.86, including premium. See "PLAN OF FINANCE – General." The Series 2016A Bonds are being issued as the second series of Bonds pursuant to such approval. The Commission's State of Texas Highway Improvement General Obligation Bonds, Series 2016 were the first series of Bonds issued pursuant to such approval.

## SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2016A Bonds are estimated to be applied as follows:

### Sources of Funds

Principal Amount	\$588,755,000.00
Original Issue Premium	<u>110,971,767.70</u>
Total Sources	<u>\$699,726,767.70</u>

### Uses of Funds

Deposit to Proceeds Fund	\$697,008,139.56
Underwriters' Discount	2,189,470.07
Estimated Costs of Issuance	<u>529,158.07</u>
Total Uses	<u>\$699,726,767.70</u>

## DESCRIPTION OF THE SERIES 2016A BONDS

### *General*

The Series 2016A Bonds will accrue interest from the date of their initial delivery (the "Date of Initial Delivery"), and such interest will be payable on April 1 and October 1 of each year, commencing April 1, 2017, until maturity or prior redemption, and such interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2016A Bonds will be issued in book-entry form under a book-entry-only system operated by Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), described in "APPENDIX D – Book-Entry-Only System." Beneficial owners of Series 2016A Bonds will not receive physical delivery of Series 2016A Bond certificates. The Series 2016A Bonds will be issued in fully registered form in denominations of \$5,000 of principal amount and integral multiples thereof within a maturity, and will mature in the principal amounts on the dates shown on the inside cover page of this Official Statement. The Series 2016A Bonds will be dated the Date of Initial Delivery.

### *Payment of the Series 2016A Bonds*

Principal of, interest and redemption premium, if any, on the Series 2016A 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 and redemption premium, if any, on the Series 2016A Bonds will be payable only upon the presentation and surrender of the Series 2016A Bonds to the Paying Agent/Registrar at its designated office. Interest on the Series 2016A 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 2016A Bonds means the 15<sup>th</sup> day of March and the 15<sup>th</sup> day of September of each year preceding the next scheduled interest payment date. If any such Record Date is not a business day then the Record Date is the business day next preceding such date. Notwithstanding the foregoing, so long as Cede & Co. (or other DTC nominee) is the registered owner of the Series 2016A Bonds, all payments will be made as described in "APPENDIX D - Book-Entry-Only System."

In the event of a nonpayment of interest on a scheduled payment date on a Series 2016A 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 2016A 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 2016A Bonds is U.S. Bank National Association (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 2016A 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 2016A 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 2016A Bonds to the successor Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar, the Commission agrees promptly to cause a written notice thereof to be sent to each Owner by United States mail, first-class postage prepaid, which notice will also give the address of the new Paying Agent/Registrar.

***Redemption Provisions***

Optional Redemption of Bonds. The Series 2016A Bonds maturing on and after April 1, 2027 are subject to redemption, in whole or in part, at the option of the Commission at the redemption price of par plus interest accrued to the date of redemption, and without premium, on April 1, 2026, or any date thereafter.

Mandatory Sinking Fund Redemption of Bonds. The Series 2016A Bonds maturing on April 1 in each of the years 2044 and 2046 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity. The Term Bonds must be redeemed by the Paying Agent/Registrar at the redemption price of par plus interest accrued to the date of redemption, and without premium, on the dates and in the principal amounts as set forth in the following schedule:

Term Bonds Maturing April 1, 2044		Term Bonds Maturing April 1, 2046	
Redemption Date <u>(April 1)</u>	<u>Principal Amount</u>	Redemption Date <u>(April 1)</u>	<u>Principal Amount</u>
2041	\$20,300,000	2045	\$20,300,000
2042	20,300,000	2046*	20,300,000
2043	20,300,000		
2044*	20,300,000		

\* Stated maturity

\* Stated maturity

The principal amount of the 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 Term Bond scheduled for redemption on such redemption date, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) has been acquired by the Commission and delivered to the Paying Agent/Registrar for cancellation, (2) has been acquired and canceled by the Paying Agent/Registrar, at the direction of the Commission, at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of acquisition thereof, or (3) has been redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory sinking fund redemption.

### ***Selection of Bonds to be Redeemed***

If less than all of the Series 2016A Bonds are to be redeemed at the option of the Commission, the particular maturities of Series 2016A Bonds, or mandatory sinking fund installment in the case of a Term Bond, to be redeemed will be determined by the Commission in its sole discretion. If less than all the Series 2016A Bonds of any maturity, or mandatory sinking fund installment in the case of a Term Bond, are to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2016A Bonds are in book-entry-only form) shall determine by lot or other customary random method the Series 2016A Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2016A Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, the Series 2016A Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### ***Notice of Redemption or Defeasance***

Unless waived by any Owner of the Series 2016A Bonds to be redeemed or defeased, the Commission will give notice of optional redemption or defeasance to the Paying Agent/Registrar at least thirty-five (35) days prior to a redemption date in the case of a redemption of Series 2016A 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 2016A Bonds and the Paying Agent/Registrar will give notice of optional redemption of Series 2016A Bonds or notice of defeasance of Series 2016A Bonds by United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, prior to such redemption date and within thirty (30) days after a defeasance date to each registered securities depository and to any national information service that disseminates such notices. Any notice sent to the registered securities depositories or such national information services will be sent so that it is received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the Owner of any Series 2016A Bond who has not sent the Series 2016A Bonds in for redemption sixty (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 2016A Bonds, unless certain prerequisites to such redemption required by the Fourth Supplemental Resolution have been met and money sufficient to pay the principal of, premium, if any, and interest on the Series 2016A 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 2016A 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 2016A Bonds have not been redeemed.

### ***Purchase in Lieu of Redemption***

If and to the extent that the Series 2016A Bonds are subject to optional redemption, all or a portion of the Series 2016A Bonds to be redeemed, as specified in the notice of redemption, may be purchased by the Paying Agent/Registrar at the direction of the Department Representative on the date which would be the redemption date if such Series 2016A Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Series 2016A Bonds on the redemption date for the account of the Commission and at the direction of the Department Representative who shall give the Paying Agent/Registrar notice at least forty-five (45) days prior to the scheduled redemption date for the Series 2016A Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase Series 2016A Bonds in lieu of optional redemption, no notice to the Owners of the Series 2016A Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent/Registrar shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Series 2016A Bonds if such Series 2016A Bonds had been redeemed rather than purchased. Each Series 2016A Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission and such purchase is not intended to extinguish or merge such debt. The Series 2016A 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 Bonds Called for Redemption***

Neither the Commission nor the Paying Agent/Registrar will be required to issue or transfer to an assignee of an Owner any Series 2016A Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Series 2016A Bond; provided, however, that such limitation on transfer will not be applicable to an exchange by the Owner of the unredeemed balance of a Series 2016A 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 2016A Bonds, will send only to DTC any notice of optional redemption (with respect to the Series 2016A Bonds), notice of proposed amendment to the Resolution, or other notices with respect to the Series 2016A Bonds. Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Series 2016A Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Series 2016A Bonds by the Commission will reduce the outstanding principal amount of such Series 2016A Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Series 2016A Bonds from the Beneficial Owners. Any such selection of Series 2016A Bonds to be redeemed will not be governed by the Fourth Supplemental Resolution and will not be conducted by the Commission or the Paying Agent/Registrar. Neither the Commission nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Series 2016A Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Series 2016A Bonds for redemption (see "APPENDIX D – Book-Entry-Only System").

#### ***Transfer, Exchange and Registration***

The Paying Agent/Registrar will obtain, record, and maintain in the Security Register the name and address of each Owner, and any Series 2016A Bond may, in accordance with its terms and the terms of the Fourth Supplemental Resolution, be transferred or exchanged for Series 2016A Bonds in authorized denominations of \$5,000 or any integral multiple thereof ("Authorized Denominations") upon the Security Register by the Owner, in person or by his duly authorized agent, upon surrender of such Series 2016A Bond to the Paying Agent/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 2016A 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 2016A Bonds, executed on behalf of, and furnished by, the Commission, of Authorized Denominations and having the same Maturity and of a like aggregate principal amount as the Series 2016A Bond or Bonds surrendered for transfer.

