

OFFICIAL STATEMENT DATED AUGUST 19, 2009

NEW ISSUE - Book-Entry-Only

RATINGS: See "OTHER INFORMATION - Ratings" herein

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



\$1,208,495,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
Mobility Fund Bonds, Taxable Series 2009A
(Build America Bonds – Direct Payment)

Dated: Date of Initial Delivery

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

Interest Accrues From: Date of Initial Delivery

The "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds – Direct Payment)" (the "Bonds") are general obligations of the State of Texas (the "State") issued by the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), an agency of the State. The Bonds are being issued pursuant to the authority granted to the Commission, acting on behalf of the State and the Department, by Article III, Section 49-k of the Texas Constitution and Subchapter M of Chapter 201, Texas Transportation Code, as amended (collectively, the "Enabling Act"); Chapter 1371, Texas Government Code, as amended; a "Master Resolution" adopted by minute order of the Commission on May 4, 2005, as amended by a First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007 (jointly, the "Master Resolution"); and an "Amended and Restated Eighth Supplemental Resolution" (the "Eighth Supplemental Resolution") adopted by minute order of the Commission on April 30, 2009. The Master Resolution establishes the Texas Mobility Fund Revenue Financing Program (the "Program") to provide a financing structure for the issuance of obligations payable in whole or in part from revenues dedicated to and on deposit in the Texas Mobility Fund (the "Mobility Fund" or "Fund"). The Bonds are being issued to pay, or reimburse the State Highway Fund or the Fund for, authorized purposes (as provided by the Enabling Act), including paying (i) costs of constructing, reconstructing, acquiring and expanding State highways and providing participation by the State in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects and (ii) costs of issuing the Bonds.

Interest on the Bonds will accrue from the date of initial delivery, calculated on the basis of a 360-day year composed of twelve 30-day months, and is payable on April 1 and October 1 of each year, commencing October 1, 2009, until maturity or prior redemption. The Bonds are initially issuable and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of principal amount and integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the "Paying Agent/Registrar," initially Wells Fargo Bank, National Association, Austin, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the Bonds. See "DESCRIPTION OF THE BONDS – Paying Agent/Registrar" and "APPENDIX D – Book-Entry-Only System."

Obligations which are payable from the Fund and secured on a first lien basis by the "Security" (as defined herein) are "Parity Debt" obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment – Pledge of Security" for a description of the Security. The Bonds are being issued as Parity Debt. See "PLAN OF FINANCE" for information concerning previously issued Outstanding Parity Debt and the issuance of additional Parity Debt or other obligations pursuant to the Master Resolution. The Bonds are further secured by the full faith and credit of the State and are the 8th series of obligations being issued or executed under the Program.

The Commission has elected to treat the Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Bonds (see "DESCRIPTION OF THE BONDS – Designation of the Bonds as 'Build America Bonds'" herein).

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and "APPENDIX A – The State" attached hereto for general information regarding the State, including information concerning outstanding general obligation bonds of the State.

The Bonds are subject to make-whole redemption, extraordinary optional redemption and mandatory sinking fund redemption prior to maturity as more fully described herein (see "DESCRIPTION OF THE BONDS – Redemption Provisions").

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

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS AND CUSIP NUMBERS

See Inside Cover Page

The Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters, and subject to the approval of the Attorney General of the State and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Fulbright & Jaworski L.L.P., Dallas, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord Bissell & Liddell LLP, Dallas, Texas and Bates & Coleman, P.C., Houston, Texas. It is expected that the Bonds will be delivered on or about August 26, 2009, through the facilities of DTC.

MERRILL LYNCH & Co.

ESTRADA HINOJOSA & COMPANY, INC.
LOOP CAPITAL MARKETS, LLC
SOUTHWEST SECURITIES

JEFFERIES & COMPANY
MORGAN STANLEY

J.P. MORGAN
PIPER JAFFRAY & Co.
WACHOVIA BANK, NATIONAL ASSOCIATION

CUSIP Prefix: 882722⁽¹⁾

\$1,208,495,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, TAXABLE SERIES 2009A
(BUILD AMERICA BONDS – DIRECT PAYMENT)

MATURITY SCHEDULE

Maturity (April 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix⁽¹⁾
2029 ***	\$ 60,000,000 ***	5.367 % ***	5.367 % ***	KE0 ***
2039	1,148,495,000	5.517	5.517	KF7

⁽¹⁾ CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the Commission, the Financial Advisor nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

STATE OF TEXAS OFFICIALS

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

TEXAS TRANSPORTATION COMMISSION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Deirdre Delisi	Chair	February 1, 2013
Ted Houghton	Commissioner	February 1, 2015
Ned S. Holmes	Commissioner	February 1, 2011
Fred Underwood	Commissioner	February 1, 2015
William Meadows	Commissioner	February 1, 2013

TEXAS DEPARTMENT OF TRANSPORTATION

<u>Name</u>	<u>Position</u>	<u>Total Service with the Department</u>
Amadeo Saenz, Jr., P.E.	Executive Director	30 years
Steven E. Simmons, P.E.	Deputy Executive Director	26 years
Edward Serna	Assist. Exec. Dir., Support Operations	4 years
David Casteel, P.E.	Assist. Exec. Dir., District Operations	24 years
John Barton, P.E.	Assist. Exec. Dir., Engineering Operations	22 years
Phillip E. Russell, P.E.	Assist. Exec. Dir., Innovative Project Development	28 years*
James M. Bass	Chief Financial Officer	21 years
Brian Ragland, CPA	Finance Director	3 years
John Muñoz, CPA	Deputy Director, Finance Division	21 years
Jose Hernandez	Debt Management Director	3 years
Bob Jackson	General Counsel	24 years

* Mr. Russell recently announced his intention to retire from the Department, effective as of September 30, 2009.

CONSULTANTS AND ADVISORS

Financial Advisor	RBC Capital Markets Corporation
Bond Counsel	McCall, Parkhurst & Horton L.L.P.
Disclosure Counsel	Fulbright & Jaworski L.L.P.

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 2711 N. Haskell Avenue
 Dallas, Texas 75204
 (214) 989-1660

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman, or other person has been authorized by the Commission to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Commission since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Commission's undertaking 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 Commission and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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 BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

Neither the Commission, the Underwriters nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system, as provided for in "APPENDIX D – Book-Entry-Only System," as such information was furnished by DTC.

Marketability

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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

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

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

The statements contained in this Official Statement, and in other information provided by the Commission, that are not purely historical, are forward-looking statements, including statements regarding the Commission's expectations, hopes, intentions, or strategies regarding the future and the projections of the Comptroller of Public Accounts of the State. All forward-looking statements included in this Official Statement are based on information available to the Commission on the date hereof, and the Commission assumes no obligation to update any such forward-looking statements. See "OTHER INFORMATION – Forward-Looking Statements."

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**OFFICIAL STATEMENT
RELATING TO**

\$1,208,495,000

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, TAXABLE SERIES 2009A
(BUILD AMERICA BONDS – DIRECT PAYMENT)**

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover page and Appendices hereto) is to furnish information concerning the offering of the “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds – Direct Payment)” (the “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 principal amounts set forth above. The Bonds are being issued pursuant to the authority granted to the Commission and the Department by Article III, Section 49-k of the Texas Constitution (the “Constitutional Provision”) and Subchapter M of Chapter 201, Texas Transportation Code, as amended (collectively, the “Enabling Act”); Chapter 1371, Texas Government Code, as amended; and the “Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program” adopted by minute order of the Commission on May 4, 2005, as amended by a First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007 (jointly, the “Master Resolution”), and as supplemented by the “Amended and Restated Eighth Supplemental Resolution” to the Master Resolution, adopted by minute order of the Commission on April 30, 2009 (the “Eighth Supplemental Resolution” and, together with the Master Resolution, the “Resolution”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, as set forth in APPENDIX B, except as otherwise indicated herein.

The American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the “Recovery Act”), authorizes the Commission to issue taxable bonds known as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the United States Treasury (the “U.S. Treasury”) equal to 35% of the amount of each interest payment on such taxable bonds (the “Subsidy Payments”). The Commission has elected to issue the Bonds as taxable “Build America Bonds” (see “DESCRIPTION OF THE BONDS – Designation of the Bonds as ‘Build America Bonds’” herein).

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

The Legislature has dedicated certain revenues to the Fund and such revenues (referred to herein as the “Dedicated Revenues”) must be deposited in the Fund. The Master Resolution establishes the Texas Mobility Fund Revenue Financing Program (the “Program”) to provide a financing structure for the issuance of obligations payable from a pledge of and lien on all or part of the moneys in the Mobility Fund, including Dedicated Revenues. Obligations that are payable from the Mobility Fund and secured on a first lien basis by the “Security” are “Parity Debt” obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment” for a more detailed description of the Dedicated Revenues and the Security. The Bonds are being issued as Parity Debt. See “PLAN OF FINANCE” for information concerning previously issued Outstanding Parity Debt. Upon their deposit in the Fund, Dedicated Revenues are available for the payment of Parity Debt, including the Bonds, the previously issued Outstanding Parity Debt and any additional Parity Debt, without further appropriation by the State.

Pursuant to the Constitutional Provision, while money in the Fund is pledged to the payment of any outstanding obligations or related credit agreement, the dedication of a specific source or portion of revenues, taxes, or other money may not be reduced, rescinded, or repealed unless the Legislature by law dedicates a substitute or

different source projected by the Comptroller of Public Accounts of the State (the “Comptroller”) to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed and the Commission has implemented a pledge of the State’s full faith and credit, if such a pledge is not already in place, for the payment of obligations then secured by such Dedicated Revenues. There can be no assurance that the Legislature will not replace some or all of the Dedicated Revenues outlined herein. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of “Dedicated Revenues” with respect to Parity Debt, including the Bonds and the previously issued Outstanding Parity Debt, will be revised accordingly. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment.”

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

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

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

This Official Statement speaks only as of its date. The information contained herein is subject to change. Copies of the final Official Statement will be filed with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Commission’s and the Comptroller’s undertakings to provide certain information on a continuing basis.

PLAN OF FINANCE

General

Under the Eighth Supplemental Resolution, the Bonds are authorized to be issued in an aggregate principal amount not to exceed \$1,300,000,000. The Bonds are the 8th series of obligations issued or executed under the Program. The Bonds are being issued under the Program to pay, or reimburse the State Highway Fund or the Mobility Fund for, authorized purposes (as provided by the Enabling Act), including paying (i) costs of constructing, reconstructing, acquiring, and expanding State highways and providing participation by the State in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects and (ii) costs of issuing the Bonds.

As of the date of this Official Statement, obligations in the aggregate principal amount of \$5,046,605,000 have been issued under the Program and \$4,955,850,000 in the aggregate principal amount of such obligations are currently outstanding.

Following the issuance of the Bonds, the Commission will have issued obligations (in the form of Parity Debt) in an aggregate principal amount of \$6,255,100,000, and \$244,900,000 remain unissued out of the \$6.5 billion currently established for the Program pursuant to the Master Resolution. The Bond Review Board has approved one or more series of bonds in the aggregate principal amount of not to exceed \$6.4 billion (including premium). Additional Bond Review Board approval will be necessary to issue up to the total \$6.5 billion aggregate principal amount of obligations currently established for the Program pursuant to the Master Resolution. As long as the required certifications are received, the Enabling Act does not limit the amount of obligations that may be issued, and the Master Resolution may be amended, without the consent of the Bondholders, to increase the principal amount of the Program and to permit the issuance of additional obligations thereunder. Subject to the receipt of such required certifications and to the approval of the Bond Review Board, the Commission may further amend the Master Resolution to increase the amount of obligations that may be issued or executed under the Program and to issue additional Program obligations. See “PLAN OF FINANCE – Anticipated Issuance of Additional Obligations” below for information concerning future issuances of obligations under the Program, including increases in the maximum principal amount of obligations authorized under the Program and required certifications for the issuance of obligations.

The Commission has also entered into certain Credit Agreements which constitute Parity Debt. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Credit Agreements” for additional information concerning such agreements.

Strategic Plan

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

The Commission expects to allocate proceeds of the Bonds in accordance with the Strategic Plan, but is not required to adhere to the two-thirds/one-third allocation described above with respect to proceeds of the Bonds. Projects in the eight metropolitan areas of the State selected for funding with Bond proceeds were approved by the Commission on October 28, 2004, through the approval of the mobility plans of the eight metropolitan planning organizations, which included \$21.5 billion in future transportation projects. Selection of the projects in the mobility plans that will be funded with Bond proceeds will be designated by a Department Representative at the time proceeds are drawn down by execution of a requisition certificate which will certify that the projects being funded with such proceeds are authorized Fund expenditures approved by the Commission. In its approval of the mobility plans, the Commission considered issues such as tolling/leveraging, system connectivity, safety, and economic development. The mobility plans of the eight metropolitan planning organizations are subject to review on a periodic basis by each of the regional metropolitan planning organizations. The administrative staff of the Department expects to review the updated mobility plans of each metropolitan planning organization when they are presented to the Commission for approval. Pursuant to such periodic updates, new Mobility Projects may be added, Mobility Projects not yet funded may be deleted, and the ranking as to the priority of Mobility Projects by the Commission may change.

Anticipated Issuance of Additional Obligations

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

To the extent required by law, the Commission must also receive all required certifications of the Comptroller with respect to such additional obligations. Under current law, before obligations (including Parity Debt and Subordinated Debt) secured by revenues dedicated to and on deposit in the Fund may be issued, the Comptroller must certify that the projected Dedicated Revenues and money on deposit in the Fund, including projected investment earnings, during each year of the period during which such obligations will be outstanding, will be equal to at least 110% of the Annual Debt Service Requirements of the proposed additional obligations and any already outstanding obligations in each year. The Comptroller has made such a certification with respect to the Bonds and the previously issued Outstanding Parity Debt. The Comptroller’s certification was based upon the calculation of the Annual Debt Service Requirements, as certified by the Department’s Chief Financial Officer in accordance with the “Annual Debt Service Requirements”, as defined in the Master Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table 4: Texas Mobility Fund Historical and Estimated Revenues” and “- Table 5: Projected Debt Service Coverage for Parity Debt”. For purposes of this calculation, the Annual Debt Service Requirements excludes the portion of the debt service on the Bonds that is expected to be paid from the Subsidy Payments received from the U.S Treasury and deposited directly into the 2009A Subaccount (defined herein) (see “APPLICATION OF SUBSIDY PAYMENTS”).

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

Based on the Comptroller’s most recent projections (which are based on the revenue sources that currently constitute Dedicated Revenues, as provided by the Enabling Act and the Master Resolution, and current market conditions, including certain interest rate assumptions), the Commission estimates that the current capacity of the Mobility Fund to support Parity Debt is approximately \$6.4 billion in aggregate principal amount of Parity Debt issued and outstanding at any time under the Program, which represents additional capacity of approximately \$144,900,000 principal amount of Additional Obligations beyond the total amount of Parity Debt that will be

outstanding following the issuance of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table 4: Texas Mobility Fund Historical and Estimated Revenues.” Changes in economic and/or market conditions could result in an increase or decrease in the capacity of the Mobility Fund to support Parity Debt. As described above, the maximum aggregate principal amount of obligations currently established for the Program pursuant to the Master Resolution is \$6.5 billion. See “PLAN OF FINANCE – General” herein.

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	\$ 1,208,495,000.00
Total	\$ 1,208,495,000.00

Uses of Funds

Deposit to Mobility Fund Bond Proceeds Account	\$ 1,200,000,634.19
Underwriters’ Discount	7,779,365.81
Costs of Issuance	715,000.00
Total	\$ 1,208,495,000.00

DESCRIPTION OF THE BONDS

General

The Bonds will accrue interest from the date of their initial delivery, and such interest is payable on April 1 and October 1 of each year, commencing October 1, 2009, until maturity or prior redemption, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in book-entry form pursuant to the book-entry-only system described in Appendix D. Beneficial owners of Bonds will not receive physical delivery of the Bond certificates. The Bonds will be issued in fully registered form, and will mature in the respective principal amounts and on the respective dates shown on the inside cover page of this Official Statement. The Bonds will be dated the date of their initial delivery.