At the option of the Owner, the Series 2016A Bonds may be exchanged for other Series 2016A Bonds of Authorized Denominations and having the same Maturity, bearing the same rate of interest, and of like tenor and aggregate principal amount as the Series 2016A Bonds surrendered for exchange, upon surrender of the Series 2016A Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Series 2016A Bonds are surrendered for exchange, new Series 2016A Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

All Series 2016A Bonds issued upon any transfer or exchange of Series 2016A 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 2016A Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Series 2016A Bonds pursuant to the Fourth Supplemental Resolution will be made without expense or service charge to the Owner, except as otherwise provided in the Fourth 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 2016A 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 2016A Bond or Bonds registered and delivered in the exchange or transfer. Additionally, the term “Predecessor Bonds” includes any mutilated Series 2016A Bond that is surrendered to the Paying Agent/Registrar or any Series 2016A 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 2016A Bond has or Series 2016A Bonds have been registered and delivered pursuant to the Fourth Supplemental Resolution.

In the event that the date for any payment on the Series 2016A Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day that is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date that payment was due.

See “APPENDIX D – Book-Entry-Only System” for a description of the system to be utilized initially in regard to the ownership and transferability of the Series 2016A Bonds.

### ***Defeasance***

Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Series 2016A Bonds shall be deemed to be “Defeased Bonds” within the meaning of the Master Resolution and the Fourth Supplemental Resolution, when payment of the principal of such Series 2016A Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, redemption or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Series 2016A 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 2016A 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 2016A Bonds shall be deemed to be Defeased Bonds under the Resolution, such Defeased Bonds and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Security (as defined herein) 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 2016A Bonds to their stated maturity pursuant to the provisions of the Fourth Supplemental Resolution, the Commission retains the right under State law to later call those Defeased Bonds for redemption in accordance with the provisions of the Fourth Supplemental Resolution and the Award Certificate relating to the Defeased Bonds. The Commission may call such Defeased Bonds for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the Fourth Supplemental Resolution with respect to such Defeased Bonds as though such Defeased Bonds were being defeased at the time of the exercise of the option to redeem the Defeased Bonds, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bonds.

### ***Amendments to the Master Resolution Without Consent of Owners***

The Master Resolution and the rights and obligations of the Commission and of the Owners may be modified or amended at any time without notice to or the consent of any Owner, solely for any one or more of the following purposes: (i) to add to the covenants and agreements of the Commission contained in the Master Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to

or conferred upon the Commission in the Master Resolution; (ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Master Resolution, upon receipt by the Commission of an Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Master Resolution; (iii) to supplement the Security for the Outstanding Bonds in accordance with the Constitutional Provision and State law; (iv) to make such other changes in the provisions thereof as the Commission may deem necessary or desirable and which shall not, in the judgment of the Commission, materially adversely affect the interests of the Owners; (v) to make any changes or amendments requested by the State Attorney General's Office or the BRB as a condition to the approval of a series or issue of Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners; (vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners; or (vii) to change the maximum principal amount of Bonds issued under the Program or change or supplement the purposes for which Bonds can be issued or Credit Agreements executed.

#### ***Amendments to the Master Resolution With Consent of Owners***

Subject to the Master Resolution, the Owners aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described above, to the Master Resolution which may be deemed necessary or desirable by the Commission; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of all Owners (unless such amendment shall be determined by the Commission to affect only certain Owners, in which case such amendment shall not be made without the approval of the Owners so affected), the amendment of the terms and conditions in the Master Resolution so as to: (i) grant to the Owners of any Outstanding Bonds a priority over the owners of any other Outstanding Bonds; or (ii) materially adversely affect the rights of the Owners of less than all Bonds then Outstanding; or (iii) change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or (iv) make any change in the maturity of any Outstanding Bonds; or (v) reduce the rate of interest borne by any Outstanding Bonds; or (vi) reduce the amount of the principal payable on any Outstanding Bonds; or (vii) modify the terms of payment of the amounts required to meet any financial obligations of the Commission relating to the Program, including payments due on or with respect to the payment of any Outstanding Bonds, or impose any conditions with respect to such; or (viii) amend the above-described provisions.

#### ***Amendments to Fourth Supplemental Resolution Without Consent of Owners***

Subject to the provisions of the Master Resolution, the Fourth Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the Series 2016A Bonds, the Fourth Supplemental Resolution may be modified or amended at any time without notice to or the consent of any Owner of the Series 2016A 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 Fourth 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 Fourth Supplemental Resolution; (ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Fourth 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 Fourth Supplemental Resolution; (iii) to supplement the Security for the Series 2016A Bonds or a Credit Agreement; (iv) to make such other changes in the provisions of the Fourth 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 Series 2016A Bonds; (v) to make any changes or amendments requested by the State Attorney General's Office or the BRB as a condition to the approval of the Series 2016A Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Series 2016A Bonds; or (vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the Series 2016A 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 Series 2016A Bonds.

#### ***Amendments to Fourth Supplemental Resolution With Consent of Owners***

Subject to the other provisions of the Fourth Supplemental Resolution and the Master Resolution, the Owners of Outstanding Series 2016A Bonds aggregating a majority in Outstanding Principal Amount of the Series 2016A Bonds have the right from time to time to approve any amendment, other than amendments described in the

immediately preceding section, to the Fourth 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 Series 2016A Bonds, the amendment of the terms and conditions in the Fourth Supplemental Resolution or in the Series 2016A Bonds, so as to: (i) make any change in the maturity of the Outstanding Series 2016A Bonds; (ii) reduce the rate of interest borne by the Outstanding Series 2016A Bonds; (iii) reduce the amount of the principal payable on the Outstanding Series 2016A Bonds; (iv) modify the terms of payment of principal of or interest on the Outstanding Series 2016A Bonds, or impose any conditions with respect to such payment; (v) affect the rights of the Owners of less than all of the Series 2016A Bonds then Outstanding; or (vi) change the minimum percentage of the Outstanding Principal Amount of the Series 2016A 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 Series 2016A 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 Series 2016A Bonds. A copy of such notice must be provided in writing to each rating agency maintaining a rating on the Series 2016A Bonds.

#### ***Use of Certain Terms in Other Sections of this Official Statement***

In reading this Official Statement it should be understood that while the Series 2016A Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the Series 2016A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

### **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A 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 pursuant to the Constitutional Provision, 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 debt obligations. The Series 2016A Bonds constitute the seventh series of Bonds issued or executed by the Commission on behalf of the State under the Program. See “PLAN OF FINANCE – General” herein.

### ***General Obligation Pledge***

**THE SERIES 2016A 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 SERIES 2016A BONDS. For a reference to information describing the financial condition of the State, see “GENERAL INFORMATION REGARDING THE STATE” herein 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 Bonds issued under the Program, and the Commission does not currently intend to enter into any Credit Agreement with respect to Bonds issued under the Program. However, the Commission has the ability to enter into Credit Agreements at any time for the Series 2016A Bonds or other series of Bonds issued under the Program.

### ***Application of Certain BAB Subsidy Payments***

Pursuant to the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the “Recovery Act”), the Commission issued its “Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds, Taxable Series 2010A (Build America Bonds - Direct Payment)” (the “Series 2010A Bonds”) as taxable “Build America Bonds” (or “BABs”) and elected to receive a subsidy payment from the U.S. Treasury equal to 35% of the amount of each interest payment on the Series 2010A Bonds (the “BAB Subsidy Payments”).

Subject to any required State appropriation, the Commission has covenanted to deposit all collections of BAB Subsidy Payments into a Build America Bonds Subaccount within the Interest and Sinking Fund (the “2010A Subaccount”). Funds in the 2010A Subaccount may be used solely for the purpose of paying principal of and interest on the Series 2010A Bonds, and such funds may not be used to pay debt service on any other Bonds. The Department expects to receive future appropriations, to the extent required by applicable law, of the BAB Subsidy Payments in connection with the annual debt service requirements for the Series 2010A Bonds. The BAB Subsidy Payments have been appropriated to the Department by the State for the Series 2010A Bonds for the 2016-2017

biennium, and the Department expects to receive future appropriations of the BAB Subsidy Payments in connection with annual debt service payments for the Series 2010A Bonds.

The receipt of the BAB Subsidy Payments by the Commission is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date for the Series 2010A Bonds. In the event of a failure to file a necessary form with the Internal Revenue Service in a timely manner, the Commission may not receive a BAB Subsidy Payment. BAB Subsidy Payments are also subject to offset against certain amounts that may, for reasons unrelated to the Series 2010A Bonds, be owed by the State to an agency of the United States. In addition, the Commission can give no assurances regarding future changes in legislation or United States Treasury regulations or the netting of other liabilities of the State against BAB Subsidy Payments which may affect the timing or amount of the BAB Subsidy Payments. Accordingly, there is no assurance that the anticipated BAB Subsidy Payments will be received as anticipated. See “– Effects of Federal Sequestration on Certain Bonds” below.