Designation of the Bonds as “Build America Bonds”

The Commission has elected to issue the Bonds as “Build America Bonds” for purposes of the Recovery Act. Pursuant to the Recovery Act, the Commission expects to receive Subsidy Payments from the U.S. Treasury equal to 35% of the interest payable on the Bonds on each interest payment date; provided, however, that the Commission expects to receive the Subsidy Payment for the October 1, 2009 interest payment concurrently with the Subsidy Payment for the April 1, 2010 interest payment. **The available subsidy for the Bonds will be paid to the Commission; no holders of the Bonds would be entitled to a tax credit.** The receipt of the Subsidy Payments by the Commission is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. The Subsidy Payments are not full faith and credit obligations of the United States of America and do not constitute “Pledged Revenues” under the Resolution. The Commission has covenanted in the Eighth Supplemental Resolution to deposit, subject to any required State appropriation, the Subsidy Payments into the 2009A Subaccount of the Interest and Sinking Account within the Mobility Fund (see “DESCRIPTION OF THE BONDS – Payment of the Bonds – Subsidy Payments” and “APPLICATION OF SUBSIDY PAYMENTS” herein).

Payment of the Bonds

Debt Service Payments. The principal of, redemption premium, if any, and interest on the 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, redemption premium, if any, and interest on the Bonds will be payable only upon the presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated office. Interest on the 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 Bonds means the 15th day of March and the 15th day of September of each year. If any such Record Date is not a Business Day then the Record Date is the Business Day next preceding such date.

In the event of a nonpayment of interest on a scheduled payment date on a 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 Bond, as the case may be, appearing on the Security Register at the close of business on the last Business Day next preceding the date of mailing of such notice.

Subsidy Payments. The Commission will deposit, subject to any required State appropriation, all Subsidy Payments it receives into the 2009A Subaccount of the Interest and Sinking Account within the Mobility Fund (see "APPLICATION OF SUBSIDY PAYMENTS").

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is Wells Fargo Bank, National Association, Austin, Texas (the "Paying Agent/Registrar"). The Commission agrees and covenants to cause to be kept and maintained by the Paying Agent/Registrar a Security Register, in accordance with the terms and provisions of the Paying Agent/Registrar Agreement and such reasonable rules and regulations as the Paying Agent/Registrar and the Commission may prescribe.

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

Transfer, Exchange, and Registration

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

Upon surrender for transfer of any Bond at the designated office of the Paying Agent/Registrar, there will be registered and delivered in the name of the designated transferee or transferees, one or more new Bonds, executed

on behalf of, and furnished by, the Commission, of Authorized Denominations and having the same Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

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

All Bonds issued upon any transfer or exchange of Bonds will be delivered at the designated office of the Paying Agent/Registrar or sent by United States mail, first-class, postage prepaid to the Owners or the designee thereof, and, upon the registration and delivery thereof, the same will be the valid obligations of the Commission, evidencing the same debt, and entitled to the same benefits under the Resolution as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to the Eighth Supplemental Resolution will be made without expense or service charge to the Owner, except as otherwise provided in the Eighth 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.

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

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

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

Redemption Provisions

Make-Whole Redemption. The Bonds are subject to redemption prior to their respective maturities at the option of the Commission, in whole or in part, and if in part shall be selected on a pro rata basis within a maturity, on any Business Day, at the “Make-Whole Redemption Price” (as defined herein). The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Bonds to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (defined below) plus 25 basis points (0.25%), plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

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

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

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

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

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

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

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

Extraordinary Optional Redemption. The Bonds are subject to redemption at any time prior to their maturity at the option of the Commission, in whole or in part, and if in part shall be selected on a pro rata basis within a maturity, upon the occurrence of an Extraordinary Event, at a redemption price (the “Extraordinary Optional Redemption Price”) equal to the greater of (i) 100% of the principal amount of the Bonds to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points (1.00%); plus, in each case, accrued interest on the Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to “Build America Bonds”) pursuant to which the Commission’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated. At the request of the Paying Agent/Registrar, the redemption price of the Bonds to be redeemed at the option of the Commission will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Commission at the Commission’s expense to calculate such redemption price. The Paying Agent/Registrar and the Commission may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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

Mandatory Sinking Fund Redemption. The Bonds maturing on April 1 in the years 2029 and 2039 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows. If less than all of the Term Bonds are called for redemption, the Paying Agent/Registrar will select on a pro rata basis the Term Bonds to be redeemed (provided that a portion of the Term Bonds may be redeemed only in an integral multiple of \$5,000); provided that, for so long as the only Owner of the Term Bonds is The Depository Trust Company, New York, New

York (“DTC”), the selection of the Term Bonds to be redeemed will be made by DTC and shall be selected on a pro rata basis in accordance with the arrangements between the Commission and DTC.

Term Bonds Maturing April 1, 2029		Term Bonds Maturing April 1, 2039	
<u>Redemption Date (April 1)</u>	<u>Principal Amount</u>	<u>Redemption Date (April 1)</u>	<u>Principal Amount</u>
2020	\$ 420,000	2030	\$ 15,490,000
2021	730,000	2031	17,895,000
2022	2,095,000	2032	20,475,000
2023	3,555,000	2033	23,175,000
2024	4,470,000	2034	26,055,000
2025	6,100,000	2035	28,435,000
2026	7,865,000	2036	31,690,000
2027	9,755,000	2037	36,825,000
2028	11,780,000	2038	461,525,000
2029*	13,230,000	2039*	486,930,000

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

Notice of Redemption

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

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

Limitation on Transfer of Bonds Called for Redemption

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

Redemption Through The Depository Trust Company

The Paying Agent/Registrar and the Commission, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Commission will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Eighth 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 Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see “APPENDIX D – Book-Entry-Only System”).

Defeasance

Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be “Defeased Debt” within the meaning of the Master Resolution, except to the extent provided in the Eighth Supplemental Resolution, 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, 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 Debt 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 Debt 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 Seventh Supplement, 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 Bonds pursuant to the provisions of the Eighth Supplemental Resolution to their stated maturity, the Commission retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of the Eighth Supplemental Resolution and the Award Certificate relating to the Defeased Debt. The Commission may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the Eighth Supplemental Resolution with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Amendments to Eighth Supplemental Resolution Without Consent of Owners

Subject to the provisions of the Master Resolution, the Eighth Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the Bonds, the Eighth Supplemental Resolution may be modified or amended at any time without notice to or the consent of any Owner of the Bonds or any other Parity Debt, solely for any one or more of the following purposes: (i) to add to the covenants and agreements of the Commission contained in the Eighth 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 Eighth Supplemental Resolution; (ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Eighth 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 Eighth Supplemental Resolution; (iii) to supplement the Security for the Bonds; (iv) to make such other changes in the provisions of the Eighth Supplemental Resolution, as the Commission may deem necessary or desirable and which will not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds; (v) to make any changes or amendments requested by the State Attorney General's Office or the Bond Review Board as a condition to the approval of the Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds; or (vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds.

Amendments to Eighth Supplemental Resolution With Consent of Owners

Subject to the other provisions of the Eighth Supplemental Resolution and the Master Resolution, the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount of the Bonds have the right from time to time to approve any amendment, other than amendments described in the immediately preceding section, to the Eighth Supplemental Resolution that may be deemed necessary or desirable by the Commission; provided, however, that this may not be construed to permit, without the approval of the Owners of all of the Outstanding Bonds, the amendment of the terms and conditions in the Eighth Supplemental Resolution or in the Bonds, so as to: (i) make any change in the maturity of the Outstanding Bonds; (ii) reduce the rate of interest borne by the Outstanding Bonds; (iii) reduce the amount of the principal payable on the Outstanding Bonds; (iv) modify the terms of payment of principal or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; (v) affect the rights of the Owners of less than all of the Bonds then Outstanding; or (vi) change the minimum percentage of the Outstanding Principal Amount of the Bonds necessary for consent to such amendment.

Prior to the effective date of any such amendment, a copy of such amendment will be promptly furnished to the rating agencies then rating the Bonds and the Paying Agent/Registrar.

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

Use of Certain Terms in Other Sections of this Official Statement

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

Additional Parity Debt

In the Master Resolution, the Commission has reserved the right to issue or incur additional Parity Debt for any purpose authorized by law. Prior to the issuance of such additional Parity Debt, the Commission must find that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Program. For this purpose, the Annual Debt Service Requirements exclude the portion of the debt service on the Bonds that is expected to be paid from the Subsidy Payments received from the U.S. Treasury (see “APPLICATION OF SUBSIDY PAYMENTS”). In addition, to the extent then required by law, the Commission must receive all required certifications of the Comptroller with respect to such additional Parity Debt. Under current law, before additional obligations (including Parity Debt and Subordinated Debt) may be issued payable from a pledge of and lien on all or part of the money in the Fund, the Comptroller must project and certify that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the proposed additional obligations are scheduled to be outstanding will be equal to at least 110% of the Annual Debt Service Requirements during that year on both the proposed additional obligations and any already outstanding obligations. See “FUND ADMINISTRATION AND INVESTMENT – Texas Mobility Fund Administration Agreement – Certification.”

APPLICATION OF SUBSIDY PAYMENTS

The Commission covenants in the Eighth Supplemental Resolution to deposit or cause to be deposited, subject to any required State appropriation, into the 2009A Subaccount of the Interest and Sinking Account within the Mobility Fund (the “2009A Subaccount”) promptly upon receipt all collections of Subsidy Payments (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General” and “– Other Sources of Payment – Pledge of Security”). The funds on deposit in the 2009A Subaccount will be used solely for the purpose of paying principal of and interest on the Bonds and will not be used to pay any debt service on other Parity Debt or Subordinated Debt. The debt service on the Bonds that is expected to be paid from funds on deposit in the 2009A Subaccount are excluded in the calculation of the Annual Debt Service Requirements, as provided in the Master Resolution. There is no assurance, however, that the anticipated Subsidy Payments that are excluded from the calculation of Annual Debt Service Requirements will be received as anticipated. The Subsidy Payments have been appropriated to the Department for the Mobility Fund for the 2010-11 biennium, and the Department expects to receive future appropriations of the Subsidy Payments in connection with Annual Debt Service Requirements for the Bonds. See “PLAN OF FINANCE – Designation of Bonds as ‘Build America Bonds.’”

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

With respect to Parity Debt, including the Bonds and the previously issued Outstanding Parity Debt, pursuant to the Resolution, the Commission has pledged to the Owners as security for the payment of the Bonds and the previously issued Outstanding Parity Debt, a first lien interest in the Security, which is defined below under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment – Pledge of Security.” See also “– Creation of Accounts and Subaccounts Within the Mobility Fund” below for a description of the accounts created pursuant to the Master Resolution.

In addition, by adoption of the Eighth Supplemental Resolution, the Commission has exercised its ability to pledge the full faith and credit of the State to payments due on the Bonds and, therefore, should the revenue and money dedicated to and on deposit in the Fund be insufficient to make payments due on the Bonds, there is appropriated by the Constitutional Provision, an amount that is sufficient to make payments due on the Bonds. THE BONDS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PROMPT PAYMENT OF THE BONDS.

The Commission has never defaulted on the payment of principal of, or interest on its bonds or other obligations. The Bonds constitute the eighth series of obligations issued or executed by the Commission under the Program and payable from the Fund.

General Obligation Pledge

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

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

Pursuant to the Constitutional Provision, the Bonds are not included within the computation required by Article III, Section 49-j of the Texas Constitution (“Article III, Section 49-j”) unless the Comptroller projects that money in the State’s General Revenue Fund (the “General Revenue Fund”) will be required to pay amounts due on or on account of the Bonds and any related Credit Agreements. Under Article III, Section 49-j, the Legislature is prohibited from authorizing additional State debt payable from the General Revenue Fund if the resulting annual debt service exceeds 5% of an amount equal to the average of the amount of General Revenue Fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of State debt, for the three preceding fiscal years. See “STATE DEBT – Recent Developments Affecting State Debt” and “– Selected Data Concerning State Debt” in “APPENDIX A – The State.” For purposes of such limitation, “State debt payable from the General Revenue Fund” does not include obligations that, although backed by the full faith and credit of the State, are reasonably expected to be paid from other revenue sources and that are not expected to create a general revenue draw. As discussed below, the Commission anticipates that debt service on the Bonds and the previously issued Outstanding Parity Debt will be self-supporting and, thus, the Bonds and the previously issued Outstanding Parity Debt will not be subject to the limitation of Article III, Section 49-j. Notwithstanding this limitation on the ability of the Legislature to authorize additional State debt, the Bonds and the previously issued Outstanding Parity Debt are general obligations of the State, as described above, and are payable from the sources described in this section.

Other Sources of Payment

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

for purposes permitted by State law, including the Enabling Act, and with respect to a Credit Agreement to the extent set forth in such Credit Agreement.

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

Dedicated Revenues. Dedicated Revenues consist of those revenue sources that have been allocated by the Legislature for the benefit of the Fund. Prior to August 31, 2005, certain initial revenue sources described below under the heading “Detailed Information on Dedicated Revenues – Miscellaneous Sources – *Surplus Revenues: Court Fines and Driver’s License Points Surcharge*” were dedicated to the Fund; however, on September 1, 2005, such initial revenue sources were redirected to the State’s General Revenue Fund, and certain other sources of revenue (referred to herein as the “Major Sources”) were redirected into the Fund from the State’s General Revenue Fund. In addition, the Dedicated Revenues include certain revenue sources described under the heading “Detailed Information on Dedicated Revenues - Miscellaneous Sources,” below, which are anticipated to be directed to the Fund at various times. Regarding the timing of deposits of each revenue source into the Fund, State law requires that all revenue received by the recipient (as described below) must be remitted to the Comptroller for deposit into the Fund within three (3) business days after receipt, with the exception of the Court Fines and the Driver’s License Points Surcharge described below. See “–Creation of Accounts and Subaccounts Within the Mobility Fund” below for a description of the accounts and subaccounts created pursuant to the Master Resolution.

Pursuant to the Constitutional Provision, while money in the Fund is pledged to the payment of any outstanding obligation or related credit agreement, the dedication of a specific source or portion of revenues, taxes, or other money may not be reduced, rescinded, or repealed unless the Legislature by law dedicates a substitute or different source projected by the Comptroller to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed and the Commission has implemented a pledge of the State’s full faith and credit, if such a pledge is not already in place, for the payment of obligations then secured by such dedicated revenues. There can be no assurance that the Legislature will not replace some or all of the Dedicated Revenues outlined herein. If the Legislature replaces any revenue source with a substitute source, the Resolution provides that the definition of Dedicated Revenues with respect to Parity Debt, including the Bonds, will be revised accordingly. See “Detailed Information on Dedicated Revenues – Substitution of Dedicated Revenues” below.

Detailed Information on Dedicated Revenues

Major Sources. Effective since September 1, 2005, certain of the Major Sources were directed for deposit to the Fund; and, all Major Sources have been directed for deposit to the Fund effective September 1, 2008. The Major Sources are expected to be the primary revenue sources for the Fund while the Bonds are Outstanding; provided, however, that the Legislature may substitute a source of revenues if such substituted source of revenues is projected by the Comptroller to be of a value equal to or greater than the source being replaced. See “– Substitution of Dedicated Revenues” below. Prior to being redirected to the Fund, the Major Sources, with the exception of the Certificate of Title Fees (as hereinafter defined), have historically been used to fund general State government operations and, therefore, have a history of collection, as shown in Table 1 below. The Certificate of Title Fees are currently collected by counties and divided among the collecting county, the State, the Department, and the Texas Emissions Reduction Plan (the “TERP”).

– *Driver’s License Fees:* Commencing on September 1, 2007, “Driver’s License Fees” were directed for deposit into the Fund. Driver’s License Fees are comprised of the following sources:

Under Chapter 521, Texas Transportation Code, the fees associated with Texas driver's licenses and personal identification cards are as follows: (a) the fee for the issuance or renewal of a general driver's license is \$24; (b) the fee for the issuance or renewal of a Class M license or renewal of a license that includes authorization to operate a motorcycle is \$32 (\$5 of which is dedicated to a motorcycle education fund); (c) the fee for the issuance or renewal of a provisional license or instruction permit is \$5; (d) the fee for the issuance or renewal of an occupational license is \$10; (e) the fee for an applicant applying for additional authorization to operate a motorcycle is \$15 for the required application (\$5 of which is dedicated to a motorcycle education fund); (f) the fee for a Class A, B, or C driver's license that includes an authorization to operate a motorcycle or moped, is increased by \$8 (\$5 of which is dedicated to a motorcycle education fund); (g) the fee for a change from a lower to a higher class of license or the addition of a type of vehicle other than a motorcycle to the license is \$10; (h) the fee for the issuance or renewal of a license, provisional license, instruction permit, hardship license or a personal identification card to a person subject to sex offender registration provisions is \$20; (i) the fee for an identification card for a person under 60 years of age is \$15 and, for a person 60 years of age or over, the fee is \$5; and (j) the fee for a duplicate driver's license or personal identification card is \$10. In certain circumstances, disabled veterans are not subject to these fees.