THE BAB SUBSIDY PAYMENTS ARE NOT FULL FAITH AND CREDIT OBLIGATIONS OF THE UNITED STATES OF AMERICA AND DO NOT CONSTITUTE PART OF THE SECURITY FOR THE BONDS.

### ***Effects of Federal Sequestration on Certain Bonds***

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Bipartisan Budget Act of 2013, certain automatic reductions in federal spending (the “Sequester Cuts”) took effect as of March 1, 2013. The Sequester Cuts affected the subsidy payments to be made by the federal government to issuers of “direct-pay” tax credit bonds, such as BABs (including the Commission’s Series 2010A Bonds). As a result of the Sequester Cuts, the BAB Subsidy Payments received by the Commission in fiscal years 2014, 2015 and 2016 for the Series 2010A Bonds were reduced by approximately \$997,174, \$909,373, and \$884,286, respectively. (The BAB Subsidy Payments received by the Commission in fiscal year 2013 for the Series 2010A Bonds were not reduced.) The BAB Subsidy Payment in respect of the October 1, 2016 debt service payment on the Series 2010A Bonds was reduced by approximately \$426,464. A 6.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2017, and will apply to the BAB Subsidy Payments to be received by the Commission in respect of the April 1, 2017 and October 1, 2017 debt service payments on the Series 2010A Bonds. If the Sequester Cuts continue, the State will be required to expend additional funds constituting the Security in order to pay debt service on the Series 2010A Bonds resulting from a reduction in BAB Subsidy Payments.

The Sequester Cuts were originally set to expire in 2021. However, on February 15, 2014, the Bipartisan Budget Act of 2013 was amended by Congress to, among other things, extend the planned Sequester Cuts to 2024; however, at this time, the Commission and the Department make no representations as to whether the Sequester Cuts will remain in effect and cause a reduction in receipt of federal funds or BAB Subsidy Payments for any future year.

### ***Enforcement***

The Resolution does not provide for any specific remedies relating to the enforcement of the obligations of the Commission, and 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 2016A Bonds. Any owner of Series 2016A 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 2016A 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.

The remedy of mandamus is (i) available only if the covenants and obligations to be enforced are not uncertain or disputed and (ii) controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Series 2016A Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interests of the owners of the Series 2016A Bonds upon any failure of the Commission or the State to perform in accordance with the terms of the Resolution or upon any other condition, and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative

of, and be financed by, the owners of the Series 2016A Bonds. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful. The opinion of Bond Counsel will state that all opinions relative to the enforceability of the Series 2016A Bonds are qualified with respect to customary rights of debtors relative to their creditors. See “APPENDIX C – Form of Opinion of Bond Counsel.”

### ***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 2016A Bonds will be liable personally for payment on the Series 2016A Bonds or be subject to any personal liability or accountability by reason of the issuance of the Series 2016A 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 Fourth Supplemental Resolution creates the Rebate Fund for the Series 2016A 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. Additionally, in connection with the issuance of the Series 2010A Bonds, the Commission has created the 2010A Subaccount of the Interest and Sinking Fund and has covenanted that all BAB Subsidy Payments are to be deposited into such subaccount. Funds in the 2010A Subaccount may be used solely for the purpose of paying principal of and interest on the Series 2010A Bonds, and such funds may not be used to pay debt service on any other Bonds issued under the Program pursuant to the Constitutional Provision, including the Series 2016A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS – Application of Certain BAB Subsidy Payments” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS – Effects of Federal Sequestration on Certain Bonds.”

**Bond Proceeds Fund.** Proceeds from the issuance of a series of Bonds are required to be deposited from time to time upon the issuance of such Bonds as provided by the applicable Supplement into the Proceeds Fund created with respect to such series of Bonds or into the State Infrastructure Bank account as further set forth in the applicable Supplement. Such proceeds and the interest thereon remain in the Proceeds Fund until expended to accomplish the purposes for which any series of Bonds were issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Proceeds Fund or the State Infrastructure Bank account do not constitute Security.

**Rebate Fund.** The Fourth Supplemental Resolution establishes the Rebate Fund for the Series 2016A 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 Internal Revenue Code of 1986, as amended (the “Code”). Money in the Rebate Fund, if any, does not constitute Security.

**Other Accounts.** In connection with the issuance of any series of Bonds or for other purposes, the Commission may establish one or more additional funds, accounts or subaccounts for other purposes.

### ***Flow of Funds***

**Interest and Sinking Fund.** Pursuant to the Master Resolution, the Commission will cause to be deposited into the Interest and Sinking Fund, 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 by calculating the amounts to be deposited in or transferred to the appropriate accounts and 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 Commission is the Department's policy-making body and is composed of five commissioners appointed by the Governor with the advice and consent of the Texas Senate. Commissioners serve staggered six year terms. One member is designated by the Governor as the Chair and serves as the 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 receives funds from the Department; directly or indirectly owns or controls more than a 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 State Legislature 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 current members of the Commission are listed below. Their terms end on the dates specified on page iii of this Official Statement.

### **Tryon D. Lewis, Chairman**

Mr. Lewis was appointed to the Commission by Governor Abbott on February 13, 2015. Mr. Lewis is a former state representative from Texas' 81st District, serving from 2008 to 2015. During Representative Lewis' legislative career he served as the chairman of the Judiciary and Civil Jurisprudence Committee and was the co-chair of the Joint House Senate Committee on Judicial Selection. Representative Lewis also served on the House Higher Education Committee and the House Committee on Public Safety. Prior to his service in the Legislature, Lewis held office as a state district judge, serving in that capacity from 1985 until 2006. He practiced law in Odessa from 1973 to 1984 and then again from 2006 to present. He is currently a shareholder in the Atkins Hollman Jones Peacock Lewis & Lyon Law Firm. Mr. Lewis has previously served on the boards of local organizations including Meals on Wheels, ECISD Education Foundation, the Permian Playhouse, the Odessa Cultural Council, the state board of the

Texas Young Lawyers Association and has served as president of the Ector County Bar Association. Mr. Lewis attended Odessa College, The University of Texas at Austin and Baylor Law School.

**Jeff Austin III, Commissioner**

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

**J. Bruce Bugg, Jr., Commissioner**

Mr. Bugg was appointed to the Commission by Governor Abbott on February 13, 2015. Mr. Bugg is chairman and trustee of The Tobin Endowment, a private charitable foundation, in San Antonio, Texas and chairman and co-founder of the Bexar County Performing Arts Center Foundation, owner of the \$205 million Tobin Center for the Performing Arts in San Antonio. Mr. Bugg currently serves as a member of the board of directors of the San Antonio Chamber of Commerce, the board of trustees of the Texas Biomedical Research Institute and board of trustees of St. Mary's Hall, a private school in San Antonio, Texas, and chairman of the Endowment Investment Committee and a member of the board of directors of The Santa Fe Opera in Santa Fe, New Mexico. He is former chairman of the board of Governors of Cancer Therapy & Research Center, former officer and trustee of the Texas Research and Technology Foundation, a trustee emeritus of the board of Trustees of the McNay Art Museum. Mr. Bugg is also chairman, president and chief executive officer of Southwest Bancshares, Inc., a Texas bank holding company for The Bank of San Antonio, and chairman of The Bank of San Antonio; and chairman, president and chief executive officer of Texas Hill Country Bancshares, Inc., a Texas bank holding company for Texas Hill Country Bank. In addition, Mr. Bugg also serves as chairman of San Antonio Capital & Trust Co., L.L.C. and chairman and chief executive officer of Argyle Investment Co., L.L.C., a private investment firm. Mr. Bugg was appointed to serve as chairman and president of the Texas Economic Development Corporation and a senior advisor to Governor Perry on the State of Texas' economic development strategies and initiatives from 2012 to May, 2014. Prior to this appointment, Mr. Bugg was appointed to serve as the Governor's appointee on the board of directors of Humanities Texas in Austin, Texas. Mr. Bugg is a member of the State Bar of Texas and holds Juris Doctorate and Bachelor of Business Administration degrees from Southern Methodist University.

**Laura Ryan, Commissioner**

Ms. Ryan was appointed to the Commission by Governor Abbott in July of 2016. Ms. Ryan is vice president of market representation and dealer development for Gulf States Toyota, Inc. She previously served as a member of the Board of the Texas Department of Motor Vehicles (the "TxDMV") and was also designated by the Governor as chair of the TxDMV Board. During her tenure as chair of the TxDMV Board, Ms. Ryan initiated many processes to make the TxDMV more innovative, customer-oriented, and efficient. Ms. Ryan has held various executive level positions during her twenty-plus years in the automotive industry, including both manufacture and retail operations. Ms. Ryan is involved with her community through several volunteer and charity organizations such as Boys and Girls Country, Operation Interdependence, and National Charity League. Ms. Ryan attended Penn State University and has been engaged in the following continuous executive education programs: Gallup Organization Strengths Training, University of Texas Future Leaders, and Columbia University - Finance.

**Victor Vandergriff, Commissioner**

Mr. Vandergriff was appointed to the Commission by Governor Perry in March of 2013. Mr. Vandergriff is an attorney and private businessman specializing in business development and legislative issues. From 2009 to

2013, Mr. Vandergriff served as the chairman of the Texas Department of Motor Vehicles Board. He was also a board member for the North Texas Tollway Authority from 2007 to 2013 and served as chairman from 2010 to 2011. He formerly served as Vice President of V.T., Inc. and Automotive Investment Group, the largest private retail automotive group in the United States. He was involved as an owner, dealer and executive manager in the automobile industry for more than 25 years. Mr. Vandergriff and his family have owned and operated automobile dealerships for more than 80 years in the Dallas-Fort Worth region. Mr. Vandergriff attended The University of Southern California, where he received a degree from the School of Public Administration in Public Affairs. He received his law degree from Southern Methodist University in Dallas.

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

The mission of the Department is, through collaboration and leadership, to deliver a safe, reliable and integrated transportation system that enables the movement of people and goods throughout the State. The Department’s core goals and objectives are: to implement effective planning and forecasting processes that deliver the right projects on time and on budget; to focus on the customer because people are at the center of everything the Department does; to foster stewardship by ensuring efficient use of State resources; to optimize system performance by developing and operating an integrated transportation system that provides reliable and accessible mobility and enables economic growth; to preserve its assets by delivering preventative maintenance for the Department’s system and capital assets to protect its investments; to champion a culture of safety; and to value its employees by respecting and caring for their well-being and development.

The Department is headquartered in Austin, Texas, with 33 divisions and 25 district offices located throughout the State. Each district is responsible for the planning, design, construction, operation and maintenance of its area’s transportation systems. The Department is managed by an Executive Director, subject to and under the direction of the Commission. The Executive Director and other key Department personnel are listed below.

#### **James M. Bass, Executive Director**

Effective January 1, 2016, James M. Bass was appointed Executive Director by the Commission on December 17, 2015. Under the direction of the Commission, Mr. Bass manages, directs and implements Department policies, programs and operating strategies. Mr. Bass also represents the Department before the Legislature and other entities. Prior to his appointment as Executive Director, Mr. Bass served as the Department’s Chief Financial Officer. Mr. Bass began his career with the Department in 1985 in the Fort Worth District where he maintained records and audited field measurements. He also worked part-time as an engineering aide for the Austin District while earning his bachelor’s degree in accounting from The University of Texas at Austin. After graduation in 1991, Mr. Bass served as an accounting clerk in the Department’s financial planning operations division (the “Finance Division”). In 1997, Mr. Bass became a manager in the Budget and Forecasting Branch, and in that position was responsible for preparation of the Department’s Legislative Appropriations Request and Operating Budget, and working with the Texas Legislative Budget Board, State Auditor’s Office, and the Comptroller of Public Accounts. 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. Mr. Bass also served as Interim Executive Director of the Department from January 17, 2014 to April 23, 2014.

#### **Marc D. Williams, P.E., Deputy Executive Director**

As Deputy Executive Director, Mr. Williams is responsible for assisting the Executive Director in all phases of directing, managing, and implementing the Department’s policies, programs, and operating strategies. He assists in oversight of the management and operation of all transportation systems for which the agency is responsible to ensure that systems are adequate, safe, and constructed and maintained for the traveling public in the

most cost-effective manner. Mr. Williams started with the Department in February 2012 as the Director of Planning within the Department's Planning and Projects Office. His career experience in transportation planning and program efforts includes public and private-sector organizations involving state, county and local jurisdictions. Mr. Williams has served in leadership positions with two state departments of transportation as well as worked with national private-sector transportation engineering organizations. His professional assignments have included directing statewide transportation planning and programming efforts as well as managing project specific highway and multimodal transportation plans and programs. Mr. Williams has worked extensively with public and agency outreach, transportation plans of various modes, regional and corridor-level plans and programs, environmental planning and approval, economics and finance, project design and development, along with work in the areas of construction management, operations and maintenance. Mr. Williams received both a Master's degree in Civil Engineering and a Bachelor's degree in Civil Engineering from Texas A&M University.

#### **Brian D. Ragland, Chief Financial Officer**

Mr. Ragland was selected as the Department's Chief Financial Officer on March 11, 2016. Mr. Ragland has financial oversight responsibility for the Department including the Department's Financial Management Division, Project Finance, Debt and Strategic Contracts Division, Real Estate Division, and Toll Operations Division. Mr. Ragland began his career with The University of Texas System Administration as an accountant/auditor in their Oil and Gas department and then became the Financial Manager of their Employee Group Insurance section where he served until 1996. He then became Chief Financial Officer for the State Preservation Board where he oversaw all financial, human resources, enterprise, and information resource functions of that agency. Mr. Ragland began his career with the Department as the Director of the Department's Claims Management Section of the Financial Management Division in 2003. He left the Department in 2005 to pursue an opportunity as Senior Vice President and Chief Financial Officer of Walden Affordable Group, LLC, an affordable housing management firm but returned to the Department in 2008 as the Director of the Financial Management Division. Mr. Ragland is also currently an elected trustee of the Employees Retirement System, with a term expiring August 31, 2017. Mr. Ragland received a bachelor's degree in Accounting from The University of Texas at Austin in 1990 and a Masters of Business Administration degree from Southwest Texas State University in 1999. He is a licensed Certified Public Accountant and a member of the American Institute of CPAs (AICPA), the Texas State Agency Business Administrators Association (TSABAA) and the State Agency Coordinating Council (SACC).

#### **Benjamin H. Asher, Director, Project Finance, Debt and Strategic Contracts Division**

As director of the Project Finance, Debt and Strategic Contracts Division, Mr. Asher is responsible for the management of the Department's project financing, debt management and strategic contracts programs. This includes the management of the Department's various debt and financial assistance programs, including TIFIA loan activity, the State Infrastructure Bank, toll equity, and pass-through financings, as well as aspects of the Department's comprehensive development agreements and contract process. Prior to joining the Department in June 2012, Mr. Asher worked for Public Resources Advisory Group, an independent financial advisory firm, most recently as a partner and senior managing director in New York. Previously, Mr. Asher worked in investment banking on a broad range of financings including fixed and variable rate issues, taxable and tax-exempt financings, derivatives, private placements and notes. Mr. Asher received his Bachelor of Arts in history from Columbia University and an M.B.A. in finance from Columbia University Graduate School of Business.

#### **Stephen Stewart, Director, Financial Management Division**

As the Department's Director of the Financial Management Division, Mr. Stewart is responsible for the management and control of budget, revenue, disbursements, and accounting for the Department as well as letting management of all transportation projects. Mr. Stewart has over 16 years of state governmental experience and has been involved with many key initiatives since he began with the Department in March of 2012. Mr. Stewart has held previous roles as Manager of Financial Reporting and Director of Accounting positions within the Financial Management Division. Within each of those roles, he has worked to collaborate with other districts, divisions, and other State agencies to produce required audit financial statements and statutory reports needed for the Department as well as assisting with the implementation of the PeopleSoft Financial Supply Chain Management (FSCM) system. Prior to joining the Department, Mr. Stewart worked for the Comptroller assisting in the production of the State's Comprehensive Annual Financial Report where he gained insight and experience working with various agencies across the State. Aside from governmental accounting, Mr. Stewart has also gained business and

management experience from owning his own CPA firm which focused on bookkeeping and tax services. Prior to his accounting experiences, Mr. Stewart worked at Texas State University in the information technology division as a network administrator and systems programmer where he was responsible for administration of Active Directory domains consisting of over 70,000 users and various SAP, e-mail, and database servers. Mr. Stewart received a Bachelor's degree in Computer Science from Southwest Texas State University in 2003 and a Master's degree in Accounting from Texas State University in 2007. He is a licensed Certified Public Accountant and a member of the American Institute of CPAs (AICPA).