Under Chapter 521, Texas Transportation Code, the Texas Department of Public Safety ("DPS") is authorized to suspend or revoke a person's driver's license under certain circumstances. Once suspended or revoked, a license may not be reinstated or another license issued until the person pays a \$100 fee, in addition to any other fee required by law. If a driver's license is revoked for an offense involving certain fraudulent government records, the fee for reissuance is \$100, in addition to the issuance or renewal fee.

Under Chapter 522, Texas Transportation Code, a person that operates a commercial motor vehicle in Texas must have a commercial driver's license issued by DPS. The fee for a commercial driver's license or a commercial driver learner's permit is \$60 subject to reduction by \$4 for each remaining year of validity of a driver's license. The fee for a duplicate license is \$10 and the fee for a change of class of license, endorsement, or restriction is \$10 per required examination. The fee for renewal of a commercial driver's license or commercial driver learner's permit that includes authorization to operate a motorcycle is \$45 (\$5 of which is dedicated to a motorcycle education fund). The fee for a commercial driver's license or commercial driver learner's permit that includes an authorization to operate a motorcycle or moped, is increased by \$8 (\$5 of which is dedicated to a motorcycle education fund). The fee for an applicant applying for additional authorization to operate a motorcycle is \$15 for the examination (\$5 of which is dedicated to a motorcycle education fund). The fee for a commercial driver's license issued to a registered sex offender is \$20.

Under Chapter 524, Texas Transportation Code, once a Texas driver's license has been suspended for failure to pass a test for intoxication, such license will not be reinstated nor will another license be issued to the person until the person pays DPS a fee of \$125 in addition to any other fee required by law.

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

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

– *Motor Vehicle Inspection Fees:* Under Chapter 548, Texas Transportation Code, since September 1, 2005, a portion of certain fees collected by local inspection stations, in the amounts noted below, and forwarded to DPS under Chapter 548, Subchapter H, Texas Transportation Code (the “Motor Vehicle Inspection Fees”), have been deposited daily to the credit of the Fund.

Service	Fee Amount	Mobility Fund Allocation
General Inspection of Motor Vehicle (1 year)	\$ 12.50	\$ 3.50
General Inspection of New Motor Vehicle (2 year)	at least 21.75	14.75
General Inspection of Moped	5.75	5.50
Inspection of Commercial Vehicle	50.00	10.00
Inspector Certification (2 year)	10.00	10.00
Inspection Station Certification (2 year)	30.00	30.00

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

Until September 1, 2008, the TERP/Mobility Fund Fee Portion of the Certificate of Title Fee was deposited to the credit of the TERP fund. Beginning on September 1, 2008, the TERP/Mobility Fund Fee Portion of the Certificate of Title Fee is deposited to the credit of the Mobility Fund, except for the amount of the TERP/Mobility Fund Fee Portion of the Non-attainment Area Fee Amount transferred to the TERP fund (described below).

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

In Fiscal Years 2004 through 2008, the TERP/Mobility Fund Fee Portion of the Certificate of Title Fee generated \$98,821,625, \$97,318,231, \$102,835,154, \$103,061,108 and \$104,608,782 in revenue, respectively, which was dedicated to the TERP fund.

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Table 1: Collection History of Major Sources⁽¹⁾

Fee	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Driver's License Fees	\$95,258,901	\$111,279,270	\$114,788,283	\$119,718,761	\$117,903,971
Driver Record Information Fees	51,523,916	53,900,643	57,524,449	53,508,230	61,763,642
Motor Vehicle Inspection Fees	76,380,272	78,844,300	82,470,874	84,555,948	86,166,829
Certificate of Title Fee	98,821,625	97,318,231	102,835,154	103,061,108	104,608,782
Total Major Sources Collected	\$321,984,714	\$341,342,444	\$357,618,760	\$360,844,047	\$370,443,224

⁽¹⁾ Except as described herein, the amounts shown in Table 1 do not represent amounts deposited in the Mobility Fund during the periods reported in such table. The amounts shown represent the collection history for the portions of the respective fees that are directed for deposit into the Mobility Fund (on the dates indicated above). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Major Sources." During Fiscal Years 2004 and 2005, the primary sources of funding for the Mobility Fund were provided by Court Fines and Driver's License Points Surcharges (described below under "– Miscellaneous Sources – *Surplus Revenues: Court Fines and Driver's License Points Surcharge*"), which were deposited in the Fund in the amounts shown in Table 4. Beginning on September 1, 2005, a portion of the Motor Vehicle Inspection Fees were directed for deposit to the Fund, and all Major Sources were directed for deposit to the Fund by September 1, 2008. See Table 4: Texas Mobility Fund Historical and Estimated Revenues.

Sources: Texas Comptroller of Public Accounts, Annual Cash Reports, Fiscal Years 2004 through 2008.

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

– *United We Stand License Plate Fees:* Under Chapter 504, Texas Transportation Code, the Department is authorized to issue specialty license plates that include the words "United We Stand." The fee for issuance of the license plates, less the Department's administrative costs, shall be deposited to the credit of the Fund. For Fiscal Years 2006 through 2008, \$2,408, \$2,330 and \$2,777, respectively, was collected from the "United We Stand License Plate Fees."

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

– *Commercial Motor Vehicle Safety Standards:* Under Chapter 644, Texas Transportation Code, DPS may impose certain administrative penalties against violators of the commercial vehicle safety standards described in Chapter 644, Texas Transportation Code. Effective since September 1, 2005 each penalty so imposed is deposited daily to the credit of the Fund. For Fiscal Years 2006 through 2008, \$1,833,079, \$2,102,243 and \$2,074,821, respectively, was collected from this source.

– *Surplus Revenues: Court Fines and Driver’s License Points Surcharge.* Pursuant to Chapter 542, Texas Transportation Code, a state traffic fine of \$30 is assessed against a person who enters a plea of guilty or nolo contendere to or is convicted of an offense under Subtitle C of Title 7, Texas Transportation Code (the “Court Fines”). During Fiscal Years 2004 and 2005, the Fund received 67% of Court Fines (after certain retentions by the local jurisdictions that collected such Court Fines).

Pursuant to Chapter 708, Texas Transportation Code, the Driver Responsibility Program (the “DRP”) assigns points to certain moving violations and applies surcharges to offenders (the “Driver’s License Points Surcharge”). In addition, DPS assesses a surcharge when a driver accumulates a total of six points or more during a three-year period. The driver must pay a \$100 surcharge for the first six points and \$25 for each additional point. In addition, an annual surcharge may be assessed for a period of three (3) years for certain other violations. For each surcharge collected by DPS as part of the Driver’s License Points Surcharge, the Fund received 49.5% of the money collected for Fiscal Years 2004 and 2005.

During Fiscal Years 2004 and 2005, Court Fines in the amount of \$39,159,890 and \$59,605,556, respectively, were deposited to the Fund; and, for the period ending August 31, 2005, \$18,176,042 was deposited to the credit of the Fund from the Driver’s License Points Surcharge. (The Driver’s License Points Surcharge was effective on September 1, 2003; however, the DRP was not operational until September 1, 2004.) Beginning on September 1, 2005, the portions of Court Fines and Driver’s License Points Surcharges that had been directed for deposit into the Fund were redirected for deposit into the State’s General Revenue Fund until the total amount of money deposited to the credit of the General Revenue Fund from the portions of Court Fines and Driver’s License Points Surcharges that are dedicated to the General Revenue Fund exceed \$250 million in any Fiscal Year. Amounts in excess of \$250 million in any Fiscal Year must be deposited to the credit of the Fund. During Fiscal Years 2006 through 2008, no such excess revenues from Court Fines and Driver’s License Points Surcharges were deposited into the Fund; and, as of July 30, 2008, the Comptroller projected that no such excess revenues from Court Fines and Driver’s License Points Surcharges would be available for deposit into the Fund in Fiscal Year 2009 or thereafter.

– *Investment Earnings and Interest:* The Commission may invest the Fund in investments authorized by Texas law in accordance with an investment policy approved by the Commission (the “Investment Policy”). Both State law and the Investment Policy are subject to change. See “– Investment of Funds” and “FUND ADMINISTRATION AND INVESTMENT” herein. From the date of establishment of the Fund on November 1, 2001 through August 31, 2005, the Fund earned \$5,339,982 in interest, and for Fiscal Years 2006 through 2008, the Fund earned \$27,268,798, \$36,700,487 and \$35,460,407 in interest, respectively. See “– Mobility Fund Financial Statements.”

Substitution of Dedicated Revenues. While the Dedicated Revenues are pledged to the payment of Outstanding Parity Debt, the Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the Legislature dedicates a substitute source that is projected by the Comptroller to be of a value equal to or greater than the source being reduced, rescinded, or repealed and (ii) the Commission institutes a pledge of the State’s full faith and credit to the payment of Outstanding Parity Debt. Revenues from any revenue source substituted by the Legislature will become part of Dedicated Revenues. There can be no assurance that the Legislature will not replace some or all of the existing Dedicated Revenues with other sources of revenue. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of Dedicated Revenues with respect to Outstanding Parity Debt, including the Bonds, will be revised accordingly.

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

such Transportation Assistance Bonds, will be deposited into the Interest and Sinking Account and used to make payments due on Parity Debt, including the Bonds. The Commission does not intend to loan proceeds of the Bonds to political subdivisions for these purposes.

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

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

Mobility Fund Financial Statements. The Fund was created on November 6, 2001 and the initial revenue sources and investment earnings began to be deposited into the Fund in March, 2004. As of August 31, 2007, the Fund had total assets of \$1,141,943,893 (which included approximately \$767,575,061 of proceeds of previously issued Parity Debt); and, as of August 31, 2008 the Fund had total assets of \$976,139,542 (which included approximately \$660,018,405 of proceeds of previously issued Parity Debt). See Table 2 - Statement of Net Assets and Governmental Fund Balance Sheet and Table 3 - Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. The schedules in Tables 2 and 3 are based on the Fund’s audited financial statements for the Fiscal Years 2007 and 2008. The Fund’s audited financial statements for the Fiscal Year 2008 are attached hereto as APPENDIX E. The schedules reflect the reclassification of the Fund as a governmental fund in Fiscal Year 2005. As a result of such reclassification, the reporting standard for the Fund was revised to ensure compliance with reporting standards for governmental funds, and the format of the financial statements to be provided as annual continuing disclosure was changed accordingly. Prior to the reclassification of the Fund as a governmental fund, the Fund was classified as a proprietary fund and the financial reports for the Fund were unaudited and prepared in accordance with reporting standards for proprietary funds. The Fund’s base financial statements for Fiscal Year 2008 have been audited by Clifton Gunderson LLP, Certified Public Accountants, the Department’s independent auditor. Clifton Gunderson LLP has not been engaged to perform and has not performed, since the date of its report included herein as APPENDIX E, any procedures on the financial statements addressed in such report. Clifton Gunderson LLP also has not performed any procedures relating to this Official Statement.

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Table 2: Statement of Net Assets and Government Fund Balance Sheet

	As of August 31, 2007 ⁽¹⁾			As of August 31, 2008		
	Special Revenue Fund	Adjustments	Statement of Net Assets	Special Revenue Fund	Adjustments	Statement of Net Assets
Assets						
Current Assets:						
Cash and cash equivalents in State Treasury	\$ 1,125,545,231	\$ 0	\$ 1,125,545,231	\$ 955,909,300	\$ 0	\$ 955,909,300
Accrued Swap Payment Receivable	0	0	0	460,315	0	460,315
Total Current Assets	<u>1,125,545,231</u>	<u>0</u>	<u>1,125,545,231</u>	<u>956,369,615</u>	<u>0</u>	<u>956,369,615</u>
Noncurrent Assets						
Deferred Charges	0	16,398,662	16,398,662	0	19,769,927	19,769,927
Total Noncurrent Assets	<u>0</u>	<u>16,398,662</u>	<u>16,398,662</u>	<u>0</u>	<u>19,769,927</u>	<u>19,769,927</u>
Total Assets	<u>1,125,545,231</u>	<u>16,398,662</u>	<u>1,141,943,893</u>	<u>956,369,615</u>	<u>19,769,927</u>	<u>976,139,542</u>
Liabilities						
Current Liabilities:						
Accounts Payable	2,729,523	0	2,729,523	18,565	0	18,565
Interest Payable	0	62,640,191	62,640,191	0	95,104,381	95,104,381
Due to Comptroller of Public Accounts	144,348,568	0	144,348,568	0	0	0
Due to State Highway Fund	137,608,202	0	137,608,202	73,091,022	0	73,091,022
General Obligation Bonds Payable	0	30,900,000	30,900,000	0	32,290,000	32,290,000
Total Current Liabilities	<u>284,686,293</u>	<u>93,540,191</u>	<u>378,226,484</u>	<u>73,109,587</u>	<u>127,394,381</u>	<u>200,503,968</u>
Non-Current Liabilities						
General Obligations Bonds Payable	0	3,855,850,000	3,855,850,000	0	4,923,560,000	4,923,560,000
Premium/Discount	0	113,606,546	113,606,546	0	165,821,178	165,821,178
Total Non-Current Liabilities	<u>0</u>	<u>3,969,456,546</u>	<u>3,969,456,546</u>	<u>0</u>	<u>5,089,381,178</u>	<u>5,089,381,178</u>
Total Liabilities	<u>284,686,293</u>	<u>4,062,996,737</u>	<u>4,347,683,030</u>	<u>73,109,587</u>	<u>5,216,775,559</u>	<u>5,289,885,146</u>
Fund Balances/Net Assets						
Fund Balances:						
Unreserved	<u>840,858,938</u>	<u>(840,858,938)</u>		<u>883,260,028</u>	<u>(883,260,028)</u>	
Total Fund Balances	<u>840,858,938</u>	<u>(840,858,938)</u>		<u>883,260,028</u>	<u>(883,260,028)</u>	
Total Liabilities and Fund Balances	<u>\$ 1,125,545,231</u>			<u>\$ 956,369,615</u>		
Net Assets:						
Restricted for Mobility Projects		(3,205,739,137)	(3,205,739,137)		(4,313,745,604)	(4,313,745,604)
Total Net Assets⁽²⁾		<u>\$ (4,046,598,075)</u>	<u>\$ (3, 205,739,137)</u>		<u>\$ (5,197,005,632)</u>	<u>\$ (4,313,745,604)</u>

Source: Annual Financial Report of the Texas Mobility Fund For the Fiscal Years ended August 31, 2007 and August 31, 2008, as audited by the Texas State Auditor's Office and Clifton Gunderson LLP, respectively.

(1) Restated.

(2) Includes proceeds of previously issued Parity Debt as follows: approximately \$767,575,061 for the Fiscal Year ending August 31, 2007 and \$660,018,405 for the Fiscal Year ending August 31, 2008.