### **Jeff Graham, General Counsel**

Mr. Graham assumed the position of General Counsel on July 16, 2012. Under his direction, the Office of General Counsel renders legal advice to the Commission and the Department. He also drafts Department rules, reviews legislation, and serves as counsel at Commission meetings. Previously, Mr. Graham served as Division Chief for the Financial and Taxation Litigation Division, under Texas Attorney General Greg Abbott. Prior to that, he served as the Division Chief for the Financial Litigation Division of the Office of Attorney General. In 2011, the Taxation Division and the Texas Workforce Commission Section were added to the Financial Litigation Division, resulting in the combined Financial and Taxation Litigation Division. In 2012, the Charitable Trust Section was also added to his portfolio. Jeff began his career at the Office of the Attorney General in 1997, and has lived in Austin since 1986. He is a graduate of Washington University School of Law in St. Louis, Missouri and The University of Texas at Austin.

### ***Sunset Review***

The Texas Sunset Act (Chapter 325, Texas Government Code) (the "Sunset Act") provides that virtually all agencies of the State, including the Department, are subject to periodic review by the 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 will be subject to its next sunset review in 2017. 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 sunset review results in the Department being abolished, the Governor would be required by law to designate an appropriate state agency to carry out covenants and perform the obligations of the Department. The designated agency would provide for payment of bonds and other public securities in accordance with the terms of such bonds and other public securities and would provide for payment and performance of all other obligations in accordance with their terms.

### ***State Audits***

The State Auditor's Office ("SAO") is the independent auditor for Texas state government. The SAO operates with oversight from the Legislative Audit Committee, a six-member permanent standing committee of the State Legislature, jointly chaired by the Lieutenant Governor and the Speaker of the House of Representatives.

The SAO is authorized, by Chapter 321, Texas Government Code, to perform financial audits, compliance audits, investigations and other special audits 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, Governmental Accounting Standards Board, United States General Accounting Office or other professionally recognized entities that prescribe auditing standards.

### ***Other Financing Programs***

The Commission has implemented programs designed to accelerate the development and construction of highways through the issuance of debt payable from various sources of security. The Commission uses numerous financing vehicles to implement this strategy.

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 of, or otherwise facilitate the development and construction of highway projects. **None of such financing programs are part of the Program and, except for obligations issued under the Mobility Fund Program (as defined below), such financing programs are not secured by the full faith and credit of the State. Additionally, none of such financing programs provide a source of security for the Series 2016A Bonds or any other series of Bonds**

**issued under the Program, and the Security is not pledged to secure the payment of any obligations described under this caption, except that, as described above, the obligations issued under the Mobility Fund Program are secured by the full faith and credit of the State.**

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 Act”). The Mobility Fund is administered by the Commission to provide a method of financing the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way. The Mobility Fund may also be used to provide participation by the Department in the payment of all or a portion of the costs of constructing and providing certain public transportation projects. As of October 1, 2016, Mobility Fund obligations in the aggregate principal amount of approximately \$6.244 billion were outstanding out of the \$7.5 billion maximum aggregate principal amount of obligations currently authorized for the Texas Mobility Fund Revenue Financing Program (the “Mobility Fund Program”). The Commission may issue additional Mobility Fund obligations for refunding purposes within the next twelve months.

House Bill No. 122 (“HB 122”), which was enacted during the regular session of the 84th Legislature and became effective on June 10, 2015, amends the Mobility Fund Act to provide that no additional Mobility Fund Program obligations may be issued or incurred after January 1, 2015, except for obligations issued to refund (i) outstanding obligations to provide savings to the State and (ii) outstanding variable rate obligations and to renew or replace credit agreements relating to outstanding variable rate obligations. Additionally, HB 122 provides that money in the Mobility Fund, in excess of amounts required by the proceedings authorizing obligations and credit agreements to be retained on deposit, may not be used for toll roads.

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 such obligations 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 in addition to the revenues pledged from the Mobility Fund, such obligations are secured by the full faith and credit of the State as described above.

State Highway Fund.

*Senior Obligations.* Texas Transportation Code, Section 222.003 (“Section 222.003”) authorizes the Commission to issue bonds and other public securities and enter into credit agreements related thereto (collectively, “State Highway Fund Revenue Obligations”) secured by a pledge of and payable from revenue deposited to the credit of the State Highway Fund (“State Highway Fund”) to fund improvements to the state highway system. Under current law, \$6 billion maximum aggregate principal amount of State Highway Fund Revenue Obligations is authorized to be issued pursuant to Section 222.003. As of October 1, 2016, an aggregate principal amount of approximately \$3.973 billion of State Highway Fund Revenue Obligations was outstanding. On October 6, 2016, the Commission offered and sold \$690.58 million in aggregate principal amount of State Highway Fund Revenue Obligations by negotiated sale for both new money and refunding purposes, which obligations are anticipated to be issued and delivered through the facilities of DTC on or about October 26, 2016. Following the issuance of such additional obligations, approximately \$4.563 billion in aggregate principal amount of State Highway Fund Revenue Obligations will be outstanding, and no additional State Highway Fund Revenue Obligations may be issued under current law for new money purposes.

*Subordinate Obligations.* The State Constitution (Article III, Section 49-m) and Section 201.115 of the Texas Transportation Code (“Section 201.115”) authorize 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.

The Commission has authorized the Department to obtain financing pursuant to Section 201.115 and to enter into short-term lending facilities 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. Pursuant to such authorization, the Department entered into separate Note Purchase Agreements, dated as of August 15, 2013 (each, a “Note Purchase Agreement” and, collectively, the “Note Purchase Agreements”), with Wells Fargo Bank, National Association, and Citibank, N.A. (“Wells Fargo” and “Citibank” and, collectively, the “Lending Banks”), to obtain direct loans from the Lending Banks through the issuance of the Department’s State Highway Fund Revenue Flexible Rate Revolving Notes in the combined aggregate principal amount of not to exceed \$750 million. The Note Purchase Agreements are comprised of one agreement with Wells Fargo and two agreements with Citibank (each authorizing direct loans in an aggregate principal amount not to exceed \$250,000,000). The Note Purchase Agreements are scheduled to expire on August 11, 2017 (Wells Fargo) and November 30, 2016 (Citibank), subject to any extensions or renewals. The Department’s direct lending program is subject to the requirements and limitations set forth in Section 201.115 and may be utilized from time to time for cash management purposes. As of October 1, 2016, the Department had no outstanding loan balances pursuant to Section 201.115.

Additionally, pursuant to the Texas Transportation Code, Sections 201.961, et seq., the Commission may issue highway tax and revenue anticipation notes (“HTRANs”) if the Commission anticipates a temporary cash flow shortfall in the State Highway Fund during any fiscal year. The HTRANs are subject to the approval of the Cash Management Committee (consisting of the Governor, the Lieutenant Governor, the Speaker of the House (a non-voting member), and the Comptroller), which also approves cash flow borrowings of the State. HTRANs must mature during the fiscal biennium in which they are issued. HTRANs and related credit agreements are payable from amounts on deposit in the State Highway Fund. To date, the Commission has not issued, and does not expect to issue, any HTRANs.

*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. Toll equity obligations and pass-through toll agreement commitments are not part of the Program and are not secured by the Security.

#### Turnpike Financings.

The Commission, using the 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. Any such turnpike projects 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. Obligations issued by the Commission or its instrumentalities to finance turnpike projects are not part of the Program and are not secured by the Security.

#### State Infrastructure Bank.

Under Subchapter D of Chapter 222, Texas Transportation Code, the Commission may issue revenue bonds for the purpose of providing money for the “State Infrastructure Bank” 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. Such revenue bonds are special obligations of the Commission payable only from income and receipts of the State Infrastructure Bank. State Infrastructure Bank revenue bonds are not part of the Program and are not secured by the Security. No State Infrastructure Bank revenue bonds have been issued to date.

#### Private Activity Bonds.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”), amended section 142 of the 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. The Commission created 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. As of

October 1, 2016, the Corporation had approximately \$1.6 billion in aggregate principal amount of PABs outstanding. PABs are not part of the Program and are not secured by the Security.

## **GENERAL INFORMATION REGARDING THE STATE**

### ***Bond Appendix***

The Texas Comptroller of Public Accounts (the “Comptroller”) prepares a quarterly disclosure 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 2016 and is incorporated by reference into and made a part of this Official Statement as if set forth herein as described in “APPENDIX A – The State.” The next quarterly Bond Appendix is anticipated to be prepared by the Comptroller in mid-November of 2016, and various tables therein are anticipated to be updated to include annual information for the State fiscal year ending August 31, 2016. 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 2016A 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.

### ***2015 State CAFR***

The Texas 2015 Comprehensive Annual Financial Report for the year ended August 31, 2015 (the “2015 CAFR”) is currently on file with the Municipal Securities Rulemaking Board (the “MSRB”) and may be obtained either by (i) using the MSRB’s EMMA website, [www.emma.msrb.org](http://www.emma.msrb.org), using the Quick Search function and entering the term “State of Texas Comptroller” or (ii) from the Comptroller’s website at: <http://www.comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>. The 2015 CAFR is incorporated by reference into and made a part of this Official Statement as if set forth herein.

### ***Constitutional Limitation on Debt***

Article III, Section 49-j of the Texas Constitution prohibits the Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000, if the resulting maximum annual debt service in any State fiscal year on such State debt payable from general revenues 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 2016A Bonds, the State 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 does not exceed 5% of an amount equal to the average of the amount of general revenue fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of debt, for the three preceding fiscal years. See “APPENDIX A – The State” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS – General Obligation Pledge.”

## **LEGAL MATTERS**

### ***Legal Opinions***

The Commission will compile complete transcripts of proceedings incident to the authorization and issuance of the Series 2016A Bonds, including the approving opinion of the Attorney General of the State of Texas to the effect that the Series 2016A Bonds are valid and legally binding obligations of the Commission, payable solely from the Security, and based upon examination of such transcripts of proceedings, the legal opinion to like effect of McCall, Parkhurst & Horton L.L.P, Bond Counsel. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions “PLAN OF FINANCE – General,” “DESCRIPTION OF THE SERIES 2016A BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016A BONDS,” “LEGAL MATTERS – Legal Opinions,” “LEGAL MATTERS – Eligibility for Investment in Texas,” “LEGAL MATTERS – Registration and Qualification of the Series 2016A Bonds for Sale,” “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for 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 2016A 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 Bracewell

LLP, Austin, Texas, Disclosure Counsel, represent only the Commission. The legal fees to be paid to Bond Counsel, and the legal fees to be paid to each of Disclosure Counsel and co-counsel to the Underwriters, for services rendered in connection with the issuance of the Series 2016A Bonds are 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 2016A Bonds deposited with DTC. Certain legal matters will be passed upon for the Commission by Disclosure Counsel and the General Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, and Kassahn & Ortiz, P.C., San Antonio, Texas.

Bond Counsel and Disclosure Counsel each represent the Commission or the Underwriters of the Series 2016A Bonds from time to time on matters not related to the Series 2016A Bonds. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Series 2016A Bonds, Kassahn & Ortiz, P.C., San Antonio, Texas was engaged by, and only represents, the Underwriters in connection with the issuance of the Series 2016A Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2016A 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 Commission or the Department that (i) would affect the existence of the Department or the Commission or the right of the present commissioners and officers of the Commission or the Department to hold their offices, (ii) would affect the validity or enforceability of the provisions pursuant to which the Series 2016A Bonds are being issued, or (iii) would have a material adverse effect upon the power of the Commission to issue the Series 2016A Bonds.

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Series 2016A Bonds or the Security for the Bonds. As set forth in the Bond Appendix, as of its date, 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, could possibly have a materially adverse effect on the long term financial condition of the State. For information concerning litigation affecting the State, see the caption "Litigation" within the Bond Appendix, which is incorporated by reference into and made a part of this Official Statement as if set forth herein. See "GENERAL INFORMATION REGARDING THE STATE" and "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 2016A 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 2016A 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 2016A Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the Series 2016A Bonds may have to be assigned a rating of not less than "A" or its equivalent as to the investment quality by a national rating agency before the Series 2016A Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

The Commission makes no representation that the Series 2016A Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The Commission has not made any review of laws in other states to determine whether the Series 2016A Bonds are legal investments for various institutions in those states. Prospective purchasers are urged to carefully evaluate the

investment quality of the Series 2016A Bonds and the acceptability of the Series 2016A Bonds for investment or collateral purposes.

### ***Registration and Qualification of the Series 2016A Bonds for Sale***

No registration statement relating to the Series 2016A Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder, nor have the Series 2016A Bonds been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Series 2016A Bonds have not been registered or qualified under the securities laws of any other jurisdiction (domestic or foreign). The Commission assumes no responsibility for registration or qualification of the Series 2016A Bonds under the securities laws of any jurisdiction in which the Series 2016A Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. It is the obligation of the purchaser to register or qualify sale of the Series 2016A Bonds under the securities laws of any jurisdiction which so requires. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Series 2016A Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

## **TAX MATTERS**

### ***Opinion***

On the Date of Initial Delivery of the Series 2016A 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”), (i) interest on the Series 2016A Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (ii) the Series 2016A Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2016A Bonds. See “APPENDIX C – Form of Opinion of Bond Counsel.”

In rendering its opinion, Bond Counsel to the Commission will rely upon (i) certain information and representations of the Commission, including information and representations contained in the Commission’s federal tax certificate and (ii) covenants of the Commission contained in the Series 2016A Bonds and other documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2016A 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 Series 2016A 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 Series 2016A Bonds in order for interest on the Series 2016A 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 Series 2016A Bonds to be included in gross income retroactively to the date of issuance of the Series 2016A Bonds. The opinion of Bond Counsel is conditioned on compliance by the Commission with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2016A Bonds.

Bond Counsel’s opinion 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 is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Series 2016A Bonds.

A ruling was not sought from the Internal Revenue Service by the Commission with respect to the Series 2016A Bonds or the property financed or refinanced with proceeds of the Series 2016A Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Series 2016A Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Commission as the taxpayer and the Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### ***Federal Income Tax Accounting Treatment of Original Issue Discount***

The initial public offering price to be paid for one or more maturities of the Series 2016A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2016A Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). 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 Series 2016A Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such 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 the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2016A 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

### ***Collateral Federal Income Tax Consequences***

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2016A Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

## EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2016A BONDS.

Interest on the Series 2016A Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2016A Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2016A 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.

### ***Information Reporting and Backup Withholding***

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2016A 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.

### ***Future and Proposed Legislation***

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2016A Bonds under Federal or state law and could affect the market price or marketability of the Series 2016A Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding the foregoing matters.

### ***State, Local, and Foreign Taxes***

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2016A Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

## CONTINUING DISCLOSURE OF INFORMATION

### ***Continuing Disclosure Undertaking of the Commission***

General. In the Fourth Supplemental Resolution, the Commission has made the following agreement for the benefit of the holders and beneficial owners of the Series 2016A Bonds. The Commission is required to observe the agreement for so long as, but only for so long as, it remains an Obligated Person (as defined below) with respect to the Series 2016A Bonds within the meaning of Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), except that the Commission in any event will give notice of any defeasance deposit that causes the Series 2016A Bonds no longer to be outstanding. Under the agreement, the Commission will be obligated to provide timely notice of certain specified events to the MSRB. The information will be available to investors through the MSRB’s Electronic Municipal Market Access (“EMMA”) system, free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

Annual Reports. Updated financial information and operating data with respect to the State of the general type included in the Bond Appendix will be provided pursuant to the continuing disclosure undertaking of the Comptroller as set forth in the Agreement (as hereinafter defined). See “– Continuing Disclosure Undertaking of the Comptroller.”

Event Notices. The Commission will notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Series 2016A Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material within the meaning of the federal securities laws; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2016A Bonds, or other events affecting the tax-exempt status of the Series 2016A Bonds; (vii) modifications to rights of holders of the Series 2016A Bonds, if material within the meaning of the federal securities laws; (viii) Series 2016A Bond calls, if material within the meaning of federal securities laws, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series 2016A Bonds, if material within the meaning of the federal securities laws; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of an Obligated Person; (xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws. Neither the Series 2016A Bonds nor the Resolution make any provision for debt service reserves or credit or liquidity enhancement.