Table 3: Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

	August 31, 2007 ⁽¹⁾			August 31, 2008		
	Special Revenue Fund	Adjustments	Statement of Activities	Special Revenue Fund	Adjustments	Statement of Activities
Revenues:						
Charges for Services-						
Violations, Fines & Penalties	\$ 140,481,055	\$ 0	\$ 140,481,055	\$ 267,915,922	\$ 0	\$ 267,915,922
Interest & Investment Income ⁽²⁾						0
Operating Grants and Contributions	36,700,487	0	36,700,487	35,460,407	0	35,460,407
Total Revenues	\$ 177,181,542	\$ 0	\$ 177,181,542	\$ 303,376,329	\$ 0	\$ 303,376,329
Expenditures/Expenses:						
Debt Service:						
Principal	\$ 35,370,000	\$ (35,370,000)	\$ 0	\$ 30,900,000	\$ (30,900,000)	\$ 0
Interest	101,438,585	35,863,294	137,301,879	173,437,824	32,464,188	205,902,012
Amortization of Premium/Discount	0	(6,012,675)	(6,012,675)	0	(8,894,737)	(8,894,737)
Other Financing Fees	627,919	0	627,919	619,086	0	619,086
Bond Issue Costs	8,855,602	(8,855,602)	0	4,080,868	(4,080,868)	0
Amortization of Bond Issue Costs	0	573,575	573,575	0	709,605	709,605
Professional Fees & Services	913,497	0	913,497	415,079	0	415,079
Other Expenditures/Expenses	12,991	0	12,991	23,390	0	23,390
Total Expenditures/Expenses	\$ 147,218,594	\$ (13,801,408)	\$ 133,417,186	\$ 209,476,247	\$ (10,701,812)	\$ 198,774,435
Excess (Deficit) of Revenues over Expenditures	\$ 29,962,948	\$ 13,801,408	\$ 43,764,356	\$ 93,900,082	\$ 10,701,812	\$ 104,601,894
Other Financing Sources (Uses):						
Bond and Note Proceeds	\$ 2,196,605,000	\$ (2,196,605,000)	\$ 0	\$ 1,100,000,000	\$ (1,100,000,000)	\$ 0
Premium on Bonds Issued	57,468,994	(57,468,994)	0	61,109,369	(61,109,369)	0
Operating Transfer Out	(1,780,133,499)	0	(1,780,133,499)	\$ (1,212,608,361)	0	(1,212,608,361)
Total Other Financing Sources (Uses)	\$ 473,940,495	(2,254,073,994)	\$ (1,780,133,499)	\$ (51,498,992)	\$ (1,161,109,369)	\$ (1,212,608,361)
Change in Fund Balance/Net Assets	\$ 503,903,443	\$ (2,240,272,586)	\$ (1,736,369,143)	\$ 42,401,090	\$ (1,150,407,557)	\$ (1,108,006,467)
Fund Balance/Net Assets:						
Beginning Fund Balance	\$ 336,955,495	\$ (1,806,325,489)	\$ (1,469,369,994)	\$ 840,858,938	\$ (4,046,598,075)	\$ (3,205,739,137)
Ending Fund Balance	\$ 840,858,938	\$ (4,046,598,075)	\$ (3,205,739,137)	\$ 883,260,028	\$ (5,197,005,632)	\$ (4,313,745,604)

Source: Annual Financial Report of the Texas Mobility Fund For the Fiscal Years ended August 31, 2007 and August 31, 2008, as audited by the Texas State Auditor's Office and Clifton Gunderson LLP, respectively.

⁽¹⁾ Restated.

⁽²⁾ The amount reported for the Fiscal Year ended August 31, 2007 includes \$0 of accrued interest received in connection with the delivery of the Series 2007 Bonds, and the amount reported for the Fiscal Year ended August 31, 2008 includes \$0 of accrued interest received in connection with the delivery of the Series 2008 Bonds.

Mobility Fund Revenue Forecast. To the extent required by law, before Program obligations are issued payable from a pledge of and lien on all or part of the money in the Fund, the Comptroller must project and certify that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the proposed obligations are scheduled to be outstanding will be equal to at least 110% of the Annual Debt Service Requirements on the proposed obligations during that year. Current law requires that for the purpose of so certifying for the issuance of short-term obligations (obligations with a final stated maturity of five years or less), the Comptroller must assume that the short-term obligations will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates, as determined by the Comptroller. The Comptroller's Mobility Fund Revenue Forecast, dated as of July 30, 2009, is shown on the following page in Table 4. Based on the forecast in Table 4 and the Department's certification of Annual Debt Service Requirements due on the Bonds as shown in Table 5, the Comptroller has made the certification described above with respect to the Bonds. Certain payment obligations of the Commission that constitute Parity Debt (such as the Commission's obligation to reimburse the provider of a credit agreement for amounts drawn pursuant to such credit agreement), may be excluded from existing debt service requirements included in the Comptroller's certification. **THERE CAN BE NO ASSURANCES THAT REVENUES ACTUALLY DEPOSITED INTO THE FUND WILL BE DEPOSITED, EITHER AS TO TYPE OF REVENUES, TIMING OF DEPOSIT, OR AMOUNT, AS FORECAST IN TABLE 4 BELOW.** See "OTHER INFORMATION – Forward-Looking Statements."

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**Table 4: Texas Mobility Fund Historical and Estimated Revenues⁽¹⁾
(in Thousands)**

Fiscal Year	Court Fines	Driver's License Points Surcharges	Motor Vehicle Inspection Fees	Driver's License Fees	Driver Record Information Fees	United We Stand License Fees	Certificate of Title Fees	Motor Carrier Act Penalties	Depository Interest	Total ⁽²⁾
2004	\$ 39,160	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89	\$ 39,249
2005	59,606	18,176	0	0	0	0	0	0	5,251	83,033
2006	0	0	82,471	0	0	1	0	1,833	27,269	111,574
2007	0	0	84,556	0	53,508	2	0	2,102	36,700	176,868
2008	0	0	86,166	117,903	61,763	2	0	2,074	35,460	303,368
2009	0	0	84,443	108,273	55,126	2	78,142	2,100	9,438	337,524
2010	0	0	85,372	100,801	55,953	2	78,182	2,100	15,647	338,057
2011	0	0	87,079	113,775	56,792	2	79,823	2,100	17,705	357,276
2012	0	0	88,908	114,112	57,644	2	81,579	2,100	18,322	362,667
2013	0	0	90,864	117,558	58,509	2	83,456	2,100	18,766	371,255
2014	0	0	92,954	119,321	59,387	2	85,375	2,100	19,132	378,271
2015	0	0	94,813	121,111	60,278	2	87,083	2,132	19,515	384,934
2016	0	0	96,709	122,928	61,182	2	108,444	2,164	19,905	411,334
2017	0	0	98,643	124,772	62,100	2	110,613	2,196	20,303	418,629
2018	0	0	100,616	126,644	63,032	2	112,825	2,229	20,709	426,057
2019	0	0	102,628	128,544	63,977	2	115,082	2,262	21,123	433,618
2020	0	0	104,681	130,472	64,937	2	117,384	2,296	21,545	441,317
2021	0	0	106,775	132,429	65,911	2	119,732	2,330	21,976	449,155
2022	0	0	108,911	134,415	66,900	2	122,127	2,365	22,416	457,136
2023	0	0	111,089	136,431	67,904	2	124,570	2,400	22,864	465,260
2024	0	0	113,311	138,477	68,923	2	127,061	2,436	23,321	473,531
2025	0	0	115,577	140,554	69,957	2	129,602	2,473	23,787	481,952
2026	0	0	117,889	142,662	71,006	2	132,194	2,510	24,263	490,526
2027	0	0	120,247	144,802	72,071	2	134,838	2,548	24,748	499,256
2028	0	0	122,652	146,974	73,152	2	137,535	2,586	25,243	508,144
2029	0	0	125,105	149,179	74,249	2	140,286	2,625	25,748	517,194
2030	0	0	127,607	151,417	75,363	2	143,092	2,664	26,263	526,408
2031	0	0	130,159	153,688	76,493	2	145,954	2,704	26,788	535,788
2032	0	0	132,762	155,993	77,640	2	148,873	2,745	27,324	545,339
2033	0	0	135,417	158,333	78,805	2	151,850	2,786	27,870	555,063
2034	0	0	138,125	160,708	79,987	2	154,887	2,828	28,427	564,964
2035	0	0	140,888	163,119	81,187	2	157,985	2,870	28,996	575,047
2036	0	0	143,706	165,566	82,405	2	161,145	2,913	29,576	585,313
2037	0	0	146,580	168,049	83,641	2	164,368	2,957	30,168	595,765
2038	0	0	149,512	170,570	84,896	2	167,655	3,001	30,771	606,407
2039	0	0	152,502	173,129	86,169	2	171,008	3,046	31,386	617,242

Source: Texas Comptroller of Public Accounts, July 30, 2009, except for Fiscal Years 2004 through 2008.

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

⁽²⁾ Amounts for Fiscal Years 2004 through 2008 represent actual deposits to the Fund, as reported by the Department. These amounts do not reflect total revenues of the Fund. See "Table 3: Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance".

Table 5 - Projected Debt Service Coverage for Parity Debt*

Based on the Comptroller's revenue forecast shown in Table 4 (above), Table 5 shows the projected Annual Debt Service Requirements coverage for Parity Debt, including the Bonds and the previously issued Outstanding Parity Debt.

Fiscal Year	Fiscal Year Parity Debt Service ⁽¹⁾	The Bonds ⁽²⁾			Annual Debt Service Requirements ⁽³⁾	Comptroller's Revenue Estimate ⁽⁴⁾	Revenue as a % of Annual Debt Service Requirements
		Principal	Interest	Total			
2010	\$ 269,457,888	\$ -	\$ 25,847,022	\$ 25,847,022	\$ 295,304,910	\$ 338,057,000	114.5 %
2011	272,750,314	-	43,278,735	43,278,735	316,029,049	357,276,000	113.1
2012	278,127,775	-	43,278,735	43,278,735	321,406,510	362,667,000	112.8
2013	282,554,463	-	43,278,735	43,278,735	325,833,198	371,255,000	113.9
2014	287,623,772	-	43,278,735	43,278,735	330,902,507	378,271,000	114.3
2015	292,570,826	-	43,278,735	43,278,735	335,849,561	384,934,000	114.6
2016	297,347,561	-	43,278,735	43,278,735	340,626,296	411,334,000	120.8
2017	302,246,089	-	43,278,735	43,278,735	345,524,824	418,629,000	121.2
2018	307,856,647	-	43,278,735	43,278,735	351,135,382	426,057,000	121.3
2019	312,853,023	-	43,278,735	43,278,735	356,131,757	433,618,000	121.8
2020	317,899,966	420,000	43,278,735	43,698,735	361,598,701	441,317,000	122.0
2021	323,041,725	730,000	43,264,083	43,994,083	367,035,808	449,155,000	122.4
2022	328,223,541	2,095,000	43,238,617	45,333,617	373,557,158	457,136,000	122.4
2023	333,476,037	3,555,000	43,165,532	46,720,532	380,196,568	465,260,000	122.4
2024	339,447,523	4,470,000	43,041,514	47,511,514	386,959,037	473,531,000	122.4
2025	344,852,314	6,100,000	42,885,575	48,985,575	393,837,890	481,952,000	122.4
2026	350,306,658	7,865,000	42,672,774	50,537,774	400,844,432	490,526,000	122.4
2027	355,827,606	9,755,000	42,398,399	52,153,399	407,981,005	499,256,000	122.4
2028	361,404,444	11,780,000	42,058,091	53,838,091	415,242,535	508,144,000	122.4
2029	367,759,459	13,230,000	41,647,140	54,877,140	422,636,599	517,194,000	122.4
2030	373,490,603	15,490,000	41,185,605	56,675,605	430,166,208	526,408,000	122.4
2031	379,306,125	17,895,000	40,630,126	58,525,126	437,831,251	535,788,000	122.4
2032	385,173,563	20,475,000	39,988,402	60,463,402	445,636,965	545,339,000	122.4
2033	391,154,550	23,175,000	39,254,158	62,429,158	453,583,708	555,063,000	122.4
2034	397,194,975	26,055,000	38,423,091	64,478,091	461,673,066	564,964,000	122.4
2035	403,987,402	28,435,000	37,488,746	65,923,746	469,911,148	575,047,000	122.4
2036	410,142,747	31,690,000	36,469,053	68,159,053	478,301,800	585,313,000	122.4
2037	414,687,700	36,825,000	35,332,633	72,157,633	486,845,333	595,765,000	122.4
2038	-	461,525,000	34,012,071	495,537,071	495,537,071	606,407,000	122.4
2039	-	486,930,000	17,461,553	504,391,553	504,391,553	617,242,000	122.4
Total	\$9,480,765,296	\$1,208,495,000	\$1,203,251,535	\$2,411,746,535	\$11,892,511,831	\$14,372,905,000	

* Totals may not add due to rounding.

(1) Debt service on the Series 2005-B Variable Rate Bonds calculated at a rate of approximately 3.63%, including remarketing and liquidity fees. Debt service on the Series 2006-B Variable Rate Bonds calculated at a rate of approximately 3.66%, including remarketing and liquidity fees.

(2) The Subsidy Payments expected to be received by the Commission are netted from the debt service on the Bonds. See "APPLICATION OF SUBSIDY PAYMENTS."

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

(4) Comptroller's revenue estimates provided to the Department and dated July 30, 2009. See "Table 4: Texas Mobility Fund Historical and Estimated Revenues."

Credit Agreements

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

Credit Agreements may include loan agreements; revolving credit agreements; agreements establishing a line of credit; letters of credit; reimbursement agreements; insurance contracts; commitments to purchase Parity Debt; purchase or sale agreements; interest rate swap, cap, and/or floor agreements or commitments; or other contracts or agreements authorized, recognized, and approved by the Commission as a Credit Agreement in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Parity Debt, the interest on Parity Debt, or both. Payments to be made by the Commission under the terms of any Credit Agreement will be governed by the resolution adopted by the Commission authorizing the execution and delivery of such Credit Agreement. Credit Agreements may be entered into as Parity Debt, as Subordinate Debt, or partially as Parity Debt and partially as Subordinate Debt.

Pursuant to the Second Supplemental Resolution to the Master Resolution (the "Second Supplement"), the Commission entered into a "Standby Bond Purchase Agreement", dated as of May 1, 2005 (the "Series 2005-B Liquidity Facility"), with DEPFA BANK plc, acting through its New York Branch (the "Series 2005-B Liquidity Facility Issuer"), to provide a liquidity facility for its Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds)(the "Series 2005-B Variable Rate Bonds"), which provides for the purchase, in accordance with the terms thereof, of the Series 2005-B Variable Rate Bonds which bear interest at a Daily Rate or a Weekly Rate and that are tendered for purchase as provided in the Second Supplement but not remarketed by the remarketing agent. Unless extended, the Series 2005-B Liquidity Facility expires on April 8, 2012, or, if such day is not a business day, the next business day. Pursuant to Minute Order 111674, adopted on January 29, 2009 (the "January Minute Order"), the Commission authorized the termination of the Series 2005-B Liquidity Facility and the negotiation and execution of a new liquidity agreement with the Comptroller (the "Comptroller Liquidity Agreement"). Notwithstanding such authority, as of the date of this Official Statement, the Commission has not entered into the Comptroller Liquidity Agreement and the Series 2005-B Liquidity Facility remains in effect. The Commission, however, is still authorized to enter into the Comptroller Liquidity Agreement pursuant to the January Minute Order and is currently evaluating the advantages and disadvantages of entering into such agreement. In addition, pursuant to Minute Order 111786, adopted on April 30, 2009, the Commission is authorized to convert the Series 2005-B Variable Rate Bonds into a mode that does not require liquidity and is currently examining the potential benefits of such conversion.

In addition, pursuant to the Fifth Supplemental Resolution to the Master Resolution (the "Fifth Supplement"), the Commission entered into a "Standby Bond Purchase Agreement", dated as of November 1, 2006 (the "Series 2006-B Liquidity Facility" and, together with the Series 2005-B Liquidity Facility, the "Liquidity Facilities"), with State Street Bank and Trust Company, as administrative agent, and State Street Bank and Trust Company and the California Public Employees' Retirement System, as liquidity providers (collectively, the "Series 2006-B Liquidity Facility Issuer" and, together with the Series 2005-B Liquidity Facility Issuer, the "Liquidity Facility Issuers"), to provide a liquidity facility for its Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds)(the "Series 2006-B Variable Rate Bonds"), which provides for the purchase, in accordance with the terms thereof, of the Series 2006-B Variable Rate Bonds which bear interest at a Daily Rate or a Weekly Rate and that are tendered for purchase as provided in the Fifth Supplement but not remarketed by the remarketing agent. Unless extended, the Series 2006-B Liquidity Facility expires on December 13, 2013, or, if such day is not a business day, the next business day. The Commission's obligations to make payments to the Liquidity Facility Issuers under the Liquidity Facilities are Parity Debt, additionally secured by the full faith and credit of the State.

Pursuant to the Fourth Supplemental Resolution to the Master Resolution, the Commission entered into interest rate swap transactions (the "Series 2006-A Bond Swap Agreements") in connection with its Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-A. The Series 2006-A Bond Swap Agreements are floating-to-floating rate swap transactions with JPMorgan Chase Bank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P. and Morgan Stanley Capital Services Inc. (each a "Basis

Swap Counterparty”; collectively, the “Basis Swap Counterparties”) in the aggregate notional amount of \$400 million for terms of twenty years. During the term of the Series 2006-A Bond Swap Agreements, the Commission is obligated to pay to each Basis Swap Counterparty an amount equal to the BMA Municipal Swap Index on the notional amount of the Series 2006-A Basis Swap Agreement with such Basis Swap Counterparty. In return, each Basis Swap Counterparty is obligated to pay the Commission an amount equal to a fixed percentage of the USD-ISDA-Swap Rate assuming a 10-year Designated Maturity (which is a reported market fixed rate at which 10-year interest rate swaps for a one month U.S. dollar LIBOR rate are entered into from time to time) on the notional amount of the Series 2006-A Basis Swap Agreement with such Basis Swap Counterparty. The obligation of the Commission to make regularly scheduled payments to the Basis Swap Counterparties under the Series 2006-A Bond Swap Agreements will be payable from the Security and secured on a parity with the Commission’s obligation to pay principal of and interest on Parity Debt; however, the Commission’s obligation to pay any amounts from the Security owed as a result of an early termination of the Series 2006-A Bond Swap Agreements is subordinate to the Commission’s obligation to pay principal of and interest on Parity Debt. In addition, the obligations of the Commission under the Series 2006-A Bond Swap Agreements are secured by the full faith and credit of the State. See “APPENDIX E – Audited Financial Statements of the Fund”, Note 5, Derivatives, page 31, for a description of the Series 2006-A Bond Swap Agreements.

The Commission currently is not a party to any other Credit Agreement for any Parity Debt, including the Bonds, and the Commission does not currently intend to enter into any other Credit Agreement with respect to the Bonds. See “PLAN OF FINANCE – Anticipated Issuance of Additional Obligations.” However, the Commission has the ability to enter into Credit Agreements at any time for the Bonds or other issues of Parity Debt.

Enforcement

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

Limitation of Liability of Officials of the Commission

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

Creation of Accounts and Subaccounts Within the Mobility Fund

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

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

Interest and Sinking Account. Pledged Revenues will be transferred to the Interest and Sinking Account to the extent needed to make payments due on Parity Debt, including the Bonds. The Interest and Sinking Account must be used to pay the principal of, redemption premium, if any, and interest on Parity Debt as the same become due and payable, whether at Stated Maturity or upon prior redemption, so long as any Parity Debt, including the Bonds, is outstanding. See “APPLICATION OF SUBSIDY PAYMENTS” and “- Creation of Subaccounts in the Eighth Supplemental Resolution” for a description of the 2009A Subaccount, which is the subaccount of the Interest and Sinking Account into which the Subsidy Payments will be deposited.

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

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

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

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

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

Creation of Subaccounts in the Eighth Supplemental Resolution

The Eighth Supplemental Resolution also establishes a separate 2009A Subaccount within the Bond Proceeds Account and a separate 2009A Subaccount within the Interest and Sinking Account in connection with the issuance, proceeds and debt service for the Bonds.

Flow of Funds

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

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

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

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

FOURTH: to the extent required by any resolution or other instrument adopted or approved by the Commission pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure

payment of such principal, redemption premium, and interest will be deposited to any account or subaccount created for such purpose; and

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

Investment of Funds

Pursuant to Section 201.946, Texas Transportation Code, the Fund may be invested in investments permitted by law for the investment of money on deposit in the State Highway Fund, which under current law is governed by Section 404.024, Texas Government Code (“Section 404.024”). Section 201.942, Texas Transportation Code, charges the Commission with the responsibility of investing the Fund. In furtherance of such investment responsibility, the Commission has executed an investment agreement with the Comptroller, acting by and through the Texas Treasury Safekeeping Trust Company (“Safekeeping Trust”), to assist the Commission, when requested by the Commission, with investing all or any portion of the Fund. See “FUND ADMINISTRATION AND INVESTMENT” herein. The Commission has adopted an investment policy which includes the Fund (the “Investment Policy”) in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”). Therefore, the Commission is authorized to invest or cause to be invested funds on deposit within the Fund in those permitted investments authorized under Section 404.024, as further modified by the Investment Policy. The Investment Policy and Texas law are subject to further change and amendment. Based on the current Investment Policy and current law, the Fund, as well as the Bond proceeds, may be invested in the following: (i) direct obligations of the United States or its agencies and instrumentalities, including letters of credit; (ii) direct obligations of the State or its agencies and instrumentalities rated as to investment quality by a nationally-recognized investment firm of not less than “A;” (iii) subject to the specific prohibitions described below, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States (such transactions not to exceed 10% of the total of each investment portfolio under the Investment Policy); (iv) other obligations, the principal and interest of which are unconditionally guaranteed by the State or the United States or their respective agencies and instrumentalities; (v) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than “AA” or its equivalent (such transactions not to exceed 10% of the total of each investment portfolio under the Investment Policy); (vi) certificates of deposit and share certificates meeting the requirements of the PFIA (a) that are issued by a depository institution that has its main office or a branch office in the State of Texas and are (1) guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, (2) secured as to principal by obligations described in clauses (i) through (v) above and (xii) below, including permitted mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, or (3) secured in any other manner and amount provided by law for deposits of the Commission, or (b) where: (1) the funds are invested by the Commission through a depository institution that has a main office or branch office in the State and that is selected by the Commission; (2) the depository institution selected by the Commission arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the Commission; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the depository institution acts as a custodian for the Commission with respect to the certificates of deposit; and (5) at the same time that the certificates of deposit are issued, the depository institution selected by the Commission receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the Commission through the depository institution selected under clause (ii)(a) above (such transactions not to exceed 20% of the total of each investment portfolio under the Investment Policy); (vii) fully collateralized repurchase agreements that have a defined termination date, are secured by obligations described in clauses (i) through (v) above and (xii) below; require the securities being purchased by the Commission to be pledged to the Commission, held in the Commission’s name, and deposited at the time the investment is made with the Commission or with a third party selected and approved by the Commission; and are placed through a primary government securities dealer or a financial institution doing business in the State; (viii) certain bankers’ acceptances with a stated maturity of 270 days or fewer from the date of issuance that will be liquidated in full at maturity and that are eligible for collateral for borrowing from a Federal Reserve Bank and accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank (or a bank holding company of which the bank is the largest subsidiary) are rated not less than “A-1” or “P-1” or an equivalent rating by at least one nationally recognized

credit rating agency (such transactions not to exceed 5% of the total of each investment portfolio under the Investment Policy); (ix) commercial paper with a stated maturity of 270 days or fewer that is rated at least “A-1” or “P-1,” or the equivalent, by at least (a) two nationally-recognized rating agencies or (b) one nationally-recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state (such transactions not to exceed 15% of the total of each investment portfolio under the Investment Policy with no more than 5% in any one name); (x) no-load money market mutual funds that are registered with and regulated by the SEC and provide the Commission with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, have a dollar-weighted average stated maturity of 90 days or fewer, and include in their investment objectives the maintenance of a stable net asset value of \$1.00 for each share (such transactions not to result in an investment in any one mutual fund in an amount that exceeds 10% of the total assets of the mutual fund); (xi) subject to certain limitations described below, no-load mutual funds that are registered with the SEC, have an average weighted maturity of less than two years, invest exclusively in obligations permitted under the Investment Policy, are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than “AAA” or its equivalent, and conform to the requirements set forth in the PFIA relating to the eligibility of investment pools to receive and invest funds of investing entities (such transactions not to result in an investment in any one mutual fund in an amount that exceeds 10% of the total assets of the mutual fund); (xii) bonds issued, assumed, or guaranteed by the State of Israel; and (xiii) certain securities lending programs described in the next succeeding paragraph.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is secured by either (a) obligations that are described in clauses (i) through (v) and (xii) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than “A” or its equivalent, or (c) cash invested in obligations that are described in clauses (i) through (v) and (ix) through (xii) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Commission or a third party designated by the Commission; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The Commission may invest its funds and funds under its control through an eligible investment pool that is established by the Safekeeping Trust and invests solely in obligations authorized under State law; provided, that the pool is rated no lower than “AAA” or “AAA-m” or an equivalent by at least one nationally-recognized rating service, operates like a mutual fund, and has a portfolio consisting only of dollar denominated securities.

The Commission is specifically prohibited from investing in: (i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (interest only obligations); (ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (principal only obligations); (iii) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (inverse floaters); and (v) investments of any type which are denominated in a foreign currency. In addition, the Commission is not authorized to invest (i) in the aggregate more than 15% of the monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in clause (xi) above or (ii) any portion of bond proceeds, reserves and other funds held for debt service, in mutual funds described in clause (xi) above.

Under State law, the Commission is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Commission funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Commission funds must be invested consistent with a formally adopted “Investment Strategy” that specifically addresses each fund’s investment. Each Investment Strategy will describe its objectives concerning: (i) suitability of the investment to the financial requirements of the

Commission, (ii) preservation and safety of principal, (iii) liquidity, (iv) marketability of each investment if the need arises to liquidate prior to maturity, (v) diversification of the portfolio, and (vi) yield.

Under State law, the Commission's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly, the Commission's investment officers must submit an investment report to the Commission including: (i) the book value and market value for each investment at the beginning and end of the reporting period; (ii) if the funds are pooled and invested, a summary statement, prepared in accordance with generally accepted accounting principles, presenting the beginning market value of the pool portfolio, changes in market value during the reporting periods, the ending market value of the portfolio and fully accrued interest for the reporting period; (iii) the maturity date of each investment, if applicable; (iv) a statement of intent if some or all securities are intended to be held to maturity; (v) any variations from the investment strategy of the Commission; (vi) recommended amendments to current specific investment strategies; and (vii) analysis of current market conditions.

Under Texas law, the Commission is additionally required to: (i) annually review its adopted policies and strategies, (ii) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (iii) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commission; (iv) require the qualified representative of firms offering to engage in an investment transaction with the Commission to: (a) receive and review the Commission's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Commission and the business organization that are not authorized by the Commission's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Commission's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Commission and the business organization attesting to these requirements; (v) perform an annual audit of the management controls on investments and adherence to the Commission's investment policy; (vi) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (vii) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (viii) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Commission's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (ix) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (x) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Commission.

FUND ADMINISTRATION AND INVESTMENT

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

Texas Mobility Fund Administration Agreement

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

Deposit of Purchase Price. The purchase price of the Bonds, net of underwriters' discount, must be remitted to the Comptroller for deposit into the appropriate account within the Fund, and all other costs of issuance payable from Bond proceeds must be paid from the Bond Proceeds Account.

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

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

Certification. Under current State law, the Bonds may not be issued unless the Comptroller projects that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the Bonds are scheduled to be Outstanding, will be equal to at least 110% of the Annual Debt Service Requirements. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table 4: Texas Mobility Fund Historical and Estimated Revenues” and “- Table 5: Projected Debt Service Coverage for Parity Debt”. As provided in the Master Resolution, for the purposes of this certification, the Department's Chief Financial Officer will certify the outstanding and proposed Annual Debt Service Requirements. Certain payment obligations of the Commission that constitute Parity Debt (such as the Commission's obligation to reimburse the provider of any credit agreement for amounts drawn pursuant to such credit agreement), and certain amounts, such as the anticipated Subsidy Payments, on deposit in the Interest and Sinking Account, are excluded from existing debt service requirements included in the Comptroller's certification. See “APPLICATION OF SUBSIDY PAYMENTS”.

Under current State law, short-term obligations to be issued for the Program may not be issued unless the Comptroller: (i) assumes that the short-term obligations will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates, as determined by the Comptroller and (ii) projects that the amount of money dedicated to the Fund pursuant to Article III, Section 49-k(e), Texas Constitution, and required to be on deposit in the Fund pursuant to Article III, Section 49-k(f), Texas Constitution, and the investment earnings on that money, during each year of the assumed 20-year period, will be equal to at least 110% of the Annual Debt Service Requirements.

Texas Mobility Fund Investment Agreement

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

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

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

THE COMMISSION AND THE DEPARTMENT

The Commission

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

The current members of the Commission are listed below.

Deirdre Delisi, Chair

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

Ted Houghton, Commissioner

Mr. Houghton was appointed to the Commission by Governor Perry in December of 2003. A native of El Paso, Mr. Houghton is self-employed in the fields of financial services, executive benefits, and estate planning. He is the first resident of El Paso to serve on the Commission. Mr. Houghton has served on the State of Texas School Land Board. He also served for eight years on the El Paso Water Utilities Public Service Board, on the board of directors of the El Paso Electric Company, as president of the Sun Bowl Association, and as a member of the 1984 Los Angeles Olympic Committee. He also served as vice president, chair of the public relations and communications committee and treasurer of the El Paso Rapid Transit Board. Mr. Houghton received his bachelors degree in finance from The University of Texas at El Paso.

Ned S. Holmes, Commissioner

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

Fred Underwood, Commissioner

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

William Meadows, Commissioner

Mr. Meadows was appointed commissioner by Governor Perry in April of 2008. Mr. Meadows is chairman of Hub International Rigg. He also served as vice chairman of the North Texas Tollway Authority. He is also a past appointee to the Texas Water Development Board and formerly served as a city council member and mayor pro-tempore for the City of Fort Worth. Mr. Meadows was past vice chairman of the City of Fort Worth Parks and Community Services Advisory Board and past board member of the Fort Worth Chamber of Commerce and Southwestern University. Mr. Meadows received a bachelor's degree from Southwestern University and attended the Harlaxton Institute in Grantham, England.

The Department

The Department is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the Legislature to administer federal funds for highway construction and maintenance. In 1975, the Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create the Department.

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

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

- (1) ***Plan It:*** Includes all planning, design, right-of-way acquisition for highways and other modes of transportation, and transportation research that saves lives and money.
- (2) ***Build It:*** Includes highway and bridge construction and airport improvements.
- (3) ***Use It:*** Includes items like public transportation, vehicle titles and registration, vehicle dealer registration, motor carrier registration, traffic safety, rail safety, travel information and auto theft prevention.
- (4) ***Maintain It:*** Includes the maintenance of roadways, bridges, airports, gulf waterways and ferry systems.
- (5) ***Manage It:*** Includes central and regional administration, information resources and other support services.

The Department is headquartered in Austin, Texas, with 25 district offices and 27 divisions/offices located throughout the State. Each district is responsible for the planning, design, construction, maintenance, and operation of its area's transportation systems.

In March 2009, the Commission adopted Minute Order 111738, authorizing the development of four regional support centers which will consolidate functions formerly provided at the district level. The establishment of regional support centers is the first phase of a Department-wide restructuring effort to improve the efficiency of Department processes, the accountability of the Department's performance and transparency of the Department's decisions to its many stakeholders, partners and customers. When fully implemented, the regional support centers are expected to produce a savings of more than 460 employee positions, achieved through attrition with a net savings of more than \$30 million per year.

The Department is managed by an Executive Director, subject to and under the direction of the Commission. The Executive Director and other key Department personnel are listed below.

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

Mr. Saenz, under the Commission's direction, manages, directs, and implements the Department's policies, programs, and operating strategies. He also represents the Department before the Texas Legislature and other entities. Mr. Saenz was appointed Executive Director on October 1, 2007. After earning a bachelor of science degree in civil engineering with honors from The University of Texas at Austin, Mr. Saenz joined the Department in 1978 in the Pharr District as an engineering laboratory assistant. Mr. Saenz served in various positions of increasing responsibility within the Pharr District, and was named district engineer in 1993. In 2001, Mr. Saenz was appointed as Assistant Executive Director for Engineering Operations in Austin.

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

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

Edward Serna, Assistant Executive Director for Support Operations

On April 18, 2005, Edward Serna was appointed Assistant Executive Director for Support Operations. Under the direction of the Executive Director, Mr. Serna assists in overseeing and coordinating support operations to ensure the Department operates in an efficient and effective manner. Mr. Serna has more than 21 years of government experience at three State agencies. Immediately prior to joining the Department, Mr. Serna served as director of service delivery at the Texas Department of Information Resources where he was responsible for negotiating and managing all statewide contracts for hardware and software services as well as managing the TexasOnline and Statewide Data Center Contracts. Mr. Serna also worked for the Texas Comptroller of Public Accounts and the Texas Commission on Environmental Quality. He supervised the development of human resources, purchasing and information resource policies and procedures at all three agencies. Mr. Serna graduated in 1981 from the University of North Texas. He holds a bachelor of business administration degree with a major in finance and a minor in accounting.