As used in this “– Event Notices” caption, “Obligated Person” is defined in the Fourth Supplemental Resolution to mean any person, including the Commission, who is either generally or through an enterprise, fund, or account of such person, committed by contract or other arrangement to support payment of all, or part of the obligations on the Series 2016A Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

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 2016A Bonds in accordance with the Rule as amended.

### ***Continuing Disclosure Undertaking of the Comptroller***

General. The Comptroller has entered into a Continuing Disclosure Agreement with the Bond Review Board dated as of August 17, 1995 and amended January 25, 2010 (the “Agreement”). The Commission and the legal and beneficial owners of the Series 2016A Bonds are third party beneficiaries of the Agreement. The Comptroller is required to observe this agreement in respect to any issue of Securities (as defined in the Agreement) for so long as the State remains an “obligated person” with respect to the Series 2016A Bonds within the meaning of the Rule. Under the Agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares a quarterly disclosure appendix (defined herein as the Bond Appendix) for use in State agency securities offerings. The Comptroller intends to continue to prepare or supplement the Bond Appendix quarterly and to provide annual information in accordance with the Agreement.

Certain tables within the Bond Appendix, as currently prepared by the Comptroller, are updated on a quarterly basis while other tables within such appendix are updated on an annual basis. Under the Agreement, the Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB annually, in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in the Bond Appendix. The Comptroller will update and provide this information to the MSRB within 195 days after the end of each State fiscal year.

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

The State's current fiscal year end is August 31. Accordingly, the Comptroller must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its Agreement described above under “– Continuing Disclosure Undertaking of the Comptroller – Annual Reports.” Such notice will be provided to the MSRB.

#### ***Availability of Information***

The Commission and the Comptroller have agreed to provide the foregoing information and notices 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](http://www.emma.msrb.org).

#### ***Limitations and Amendments***

The Commission and the Comptroller have agreed to update information and to provide notices of certain specified 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 2016A 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 the holders and beneficial owners of the Series 2016A Bonds may seek a writ of mandamus to compel the Commission and the Comptroller to comply with their agreements.

The Commission may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Commission, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Series 2016A Bonds in the primary offering thereof in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Fourth Supplemental Resolution that authorizes such an amendment) of the outstanding Series 2016A Bonds consent to such amendment or (b) a person unaffiliated with the Commission (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and the beneficial owners of such Series 2016A Bonds. The Commission may also amend or repeal the provisions of its continuing disclosure agreement 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 the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2016A Bonds in the primary offering of the Series 2016A Bonds. If the Commission so amends its agreement, the Commission must provide 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 will provide such information to the MSRB within 195 days after the end of such fiscal year.

The Comptroller may amend the Agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the State if (i) the Agreement, as amended, would have permitted an underwriter to purchase or sell Series 2016A Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a

majority in aggregate principal amount of outstanding Series 2016A Bonds consent to such amendment or (b) a person unaffiliated with the State, the Comptroller, the Bond Review Board and the Commission (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Series 2016A Bonds. The Comptroller may also amend or repeal the provisions of the Agreement 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 the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2016A Bonds in the primary offering of the Series 2016A Bonds. If the Comptroller so amends the Agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “– 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 financial information and operating data so provided.

## OTHER INFORMATION

### *Ratings*

Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”), and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), have assigned ratings of “AAA,” “Aaa” and “AAA,” respectively, to the Series 2016A 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 companies at the time the ratings are given, and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016A Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

### *Underwriting*

Wells Fargo Bank, National Association, acting on behalf of itself and the other underwriters listed on the front cover page of this Official Statement (collectively, the “Underwriters”), has agreed, subject to certain conditions, to purchase the Series 2016A Bonds from the Commission at a price of \$697,537,297.63 (representing the original aggregate principal amount of the Series 2016A Bonds, plus an original issue premium of \$110,971,767.70 and less an underwriting discount of \$2,189,470.07). The Underwriters will be obligated to purchase all of the Series 2016A Bonds if any Series 2016A Bonds are purchased. The Series 2016A Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2016A Bonds into investment trusts) and others at prices lower than the public offering prices of the Series 2016A Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Commission and the State and to persons and entities with relationships with the Commission and the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission or the State (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission or the State. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells

Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the Underwriters of the Series 2016A Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2016A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2016A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2016A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company,

Citigroup Global Markets Inc., an Underwriter of the Series 2016A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2016A Bonds.

Jefferies LLC (“Jefferies”), an Underwriter of the Series 2016A Bonds, has entered into an agreement (the “Agreement”) with E\*TRADE Securities LLC (“E\*TRADE”) for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies will sell Series 2016A Bonds to E\*TRADE and will share a portion of its selling concession compensation with E\*TRADE.

J.P. Morgan Securities LLC (“JPMS”), an Underwriter of the Series 2016A Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2016A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016A Bonds that such firm sells.

### ***Forward-Looking Statements***

The statements contained in this Official Statement (which includes the cover page, the inside cover page, the Appendices hereto, and the information incorporated by reference into this Official Statement as described in “GENERAL INFORMATION REGARDING THE STATE”) 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 of this Official Statement or the date of the Bond Appendix or the 2015 CAFR, respectively, 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 related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Commission and the Comptroller. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

***Financial Advisor***

Estrada Hinojosa & Company, Inc. is serving as the Financial Advisor to the Commission (the “Financial Advisor”) in connection with the issuance of the Series 2016A Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2016A Bonds is not contingent upon the issuance and delivery of the Series 2016A 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 2016A Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

***Approval of Official Statement***

The Fourth Supplemental Resolution approved the form and content of this Official Statement and authorized its further use in the reoffering of the Series 2016A Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Mr. Brian D. Ragland, Chief Financial Officer, Texas Department of Transportation, 125 East 11th Street, Austin, Texas 78701, (512) 305-9512, telecopy (512) 463-0283.

TEXAS TRANSPORTATION COMMISSION

By: /s/ Brian D. Ragland  
Chief Financial Officer  
Texas Department of Transportation

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## **APPENDIX A**

### **THE STATE**

The Bond Appendix dated August 2016 (the “Bond Appendix”) 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 be obtained (i) using the MSRB’s EMMA website, [www.emma.msrb.org](http://www.emma.msrb.org), by using the Quick Search function and entering the term “State of Texas Comptroller” and (ii) from the Comptroller’s website at <http://www.comptroller.texas.gov/programs/systems/treasury-ops/index.php#appendix>, until the Comptroller files a later version of such Bond Appendix.

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## APPENDIX B

### SELECT PROVISIONS OF THE RESOLUTION

The following capitalized terms appearing in this Official Statement have the meanings set forth below, unless the context otherwise requires. A reference to any of these terms in the singular number includes the plural and vice versa.

#### **Select and Conformed Definitions in the Master Resolution and the Fourth Supplemental Resolution**

“Acts” - The Constitutional Provision, the Enabling Act, the General Appropriations Act, Chapter 1371 and other applicable provisions of State law.

“Annual Debt Service Requirements” means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Bonds coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Commission on such Bonds, or be payable in respect of any required purchase of such Bonds by the Commission) plus (ii) all payments required to be made by the Commission under each Credit Agreement constituting Bonds (net of any credits as provided in (7) below) in such Fiscal Year, and minus (iii) all amounts on deposit to the credit of the Interest and Sinking Fund from original proceeds from the sale of Bonds or from any other lawfully available source and, for such purposes, any one or more of the following rules shall apply at the election of the Commission; provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Bonds:

(1) Committed Take Out. If the Commission has entered into a Credit Agreement constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such debt is subject to required purchase, all pursuant to arrangements whereby the Commission’s obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharge or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added to such calculation, and the remaining provisions of this definition shall be applied to such added Funded Debt;

(2) Balloon Debt. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, “Principal”), of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Commission) in any Fiscal Year either is equal to at least 25% of the total Principal of such Funded Debt or exceeds by more than 50% the greatest amount of Principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as “Balloon Debt”), the amount of Principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to either (i) the debt service calculated using the Principal of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation or (ii) an amortization which, in the judgment of the Department Representative, the Department reasonably expects to amortize the Balloon Debt;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if a Department Representative shall deliver to the Commission an Officer’s Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer’s Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund

accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Commission has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of, premium, if any, and interest on Bonds, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, if any, or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Bonds;