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

As the Assistant Executive Director for Engineering Operations, Mr. Barton oversees and coordinates operations for nine divisions and offices. Mr. Barton assists in directing long and short-range planning for the agency including the establishment of overall operating objectives and the technical merits of programs and policies. Mr. Barton began working for the Department as a summer employee of the Wichita Falls District, while he was still in high school. After graduating from Texas A&M University, Mr. Barton continued his work for the Department. In 2003, Mr. Barton received the President's Award for Planning from the American Association of State Highway and

Transportation Officials. In December 2003, he was named to his current position as District Engineer for the eight-county Beaumont District.

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

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

Phillip E. Russell, P.E., Assistant Executive Director for Innovative Project Development

In his position as Assistant Executive Director for Innovative Project Development, Mr. Russell oversees and coordinates turnpike/tollway projects and rail projects and statewide transportation planning/programming operations for the Department. He oversees functions related to the development and operation of turnpike projects, including comprehensive development agreements, market evaluations, public-private partnerships, pass-thru finance agreements, Trans-Texas Corridor activities, and long-term transportation planning. Mr. Russell, a transportation engineer with 28 years state experience including leadership roles in Bryan, Dallas and Austin. He oversaw the planning and development of the Central Texas Turnpike Project. The first 44-miles of the project were opened under budget and a year ahead of schedule. Mr. Russell has directed efforts to relieve congestion on Interstate 35 in Texas with the development of Trans-Texas Corridor 35. He is also in charge of planning Trans-Texas Corridor 69, a 600-mile multi-use transportation corridor extending from Northeast Texas to Mexico. Mr. Russell started work for the Department in 1982. He held numerous positions in the Department's ten-county Bryan District and seven-county Dallas District before moving to the Turnpike Division in Austin. In addition to being a professional engineer, Mr. Russell is also a lawyer. Mr. Russell recently announced his intention to retire from the Department, effective as of September 30, 2009.

James M. Bass, Chief Financial Officer

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

Brian Ragland, Finance Director

As the Department's Finance Director, Mr. Ragland is responsible for the management and control of budget, revenue, disbursements, accounting and debt management for the Department as well as programming and scheduling and letting management of all transportation projects. Mr. Ragland began his career with the Department as the Director of the Department's Claims Management Section of the Finance Division in 2003. He left the Department in 2005 to pursue an opportunity as Senior Vice President and Chief Financial Officer of Walden Affordable Group, LLC, an affordable housing management firm. He began his career with the University of Texas System Administration as an accountant/auditor in their Oil and Gas department and then became the Financial Manager of their Employee Group Insurance section where he served until 1996. He then became Chief Financial

Officer for the State Preservation Board where he oversaw all financial, human resources, enterprise and information resource functions of the agency until 2003, when he joined the Department. Mr. Ragland received his Bachelor of Business Administration degree in 1990 from The University of Texas at Austin and his Master's of Business Administration from Southwest Texas State in 1999. He is a licensed Certified Public Accountant.

John Muñoz, Deputy Director, Finance Division

As Deputy Director of the Finance Division, Mr. Muñoz develops and implements systems and policies related to accounting, forecasting, budgeting, payment for goods and services, and the processing of receipts and revenues. He is also a lead participant for the Department in the comprehensive development agreement process. During his 21 year tenure with the Department, Mr. Muñoz has worked in the audit, budgeting, payment processing and administrative operations. Prior to his employment with the Department, Mr. Muñoz worked for the predecessor firm to KPMG performing audit and tax work. Mr. Muñoz earned a bachelor degree in accounting from The University of Texas at Austin in 1986 and is also a CPA and Certified Internal Auditor.

Jose Hernandez, Debt Management Director

As Debt Management Director of the Finance Division, a position he assumed on March 1, 2006, Mr. Hernandez manages the Department's municipal bond programs, oversees the State Infrastructure Bank, and participates in the comprehensive development agreement process. Prior to his employment with the Department, Mr. Hernandez was the southwest regional manager of the Fitch Ratings office in Austin for over six years. Prior to his tenure with Fitch Ratings, Mr. Hernandez served with the Texas Bond Review Board for seven years, the last two as executive director. Mr. Hernandez's governmental finance career also includes service with the cities of San Antonio and Corpus Christi. Mr. Hernandez earned Bachelor and Master of Business Administration degrees from Corpus Christi State University.

Bob Jackson, General Counsel

Mr. Jackson assumed the position of General Counsel on September 15, 2006. Under his direction, the Office of General Counsel renders legal advice to the Commission and the Department. He also drafts Department rules, reviews legislation, serves as counsel at Commission meetings, and presides over public hearings. Mr. Jackson, who joined the Department 24 years ago as a planner in the Management Information, Policy and Research Section, has practiced law for 16 years. He earned his bachelor's degree in Government and Geography in 1980 and his master's degree in public affairs in 1985 from the Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin. He earned his Doctor of Jurisprudence from the University of Houston Law School in 1990.

Sunset Review

In 1977, the Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code)(the "Sunset Act"), which provides that virtually all agencies of the State, including the Department, are subject to periodic review by the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Department was subject to such Sunset review in 2009 and was continued through September 1, 2011 (see below for information regarding the 81st Texas Legislature). Accordingly, the next scheduled review of the Department is during the Texas legislative session in 2011. If the Department is not continued in existence at that time, the Department will be abolished; provided, however, the Texas Sunset Act provides that the Department will remain in existence for an additional year (until September 1, 2012) for the sole purpose of concluding its business.

Pursuant to the Sunset Act, the 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 were to result in the Department being abolished, the Governor would be required by law to designate an appropriate State agency that would continue to carry out all covenants contained in the Bonds (and in all other obligations) and the performance of all other obligations to complete the construction of projects or the performance of other obligations of the Department, including lease, contract and other written obligations. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from taxes, revenues or otherwise, until the principal of and interest on the Bonds are paid in full and all

other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, debt service for all of the Commission's outstanding indebtedness relating to the Mobility Fund and the Program, including the Bonds, would be automatically appropriated pursuant to the Texas Constitution and the general obligation pledge securing the payment of principal of and interest on the Bonds would remain in full force and effect.

In connection with the 2009 Sunset review of the Department, the Sunset Advisory Commission (the "Sunset Commission") acknowledged that the State has a continuing need for the Department and recommended that the Department be continued in existence. Notwithstanding such recommendation, the Sunset Commission also recommended certain changes to the governance of the Department, including, but not limited to, a recommendation that the five-member Texas Transportation Commission be abolished and replaced with a single Commissioner of Transportation and that a Transportation Legislative Oversight Committee be created to monitor the Department's planning, programming and funding. In connection with its various recommendations, the Sunset Commission promulgated a detailed report which can be accessed at http://www.sunset.state.tx.us/81streports/txdot/txdot_fr.pdf. Other than certain legislation with respect to the Texas Department of Motor Vehicles, the Legislature did not act on the Sunset Commission's recommendations.

The Regular Session of the 81st Texas Legislature was convened on January 13, 2009 and ended on June 1, 2009 (the "2009 Regular Session"). Although various bills relating to the Department and the Commission were proposed, the existence of the Department was not continued by legislative act during the 2009 Regular Session. The Governor subsequently called a special session of the Legislature which convened on July 1, 2009 and adjourned on July 2, 2009. During the special session, the Legislature passed Senate Bill 2, which continues the existence of the Department as well as four other State agencies through September 1, 2011. The Legislature also passed House Bill 1, which authorizes the Commission to issue \$2 billion in transportation bonds that were approved by Texas voters in 2007 (see "THE COMMISSION AND THE DEPARTMENT - Other Financing Programs - State General Obligation Bonds to Fund Highway Improvements").

State Audits

The Texas State Auditor has prepared a special "Audit Report on the Department of Transportation's Financial Forecasting and Fund Allocation" dated August 2008 (the "Forecasting Audit") which reviewed the circumstances related to the Department's overscheduled \$1.1 billion in planned contract awards for fiscal year 2008. The Forecasting Audit concluded that ineffective internal communication, a complex reporting structure and misunderstanding of reported data led the Department to overschedule contract awards. The Forecast Audit also found that there are control weaknesses in the Department's process for approving the projected funding amount used to develop contract award schedules and that the Department has experienced significant delays in completing cash forecasts. The Forecasting Audit made a number of formal recommendations for consideration by the Department, including: (i) conducting briefings during open Commission meetings to enable members to discuss matters in a forum that will help ensure they have the same understanding of issues and promote their involvement, (ii) post Commission briefing documents on its web site at the same time it provides Commissioners with the documents, (iii) develop, adopt and implement a formal, documented process for the Department's Finance Division to follow in reviewing and approving amounts used to develop all contract award schedules, (iv) continue working with oversight entities such as the Commission, the Legislative Budget Board and legislative committees to produce a report that communicates the information these entities need when making fiscal and organizational decisions regarding the Department, and (v) provide legislators whose districts are affected with information when changes are made that affect allocations in the most recent Unified Transportation Program, which is the ten-year plan to guide the Commission and the Department regarding project development and construction.

The State Auditor noted in the Forecasting Audit that the Department has made organizational changes that should help reduce communication obstacles in the future but that its reporting process needs improvement. Additionally, the Department has accepted all recommendations in the Forecasting Audit and the Department has responded with plans and procedures, including estimated implementation dates.

The Texas State Auditor's Office also regularly issues a report on the Department regarding performance measures, the latest of which is dated October 2008 (the "Performance Report"). The State Auditor noted in the Performance Report that the reliability of performance measures could be improved by reporting controls and greater supervisory reviews. The Department has accepted the State Auditor's recommendations.

The Texas State Auditor's Office issued an additional audit report with respect to the Department's statewide financial and federal compliance in February 2009. The State Auditor regularly audits State agencies that receive federal funds to ensure compliance with applicable federal requirements for the receipt of such funds. State audit reports are available at <http://www.sao.state.tx.us>.

The State Auditor's Office is currently auditing the Department to determine whether the Financial Responsibility Verification Program database has accurate and complete data on vehicle insurance coverage and interfaces properly with the Texas Law Enforcement Telecommunications System, to report on how law enforcement agencies use the insurance verification system, and to determine whether there are opportunities for the program to further reduce the number of uninsured vehicles. This report is expected to be released in September 2009.

In another ongoing audit, the State Auditor's Office is auditing the Department to determine whether the Department ensures that bridge inspections are conducted in accordance with federal and state laws and agency policies and procedures, to determine whether the Department appropriately addresses bridge inspection recommendations and to verify the amount of funds budgeted to and expended for bridge inspections. This report is expected to be released in August 2009.

Other Financing Programs

In recent years, the Commission has begun to implement programs designed to accelerate development and construction of highways through the issuance of debt secured by and payable from the Mobility Fund and through the issuance of the State Highway Fund revenue bonds, obligations and other commitments. In addition, in the past two years, the Commission has begun to implement a policy designed to fund more projects over longer periods of time in order to fund as many projects as possible through its annual \$250 million "Strategic Priority Funds," thereby decreasing the annual cost by extending the period in which a project will be paid. The Commission is using a number of different vehicles to implement this strategy, including pass-through toll agreements and toll equity agreements. (Under previous practice, the Commission utilized its Strategic Priority Funds to develop and construct a relatively small number of projects within a three year time frame.)

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

Texas Turnpike Authority. The "Texas Turnpike Authority Division" (the "TTA") is a division of the Department and is controlled and governed by the Commission. As originally created in 1997, TTA had a separate board of directors, but this board was abolished by the Legislature in 2001, and all duties of the board were given to the Commission. The Commission, using the resources of TTA and the other resources of the Department, has the statutory authority to study, plan, design, construct, finance, operate, and maintain turnpikes in all 254 counties in the State. The projects of TTA are part of the State Highway System. The Commission has the authority to issue turnpike revenue bonds to pay all or a part of the costs of a turnpike project, to enter into certain comprehensive development agreements for projects, and to acquire right-of-way. In 2002, the Commission issued "Texas Turnpike Authority Central Texas Turnpike System" obligations in the principal amount of \$2,199,993,781.80 in three separate series, "\$1,149,993,781.80 First Tier Revenue Bonds, Series 2002-A;" "\$150,000,000 First Tier Revenue Bonds, Series 2002-B (Weekly Rate Demand Bonds);" and "\$900,000,000 Second Tier Bond Anticipation Notes, Series 2002" (the "BANs").

The United States Department of Transportation ("USDOT") agreed to lend to the Commission up to \$916,760,000 to pay or reimburse a portion of the costs of the Central Texas Turnpike System's 2002 Project (the "2002 Project") under a "Secured Loan Agreement." The Secured Loan Agreement was entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA"), 23 United States Code, Section 181, et. seq. As of August 31, 2008, the Department has drawn \$900,000,000 under the Secured Loan

Agreement evidenced by a 2002 TIFIA bond. The proceeds from the loan were used to reimburse the Department for qualifying construction costs and the Department used such reimbursement to retire the maturing BANs. The Commission's ability to make subsequent draws under the Secured Loan Agreement expired in September 2008 on the one-year anniversary of the substantial completion date of the 2002 Project.

On March 5, 2009, the Commission issued \$149,275,000 Central Texas Turnpike System First Tier Revenue Refunding PUT Bonds, Series 2009. Proceeds from this issuance were used to retire all outstanding Series 2002-B Bonds. The Series 2009 Bonds have a fixed interest rate in the initial 2 year period.

Bonds issued by the Commission under the TTA and the Secured Loan Agreement are not part of the Program and are not secured by the Security.

State Highway Fund - Revenue Bonds. The Texas Constitution (Article III, Section 49-n) and the Texas Transportation Code (Section 222.003) were amended in 2003 to authorize the Commission to issue bonds and other public securities and enter into credit agreements related thereto (collectively, "State Highway Fund Revenue Obligations") secured by a pledge of and payable from revenue deposited to the credit of the State Highway Fund ("State Highway Fund") to fund improvements to the State Highway System. The maximum aggregate principal amount of State Highway Fund Revenue Obligations authorized to be issued was increased from \$3 billion to \$6 billion by an amendment to Section 222.003 enacted by the State Legislature in 2007. The Commission has issued \$2,957,390,000 aggregate principal amount of State Highway Fund Revenue Obligations to date and has authority to issue a maximum amount of \$1.5 billion per year up to the current \$6 billion authorization leaving \$3,042,610,000 in remaining capacity. The proceeds of State Highway Fund Revenue Obligations cannot be used for the construction of a state highway or other facility on the Trans-Texas Corridor.

On May 3, 2006, the Commission delivered its first series of State Highway Fund Revenue Obligations, designated as State Highway Fund First Tier Revenue Bonds, Series 2006, in the aggregate principal amount of \$600 million. On November 8, 2006, the Commission delivered its second series of State Highway Fund Revenue Obligations, designated as State Highway Fund First Tier Revenue Bonds, Series 2006-B (Variable Rate Bonds), in the aggregate principal amount of \$100 million. On November 21, 2006, the Commission delivered its third series of State Highway Fund Revenue Obligations, designated as State Highway Fund First Tier Revenue Bonds, Series 2006-A, in the aggregate principal amount of \$852,550,000. On October 25, 2007, the Commission delivered its fourth series of State Highway Fund Revenue Obligations, designated as State Highway Fund First Tier Revenue Bonds, Series 2007, in the aggregate principal amount of \$1,241,845,000. On August 19, 2008, the Commission delivered its fifth series of State Highway Fund Revenue Obligations, designated as State Highway Fund First Tier Revenue Bonds, Series 2008, in the aggregate principal amount of \$162,995,000. State Highway Fund Revenue Obligations are not part of the Program and are not secured by the Security.

State Highway Fund - Short-Term Borrowings. The Texas Constitution (Article III, Section 49-m) and the Texas Transportation Code (Section 201.115) were amended in 2003 to provide that the Commission may borrow money from any source to carry out the functions of the Department. A loan incurred pursuant to Section 201.115 may be in the form of an agreement, a note, a contract, or another form, as determined by the Commission. The term of a loan may not exceed two years, and the amount of a loan, combined with any other loans issued and outstanding pursuant to Section 201.115, may not exceed an amount that is two times the average monthly revenue deposited to the State Highway Fund for the 12 months preceding the month in which the loan is made. A loan incurred pursuant to Section 201.115 is payable from legislative appropriation of amounts on deposit in the State Highway Fund for that purpose.