(5) Variable Rate. As to any Bonds that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement, at the election of the Commission, the interest rate for such Bonds shall be determined to be either (i) an interest rate equal to the average rate borne by such Bonds (or by comparable debt in the event that such Bonds have not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Bonds bear interest at tax-exempt rates, an interest rate equal to the 24 month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the Commission determines most closely replicates such index as set forth in a certificate of a Department Representative, (iii) if the Bonds bear interest at taxable rates, an interest rate equal to the 24 month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the Commission determines most closely replicates such index as set forth in a certificate of a Department Representative, (iv) that interest rate which, in the judgment of the Chief Financial Officer, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Bonds, is the average rate anticipated to be in effect with respect to such Bonds or (v) that interest rate which, in the judgment of the Chief Financial Officer, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement in accordance with paragraph 7 of this definition, is the average rate anticipated to be in effect;

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Bonds issued as Short-Term Obligations, the debt service on such Bonds shall be calculated assuming that such Bonds will be refunded and refinanced to mature over a 30-year period with level debt service at then current market rates; provided, however, that to the extent permitted by law, if in the judgment of the Chief Financial Officer, as set forth in an Officer's Certificate delivered to the Commission, the result of the foregoing calculation is inconsistent with the reasonable expectations of the Commission, the interest on such Bonds shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(7) Credit Agreement Payments. If the Commission has entered into a Credit Agreement in connection with an issue of Bonds, payments due under any such Credit Agreement (other than payments for fees and expenses) from either the Commission or the provider of a Credit Agreement shall be included in such calculation, except to the extent that the payments are already taken into account under clauses (1) through (6) above and any payments otherwise included under clauses (1) through (6) above which are to be replaced by payments under such a Credit Agreement, from either the Commission or the provider under a Credit Agreement, shall be excluded from such calculation.

“Authorized Representative” means the Executive Director and the Deputy Executive Director of the Department or such other individuals so designated by the Commission to perform the duties of an Authorized Representative under the Master Resolution and the Fourth 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, and includes the Series 2016A Bonds.

“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 Fourth 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.

“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 provides for the funding of an escrow to effect the defeasance of the Series 2016A 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 provides 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, Project Finance and Debt Management Division 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 Fourth Supplement and that such action will not impair the exclusion of interest on such Series 2016A 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 Series 2016A Bonds).

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

“Financing Program” means the “Texas Transportation Commission Highway Improvement General Obligation Financing Program”.

“Fiscal Year” means the fiscal year of the Department, currently the period commencing the first day of September and ending on the last day of August of the following year.

“Fourth Supplement” - The Fourth 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, 2016, as may be amended or supplemented from time to time.

“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 designee of the 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(c) hereof.

“Issuance Date” - The date of delivery of a Series of the 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 Fourth 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 Fourth Supplement and any successor to such agent.

“Paying Agent/Registrar” - Collectively, the Paying Agent and the Registrar designated in the Fourth 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 Master Resolution and includes any account or subaccount thereof.

“Rebate Fund” - The fund by that name described in Section 4.02 of the Fourth Supplement.

“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 Fourth 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.

“Series 2016A Bonds” - A series of the Bonds being issued pursuant to the Fourth Supplement.

“Section” - Unless the context clearly requires otherwise, refers to a Section of the Fourth Supplement.

“Security” has the meaning assigned to that term in Section 2(a) of the Master Resolution.

“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 the Bonds as specified by or pursuant to the terms of the Fourth 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” - A Series of Bonds bearing interest at a taxable rate.

“Tax-Exempt Bonds” - A 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.

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### **Select Excerpts of the Master Resolution**

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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.

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#### **Select Excerpts and Conforming Provisions of the Fourth Supplemental Resolution**

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Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF BONDS.  
Fourth 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, the General Appropriations Act, and any other applicable provisions of State law pursuant to which the Commission may issue and enter into obligations, including bonds, notes and other public securities and Credit Agreements, secured by and payable from a pledge of and lien on all or part of the Security. This Fourth Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds, including the Series 2016A Bonds, and Credit Agreements. This Fourth 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.

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

(b) Debt Service Payments. Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for the Bonds as provided in the Award Certificate(s), the Commission shall cause to be available to the Paying Agent/Registrar, from funds that are available for such purpose under the Constitutional Provision, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Series 2016A Bonds and shall furnish the Commission with an appropriate certificate of cancellation.

Section 4.02. REBATE FUND. A separate and special fund to be known as the Rebate Fund is hereby established by the Commission pursuant to the requirements of Section 148(f) of the Code and the tax covenants of the Commission contained in Section 5.01 of this Fourth Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Fourth 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.

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Section 5.02. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR PROJECTS. 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 Fourth Supplement on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the purposes for which the Tax-Exempt Bonds are issued have been accomplished. The foregoing notwithstanding, the Commission shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Tax-Exempt Bonds, or (ii) the date the Tax-Exempt Bonds are retired, unless the Commission obtains an opinion of Bond Counsel that such expenditure will not adversely affect the tax-exempt status of the Tax-Exempt Bonds. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 5.03. DISPOSITION OF PROJECTS. The Commission covenants that the property financed with the Tax-Exempt Bonds will not be sold or otherwise disposed of 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 of in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS. Subject to the provisions of the Master Resolution, this Fourth Supplement and the rights and obligations of the Commission and of the Owners, this Fourth 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 Fourth 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 Fourth Supplement;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Fourth 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 Fourth 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 Fourth 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 Fourth 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 Fourth 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 Fourth 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 Series 2016A 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.

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Section 7.01. DISPOSITION OF BOND PROCEEDS AND OTHER FUNDS. Proceeds from the sale of each Series of the 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.

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

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Section 7.03. DEFEASANCE OF BONDS. (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased Bonds within the meaning of the Master Resolution and this Fourth Supplement, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Commission with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as Bonds shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bonds and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Security as provided in the Master Resolution and this Fourth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Series 2016A 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 Fourth 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 Series 2016A 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 Fourth 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 Fourth Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Fourth 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 Bond affected thereby.

(e) Retention of Rights. Notwithstanding the provisions of subsection (a) of this Section, to the extent that, upon the defeasance of the Defeased Bond to be paid at its maturity, the Commission retains the right under State law to later call that Defeased Bond for redemption in accordance with the provisions of this Fourth Supplement and the Award Certificate relating to the Defeased Bond, the Commission may call such Defeased Bond 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 Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

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Section 7.05. FURTHER PROCEDURES. Each Department Representative is hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Commission all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Fourth 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 Fourth Supplement, any amendments to the above named documents, and any technical amendments to this Fourth Supplement as permitted by Section 6.01 (v) or (vi) and a Department Representative is hereby authorized to execute this Fourth Supplement to evidence approval of such changes.

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**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

LAW OFFICES

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*[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Series 2016A Bonds, assuming no material changes in facts or law.]*

**TEXAS TRANSPORTATION COMMISSION  
STATE OF TEXAS HIGHWAY IMPROVEMENT GENERAL OBLIGATION BONDS,  
SERIES 2016A  
\$588,755,000**

**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 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” adopted by Minute Order No. 112100 of the Commission on January 28, 2010 (the “Master Resolution”) as supplemented by the “Fourth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Highway Improvement General Obligation Financing Program” (the “Fourth Supplement”) adopted by Minute Order No. 114474 of the Commission on January 28, 2016 and the Award Certificate of the Department Representative dated October 18, 2016 (the “Award Certificate”), (the Master Resolution, the Fourth 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 Fourth 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 sovereign immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally 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 Fourth 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**, that except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). 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 representations and 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.

**WE CALL YOUR ATTENTION TO THE FACT THAT** the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

**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,

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## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

*This Appendix describes how ownership of the Series 2016A Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2016A Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Series 2016A Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Commission and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Commission and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Series 2016A Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2016A Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

#### **Book-Entry Only System**

The DTC, New York, NY, will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016A Bond certificate will be issued for each serial installment or maturity of the Series 2016A Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2016A Bond documents. For example, Beneficial Owners of Series 2016A Bonds may wish to ascertain that the nominee holding the Series 2016A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2016A 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 the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016A Bonds at any time by giving reasonable notice to the Commission or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2016A Bond certificates are required to be printed and delivered.

To the extent permitted by law, the Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016A Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Commission and the Underwriters believe to be reliable, but the Commission and the Underwriters take no responsibility for the accuracy thereof.





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