The Commission established a commercial paper program pursuant to Section 201.115 in 2005 in the maximum authorized amount of \$500 million. The Department intends to utilize the commercial paper program to facilitate efficient cash management operations in the State Highway Fund in response to fluctuations in the cash balance of the State Highway Fund as a result of the cyclical nature and uncertain timing of deposits into and payments out of the State Highway Fund. As of July 27, 2009, \$284,000,000 of commercial paper notes were outstanding. Obligations incurred pursuant to Section 201.115 are not part of the Program and will not be secured by the Security.

State Highway Fund - Highway Tax and Revenue Anticipation Notes. The Texas Transportation Code (Sections 201.961, et seq.) was amended in 2003 to provide that 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, and the Comptroller), which also approves cash flow borrowings of the State. Prior to issuing HTRANS, the Commission must submit to the Cash Management Committee a State Highway Fund cash flow shortfall forecast detailing the estimated revenues and expenditures of the State Highway Fund. The amount of HTRANS issued may not exceed the maximum cash flow shortfall forecast. In addition, HTRANS must mature during the fiscal biennium in which they are issued, and HTRANS proceeds must be placed in a special fund in the State Treasury and transferred as necessary to the State Highway Fund to pay authorized expenditures. HTRANS and related credit agreements are payable from amounts on deposit in the State Highway Fund. The Commission does not expect to issue HTRANS in 2009. If and when HTRANS are issued by the Commission, such HTRANS would not be part of the Program and would not be secured by the Security.

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

– *Toll Equity Obligations.* Pursuant to Sections 222.101 and 222.103, Texas Transportation Code, as amended, the Department may participate by spending money from any available source, including the State Highway Fund, in the cost of the acquisition, construction, maintenance or operation of a toll facility of a public or private entity on terms and conditions established by the Commission. The Commission may require the repayment of any money spent by the Department for the cost of a toll facility of a public entity and shall require the repayment of any money spent by the Department for the cost of a toll facility of a private entity. Under current law, money granted by the Department each fiscal year may not exceed an amount that, together with amounts granted for the preceding four fiscal years, results in an average annual expenditure of \$2 billion. This limitation does not apply to money that is required to be repaid. The Department currently has toll equity agreements or commitments for three types of projects: (i) Department projects with outstanding debt in which the Commission has covenanted to provide toll equity; (ii) Department projects with no outstanding debt; and (iii) projects of other public entities in which the commitment is by an agreement with such entity. All toll equity obligations are subject to the appropriation of lawfully available funds to make such payments. It is currently anticipated that all toll equity commitments will be paid from the State Highway Fund.

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

The Department has adopted an internal policy to limit its financial exposure with respect to Pass-Through Toll payments to not exceed the \$300 million Strategic Priority Funds per fiscal year, however, such policy is subject to change by the Commission.

State Infrastructure Bank. Under Subchapter D of Chapter 222, Texas Transportation Code, the Commission has established the State Infrastructure Bank (“SIB”) as an account in the State Highway Fund which is used to provide financial assistance and loans to public or private entities for qualified projects. The SIB was initially capitalized through a combination of federal funds and State matching funds. Pursuant to the provisions of H.B. 1 approved by the 81st Legislature, First Called Special Session (2009), the Texas Legislature has authorized the Commission to issue up to \$1 billion of the general obligation bond authorization approved by Article III, Section 49-p of the Texas Constitution to additionally capitalize the SIB to make loans to public entities for qualifying improvement projects.

The Commission is also authorized to issue revenue bonds for the purpose of providing additional funds for the SIB. Any such revenue bonds are special obligations of the Commission payable only from income and receipts of the SIB and do not constitute a debt of the State or a pledge of the faith and credit of the State. Obligations issued by the Commission for the SIB are not part of the Program and will not be secured by the Security. No SIB revenue obligations have been issued to date.

Transportation Corridor Projects. The Trans-Texas Corridor was a proposed Statewide network of transportation routes, each of which would have featured separate lanes for trucks and passenger vehicles, high-speed passenger rail, commuter and freight rail, and public utility lines. Proposed routes include: (i) a route paralleling I-35 from the Texas-Oklahoma border to the Texas-Mexico border (“TTC-35”) and (ii) a 600-mile multi-use transportation corridor extending from Northeast Texas to Mexico (“TTC-69”). In December 2004, the Commission selected Cintra-Zachry as the Commission’s first private-sector partner with respect to the TTC-35 segment of the Trans-Texas Corridor. On September 28, 2006, the Department released a plan proposing that the first phase of TTC-35 include a connection to I-35 south of San Antonio and a loop for the Dallas-Fort Worth area. The plan indicates that construction could begin by 2011, pending final environmental clearance and public input to determine the ultimate alignment of TTC-35. The Department has indicated that Federal Highway Administration approval of a final alignment for TTC-35 may take four years. On April 10, 2006, the Commission issued a request for qualifications to initiate the process for selection of a private entity to develop, finance, design, construct, operate and maintain TTC-69. Pursuant to Chapter 227, Texas Transportation Code, the Commission may use a variety of sources, including proceeds of obligations secured by revenues in the Fund in funding part of the costs of the acquisition of property for, construction, and operation of, the Trans-Texas Corridor. Proceeds of the Bonds may be used for projects within the Trans-Texas Corridor, if such projects have been approved by the Commission as Mobility Projects that are part of the Strategic Plan.

The Department has decided to phase out the all-in-one corridor concept in favor of developing separate rights-of-way for road, rail and other infrastructure using more traditional corridor widths for those modes. Major corridor projects will now be comprised of several small segments closer to 600 feet wide and will no longer be called the Trans-Texas Corridor. Instead, the Department will use the highway numbers originally associated with each segment, such as I-69, SH 130 and Loop 9.

Private Activity Bonds. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”), amended Section 142 of the Internal Revenue Code to permit the use of up to \$15 billion of tax-exempt private activity bonds (“PABs”) to finance facilities for qualified highway or surface freight transfer projects. SAFETEA-LU authorized the United States Secretary of Transportation to allocate the \$15 billion of PABs among qualified highway or surface freight facilities; and, pursuant to a notice issued on January 5, 2006 by USDOT, applications were solicited for allocations from the \$15 billion of PABs authorized. In February 2006, the Commission authorized the Department to apply for allocations from the \$15 billion of PABs authorized and indicated its intention to issue (or authorize related entities to issue) PABs for the purpose of financing authorized transportation projects, including projects under comprehensive development agreements (“CDAs”) with private entities pursuant to Subchapter E of Chapter 223, Texas Transportation Code. On August 28, 2008, the Commission adopted rules governing the creation of a transportation corporation under Chapter 431, Texas Transportation Code, for the purpose of issuing PABs for transportation projects developed or to be developed under CDAs entered into by the Department, and on October 30, 2008, the Commission, pursuant to these rules, approved the creation of the Texas Private Activity Bond Surface Transportation Corporation (the “Corporation”). The Corporation has not issued PABs, and any PABs that may be issued would not be issued as part of the Program and PABs would neither be secured by the Security nor be a debt of the Commission or the Department.

State General Obligation Bonds to Fund Highway Improvements. On November 6, 2007, voters in the State approved Article III, Section 49-p (“Section 49-p”) as an amendment to the State’s constitution that authorizes the legislature to enact legislation to authorize the Commission to issue State general obligation bonds and related credit agreements in an amount not to exceed \$5 billion to provide funding for highway improvement projects. House Bill 1 approved by the First Called Special Session of the 81st Texas Legislature authorizes the Commission to issue such general obligation bonds and related credit agreements in an amount not to exceed the \$5 billion authorized by Section 49-p. The general obligation bonds may be issued to pay all or part of the costs of (i) highway improvement projects including capitalizing the SIB to make loans to public entities for highway improvement

projects, (ii) administering projects, (iii) issuance of the bonds and (iv) all or part of a payment owed or to be owed under a credit agreement.

Pursuant to Senate Bill 1, Acts of the 81st Legislature, Regular Session, 2009 (the General Appropriations Act) as amended by House Bill 1, Acts of the 81st Legislature, First Called Special Session, 2009, the Texas Legislature has authorized the Commission to issue up to \$2 billion of such general obligation bond authorization during the 2010- 2011 biennium with \$1 billion of such authorization to be issued sometime in the second year of the biennium (i.e., after August 31, 2010) to capitalize the SIB to make loans to public entities for highway improvement projects.

LEGAL MATTERS

Legal Opinions

The Commission will compile complete transcripts of proceedings incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Commission, 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 “DESCRIPTION OF THE BONDS,” “APPLICATION OF SUBSIDY PAYMENTS”, “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” (except for the information under the subcaptions “– Detailed Information on Dedicated Revenues - Major Sources,” “– Miscellaneous Sources,” “– Mobility Fund Financial Statements,” “– Mobility Fund Revenue Forecast,” including Tables 1 through 5, as to which no opinion will be expressed), “FUND ADMINISTRATION AND INVESTMENT,” “LEGAL MATTERS – Legal Opinions,” “LEGAL MATTERS – Eligibility for Investment in Texas,” “LEGAL MATTERS – Registration and Qualification of Bonds for Sale,” “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaption “Compliance with Prior Undertakings,” as to which no opinion will be expressed, and any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller, as to which no opinion will be expressed), APPENDIX B and APPENDIX C, and such firm is of the opinion that such information relating to the Bonds, the Resolution, the Administration Agreement and the Investment Agreement is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. In connection with the transactions described herein, Bond Counsel and Fulbright & Jaworski L.L.P., Dallas, Texas, Disclosure Counsel, represent only the Commission. A portion of the legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery thereof. The legal opinion of Bond Counsel in the form set forth in APPENDIX C will accompany the Bonds deposited with DTC. Certain legal matters will be passed upon for the Commission by Disclosure Counsel and the General Counsel of the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord Bissell & Liddell LLP, Dallas, Texas and Bates & Coleman, P.C., Houston, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering 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 by or before any court or other governmental authority or entity (or, to the best knowledge of the Department, threatened) against or affecting the State or any of its agencies or instrumentalities that (i) affects the existence of the Department or the Commission or the right of the present directors and officers of the Commission or the Department to hold their offices, (ii) affects the validity or enforceability of the provisions pursuant to which the Bonds are being issued, and (iii) would have a material adverse effect upon the power of the Department or the Commission to issue the Bonds.

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Bonds or the Security for the Bonds. In the opinion of the Comptroller, based on information provided by the State Attorney General as to the existence and legal status of such proceedings, none of such

proceedings, except for those disclosed in APPENDIX A, if finally decided adversely to the State, would have a materially adverse effect on the long term financial condition of the State. See “APPENDIX A – The State.”

Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, 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 Bonds are legal investments for State banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the PFIA, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to the investment quality by a national rating agency before the Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Commission has made no investigation of other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. The Commission has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Commission assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. It is the obligation of the purchaser to register or qualify sale of the 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 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

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

Certain Federal Income Tax Considerations

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

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein)

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

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

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

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

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

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

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

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

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

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

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

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

GENERAL INFORMATION REGARDING THE STATE

The Comptroller prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The Bond Appendix is dated August 2009 and is incorporated herein as described in "APPENDIX A – The State." See "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

The Texas 2008 Comprehensive Annual Financial Report for the year ended August 31, 2008 (the "2008 CAFR") is currently on file with the Municipal Securities Rulemaking Board (the "MSRB"). The 2008 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2008 CAFR may be found at www.window.state.tx.us/fm/pubs/cafr.

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

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission Related to the Program

General. In the Eighth Supplemental Resolution, the Commission has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. The Commission is required to observe the agreement for so long as it remains obligated to advance funds to pay such Bonds. Under the agreement, the Commission will be obligated to provide certain updated financial information and operating data annually, and

timely notice of specified material events, to the MSRB. The MSRB makes the information available to the public without charge through an internet portal as part of an expansion of its Electronic Municipal Market Access (“EMMA”) System. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Annual Reports. The Commission will provide certain updated financial information and operating data to the MSRB, in an electronic format as prescribed by the MSRB, annually. The information to be updated includes: (i) any revenue forecast performed by the Comptroller upon the issuance of additional obligations payable from the Fund, substantially in the form of Table 4 herein; (ii) any revenue forecast performed by the Comptroller upon the substitution by the Legislature of any of the Dedicated Revenues with any other revenue source; and (iii) for each Fiscal Year, an audited financial report of the Fund prepared in accordance with generally accepted accounting principles. The Commission will update and provide this information within six months after the end of each Fiscal Year ending in or after 2009.

The Commission may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial information, if the Commission requests an audit and it is completed by the required time. If audited financial information is not available by the required time, the Commission will provide unaudited financial information by the date required, and will provide audited financial information when the audited financial information becomes available. Any such financial information will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Commission may be required to employ from time to time pursuant to State law or regulation.

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

Material Event Notices. The Commission will also provide timely notices of certain events to the MSRB. The Commission will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell the Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds; (viii) Bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes. In addition, the Commission will provide timely notice of any failure by the Commission to provide information, data, or financial statements in accordance with its agreement described above under “– Continuing Disclosure Undertaking of the Commission Related to the Program - Annual Reports.”

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government in compliance with the Rule, and the Comptroller and the Bond Review Board have agreed for the benefit of the Owners of the Bonds, to provide certain updated information and notices while such Bonds remain outstanding. The Commission and the legal and beneficial owners of such Bonds are third-party beneficiaries of the agreement. The State is required to observe this agreement for so long as such Bonds may be paid from money drawn on the State’s General Revenue Fund.

In addition, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. This disclosure appendix is incorporated herein as described in “APPENDIX A – The State.” The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement of the information to the MSRB. In addition, the Comptroller currently publishes, but is not obligated to publish, a monthly publication, ***Fiscal Notes***, which includes key economic indicators for the State’s economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Owners may subscribe to Fiscal Notes by writing to Fiscal Notes, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained

by contacting the Comptroller's *BBS Window on State Government* via the Internet at www.cpa.state.tx.us or at www.window.state.tx.us.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in "APPENDIX A – The State" to this Official Statement in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each Fiscal Year. Pursuant to the State's continuing disclosure agreement, the Comptroller will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State and approved by the staff of the SEC.

The Comptroller may provide updated information in full text or may incorporate by reference certain other publicly available documents, 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 each NRMSIR and any SID of the change.

Material Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its agreement described above under "– Continuing Disclosure Undertaking of the Comptroller - Annual Reports." Each notice described in this paragraph will be provided to any SID and to either each NRMSIR or the MSRB.

Availability of Information

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

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the NRMSIRs with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Comptroller in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB. The Comptroller will continue to make information filings, including material event notices, with the SID so long as it is required to do so pursuant to the terms of any undertakings made under the Rule prior to the EMMA Effective Date.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State as a SID and recognized by the SEC as a qualified SID. The address of the MAC is 600 W. Eighth Street, P.O. Box 2177, Austin, Texas 78768-2177 and its telephone number is 512-476-6947.

Limitations and Amendments

The Commission and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Commission's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or

warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person's continuing disclosure agreement or from any statement made pursuant to such person's agreement, although Owners of Bonds may seek a writ of mandamus to compel the Commission and the Comptroller to comply with their agreements.

The Commission and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in the identity, nature, status, or type of operations of the Commission or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Commission, the Comptroller, and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. If the Commission or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "– Continuing Disclosure Undertaking of the Commission Related to the Program - Annual Reports" and "– Continuing Disclosure Undertaking of the Comptroller Related to the Program - Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Commission and the Comptroller may also amend their continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that such amendment would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

Compliance With Prior Undertakings

During the last five years, neither the Commission nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with the Rule.

OTHER INFORMATION

Ratings

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned ratings of "AA+", "Aa1" and "AA+", respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

Underwriting

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain conditions, for the Underwriters to purchase the Bonds from the Commission. The purchase price of the Bonds is \$1,200,715,634.19 (which represents the par amount of the Bonds less an underwriting discount of \$7,779,365.81). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009.

As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Piper Jaffray & Co. (“Piper”), one of the underwriters of the Bonds, has entered into an agreement (the “Distribution Agreement”) with Advisors Asset Management, Inc. (“AAM”) for the distribution of certain municipal securities offerings, including the Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission paid to Piper.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Commission and the Comptroller that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Commission’s and the Comptroller’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Commission and the Comptroller on the date hereof, and the Commission and the Comptroller assume no obligation to update any such forward-looking statements. It is important to note that the Commission’s and the Comptroller’s actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Commission and the Comptroller. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Certification of Official Statement

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

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

Financial Advisor

RBC Capital Markets Corporation is serving as the Financial Advisor to the Commission (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not verified and does not assume any responsibility for the information, covenants, and representations

contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

Approval of Official Statement

The Eighth Supplemental Resolution approves the form and content of this Official Statement and authorizes its further use in the reoffering of the Bonds by the Underwriters. Questions regarding this Official Statement may be directed to Mr. James M. Bass, Chief Financial Officer, Texas Department of Transportation, 125 East 11th Street, Austin, Texas 78701, (512) 463-8684, telecopy (512) 463-6661, or electronic mail at jbass@dot.state.tx.us.

TEXAS TRANSPORTATION COMMISSION

By: /s/ James M. Bass
Chief Financial Officer
Texas Department of Transportation

APPENDIX A

THE STATE

Appendix A dated August 2009 is currently on file with the Municipal Securities Rulemaking Board and is hereby incorporated by reference and made a part of this Official Statement. Such Appendix A may also be obtained from the Comptroller's web site at www.cpa.state.tx.us/treasops/bondapp.html until the Comptroller posts an updated version of such Appendix A.

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APPENDIX B

SELECT PROVISIONS OF THE RESOLUTION

The following capitalized terms appearing in this 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 Definitions in the Master Resolution and the Eighth Supplemental Resolution

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

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

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

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an Authorized Representative shall deliver to the Commission an Officer’s Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer’s Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Commission has elected to apply the rule set forth in clause (2) above;

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

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

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Parity Debt issued as Short-Term Obligations, the debt service on such Parity Debt shall be calculated assuming that such Parity Debt will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates; provided, however, that to the extent permitted by law, if in the judgment of the Chief Financial Officer, as set forth in an Officer's Certificate delivered to the Commission, the result of the foregoing calculation is inconsistent with the reasonable expectations of the Commission, the interest on such Parity Debt shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

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

"Authorized Denominations" means \$5,000 or any integral multiple thereof.

"Authorized Representative" means the Executive Director, each Deputy Executive Director and each Assistant Executive Director of the Department or such other individuals so designated by the Commission to perform the duties of an Authorized Representative under the Master Resolution.

"Chief Financial Officer" means the Chief Financial Officer of the Department, the Deputy Director of the Finance Division of the Department, the Debt Management Director of the Department or such other officer or employee of the Department or such other individual so designated by the Commission to perform the duties of Chief Financial Officer under the Master Resolution.

"Collateral Documents" means all documents, certificates, resolutions, orders, commitments, agreements, instruments and opinions adopted, approved, made, produced or entered into by an entity, or others, in connection with any particular issue of Transportation Assistance Bonds pledged as Security pursuant to Section 7 of the Master Resolution.

"Debt" means all indebtedness of the Commission payable from the Security that is also:

(1) indebtedness incurred or assumed by the Commission for borrowed money (including all obligations arising under Credit Agreements) and all other financial obligations of the Commission that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Commission, or that is in effect guaranteed, directly or indirectly, by the Commission through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge, or other security interest upon property owned by the Commission whether or not the Commission has assumed or become liable for the payment thereof.

For the purpose of determining the “Debt” of the Commission, only outstanding Debt shall be included. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Department in prior Fiscal Years.

“*Dedicated Revenues*” means (i) from the periods and to the extent set forth below, the moneys generated from the below listed sources, each of which has been dedicated by the State legislature to the Mobility Fund pursuant to the Constitutional Provision and other State law; (ii) all moneys hereafter dedicated to the Mobility Fund by the Legislature; (iii) any other moneys substituted pursuant to the Constitutional Provision and Section 2(d) of this Master Resolution; and (iv) all amounts in the Mobility Fund attributable to such moneys, including investment income, as follows:

(1) The “United We Stand” specialty license plate fees provided for in Section 504.628 of the Texas Transportation Code;

(2) Beginning September 1, 2008, \$15 of the certificate of title fees provided for in Section 501.138 of the Texas Transportation Code;*

(3) 67% of the state traffic fines received by the Comptroller for Fiscal Years 2004 and 2005 as provided for in Section 542.4031 of the Texas Transportation Code and beginning September 1, 2005 to the extent amounts of the dedicated portion of such fines combined with 49.5% of the annual surcharges as provided for in Section 708.053 of the Texas Transportation Code and Section 780.002 of the Texas Health and Safety Code exceeds \$250 million in any Fiscal Year;

(4) 49.5% of the collected annual surcharge for Fiscal Years 2004 and 2005 as provided for in Section 708.053 of the Texas Transportation Code and Section 780.002 of the Texas Health and Safety Code and beginning September 1, 2005 to the extent amounts of the dedicated portion of such surcharge combined with 67% of the State traffic fines as provided for in Section 542.4031 of the Texas Transportation Code exceeds \$250 million in any Fiscal Year;

(5) Beginning September 1, 2006, the license record fees provided for in Subchapter C of Chapter 521 of the Texas Transportation Code;

(6) Beginning September 1, 2007, the license reinstatement and reissuance fees provided for in Section 521.313 of the Texas Transportation Code;

* The Mobility Fund portion of the Non-attainment Area Fee Amount will increase to \$20 on September 1, 2015. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Major Sources.”

(7) Beginning September 1, 2007, the license reinstatement and reissuance fees after conviction related to certain fraudulent records provided for in Section 521.3466 of the Texas Transportation Code;

(8) Beginning September 1, 2007, the license and certificate fees provided for in Subchapter R of Chapter 521 of the Texas Transportation Code;

(9) Beginning September 1, 2007, the commercial driver's license or commercial driver learner's permit fees provided for in Section 522.029 of the Texas Transportation Code;

(10) Beginning September 1, 2007, the license reinstatement and reissuance fees after administrative suspension of driver's license for failure to pass test for intoxication provided for in Section 524.051 of the Texas Transportation Code;

(11) Beginning September 1, 2005, the inspection and certification fees provided for in Subchapter H of Chapter 548 of the Texas Transportation Code;

(12) Beginning September 1, 2005, an administrative penalty imposed under Section 644.153 of the Texas Transportation Code;

(13) Beginning September 1, 2007, the reinstatement of license or issuance of new license fees provided for in Section 724.046 of the Texas Transportation Code; and

(14) To the extent permitted under Chapter 370, Texas Transportation Code, any surplus revenue of a regional mobility authority for any given year that such surplus is allocated to the Mobility Fund.

"Department Representative" means an Authorized Representative or a Chief Financial Officer of the Department.

"Highest Lawful Rate" means the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Commission in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended, or any successor provisions).

"Maturity," when used with respect to the Bonds, means the scheduled maturity.

"Non-Recourse Debt" means any debt secured by a lien (other than a lien on the Security), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to the Security.

"Outstanding" when used with respect to Parity Debt means, as of the date of determination, all Parity Debt theretofore delivered under this Master Resolution or any Supplement, except:

(1) Parity Debt theretofore cancelled and delivered to the Commission or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Debt deemed to be Defeased Debt;

(3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to this Master Resolution or any Supplement; and

(4) Parity Debt under which the obligations of the Commission have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that unless the same is acquired for purposes of cancellation, Parity Debt owned by the Commission and Parity Debt purchased with funds advanced pursuant to a Credit Agreement shall be deemed to be Outstanding as though it was owned by any other owner.

"Outstanding Parity Debt" - The following previously issued and outstanding obligations: "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-A," "Texas

Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds),” the reimbursement obligations under the Liquidity Facility related to the Series 2005-B Bonds, “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-A,” the payment obligations related to the swap agreements in connection with the Series 2006-A Bonds, “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds),” the reimbursement obligations under the Liquidity Facility related to the Series 2006-B Bonds, and “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007”.

“*Outstanding Principal Amount*” means, as of any record date established by a Registrar in connection with a proposed amendment of this Master Resolution or any Supplement, with respect to all Parity Debt or to a series of Parity Debt that is in the form of bonds, notes, or other similar instruments that have a stated principal amount, the outstanding and unpaid principal amount of such Parity Debt on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted, or compounded interest only at maturity and, with respect to Credit Agreements shall total the amount, if any, then due under such Credit Agreement if it was to be terminated as of the date of calculation of Outstanding Principal Amount.

“*Parity Debt*” means all Debt of the Commission which may be issued or assumed in accordance with the terms of this Master Resolution and a Supplement, secured by a first lien on and pledge of the Security.

“*Pledged Revenues*” means (i) all Dedicated Revenues, (ii) all Repayments included in Pledged Revenues pursuant to a Supplement, (iii) all other amounts received by the Commission under any Collateral Documents, (iv) all Sale Proceeds, and (v) all amounts received by the Commission as income, profits, or gain on investments of money held in the Mobility Fund; provided, however, amounts in the Bond Proceeds Account and any other accounts or subaccounts so excluded pursuant to any Supplement shall not constitute Pledged Revenues.

“*Prepayments*” means all amounts received by the Commission from payment of principal of Transportation Assistance Bonds held in the Portfolio Account, which amounts are received prior to the stated maturity date or dates or the scheduled mandatory redemption dates of such Transportation Assistance Bonds.

“*Repayments*” means all amounts received by the Commission from the payment of principal of and premium, if any, and interest on Transportation Assistance Bonds held in the Portfolio Account, including, without limitation, all Prepayments.

“*Sale Proceeds*” means the gross proceeds (other than accrued interest) resulting from the sale of Transportation Assistance Bonds held in the Portfolio Account.

“*Security Register*” means the books and records kept and maintained by the Paying Agent/Registrar relating to the registration, transfer, exchange, and payment of the Bonds and the interest thereon.

“*Short-Term Obligations*” means an issue or series of Parity Debt the latest scheduled maturity of which is five years or less.

“*Stated Maturity*” when used with respect to any Parity Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Parity Debt or such installment of interest as a fixed date on which the principal of such Parity Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

“*Subordinated Debt*” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt then outstanding or subsequently issued.

“*Term of Issue*” means with respect to any Balloon Debt a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

“Texas Transportation Commission Mobility Fund Revenue Financing Program” or “Financing Program” means the Texas Transportation Commission Mobility Fund Revenue Financing Program established by this Master Resolution.

“Transportation Assistance Bonds” means obligations purchased by the Commission which may or may not be pledged as part of the Security on an individual basis as further described in Section 7 of this Master Resolution.

Select Provisions of the Master Resolution

Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Constitutional Provision, the Enabling Act, and other applicable provisions of State law, the Texas Mobility Fund Revenue Financing Program is hereby established for the purpose of providing a financing structure for the issuance of Debt by the Commission secured by and payable from a pledge of and lien on all or part of the moneys in the Mobility Fund. This Master Resolution is intended to establish a master financing program under which Parity Debt of the Financing Program can be incurred. The Financing Program is initially established in the aggregate principal amount outstanding at any time of not to exceed \$4 billion, subject to the limitations and requirements of the Constitutional Provision, the Enabling Act and other applicable provisions of State law, this Master Resolution, and each Supplement (the “Controlling Provisions”). Each issue or series of Parity Debt shall be issued pursuant to a Supplement and no Parity Debt shall be issued unless the Commission has complied with the Controlling Provisions.

Each Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of each issue or series of Parity Debt and any other matters related to Parity Debt not inconsistent with the Controlling Provisions.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Parity Debt shall be secured by and payable solely from a first lien on and pledge of the following (collectively, the “Security”): (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently established and so designated as being included within the Security pursuant to Section 3(g) hereof; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement and, (vi) any applicable guarantee pursuant to subsection (c) hereof. With respect to any applicable series of Parity Debt, the term “Security” shall also include all amounts in any reserve account or subaccount applicable to such Parity Debt pursuant to Section 3(f) hereof, including any reserve fund surety policy or other Credit Agreement entered into for the benefit of such account or subaccount. The Commission hereby assigns and pledges the Security to the payment of the Annual Debt Service Requirements on Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, and the Security is further pledged to the establishment and maintenance of any accounts or subaccounts within the Mobility Fund which may be provided to secure the repayment of Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, in accordance with this Master Resolution and any Supplement. Pursuant to the Constitutional Provision, the amounts constituting Security are appropriated when received by the State, shall be deposited into the Mobility Fund, and may be used for the purposes provided by State law, including the Constitutional Provision and the Enabling Act.

(b) Credit Agreements. The Commission may execute and deliver one or more Credit Agreements (i) to additionally secure Parity Debt or an issue or series or part of any issue or series of Parity Debt or (ii) in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Parity Debt or an issue or series or part of an issue or series of Parity Debt or interest on an issue or series or part of an issue or series of Parity Debt without regard to whether a Credit Agreement was contemplated, authorized or executed in relation to the initial issuance, sale or delivery of Parity Debt. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute: (i) Parity Debt secured by a pledge of the Security on

parity with all Parity Debt (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt or (iii) partially on a parity with Parity Debt and partially as Subordinated Debt.

(c) State Guarantee. As authorized by subsection (g) of the Constitutional Provision and by Section 201.944 of the Texas Transportation Code, in addition to the security interest in the lien and pledge granted in subsection (a)(i) through (v) of this Section, the Commission may, at its option, pursuant to any Supplement applicable to a particular series or issue of Parity Debt, guarantee on behalf of the State the payment of such Parity Debt by pledging the full faith and credit of the State to the payment of such Parity Debt in the event that the revenue and moneys dedicated to and on deposit in the Mobility Fund are insufficient to provide for the payment of such Parity Debt.

(d) Dedicated Revenues. While moneys in the Mobility Fund are pledged to the payment of any outstanding Parity Debt or Subordinated Debt, Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the State legislature by law dedicates a substitute or different source that is projected and certified by the Comptroller to be of equal or greater value than the source or amount being reduced, rescinded, or repealed; and (ii) the Commission implements the State guarantee pursuant to subsection (c) hereof for the payment of outstanding Parity Debt. Revenues from any such revenue source substituted by the State legislature pursuant to this subsection shall constitute Dedicated Revenues.

(e) Perfection. Chapter 1208, Texas Government Code, applies to the issuance of Parity Debt and the pledge of the Security granted by the Commission under this Section and in any applicable Supplement, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while Parity Debt is outstanding and unpaid such that the pledge of the Security granted by the Commission under this Section and in any applicable Supplement is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve for the owners of Parity Debt the perfection of the security interest in said pledge, the Commission agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 3. FUND ACCOUNTS. (a) Creation of Accounts. The Commission hereby establishes and affirms the creation of the following accounts within the Mobility Fund held by the Comptroller, to-wit:

- (i) the Mobility Fund General Account (the "General Account");
 - (ii) the Mobility Fund Portfolio Account (the "Portfolio Account");
 - (iii) the Mobility Fund Interest and Sinking Account (the "Interest and Sinking Account");
- and
- (iv) the Mobility Fund Bond Proceeds Account (the "Bond Proceeds Account").

(b) General Account. Subject to the provisions of Section 4 of this Master Resolution, moneys in the General Account may be used for any lawful purpose for which the Mobility Fund may be used pursuant to the Constitutional Provision, the Enabling Act, and other State law.

(c) Portfolio Account. Any Transportation Assistance Bonds acquired for the Mobility Fund pursuant to Section 7(b) hereof, upon acquisition thereof by the Commission, will be promptly deposited into the Portfolio Account and held therein until paid.

(d) Interest and Sinking Account. Moneys in the Interest and Sinking Account shall be used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the Commission shall maintain such account as long as Parity Debt is Outstanding.

(e) Bond Proceeds Account. Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon

shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

(f) Reserve Accounts or Subaccounts. The Commission may establish a reserve account within the Mobility Fund and/or any other account or subaccount pursuant to the provisions of the applicable Supplement for the purpose of paying or securing a particular issue or series of Parity Debt or any specific group of issues or series of Parity Debt and the amounts, once deposited into said accounts or subaccounts, shall no longer constitute Security for all Parity Debt but shall be held solely for the benefit of the owners of the particular issue or series or group of issues or series of Parity Debt for which such account or subaccount was established. Each such account or subaccount shall be designated in such manner as is necessary to identify the Parity Debt it secures and to distinguish such account or subaccount from any other accounts created for the benefit of any other Parity Debt. Any such reserve accounts or subaccounts shall be established in the Supplement related to such series or issue of Parity Debt. The Commission may, in its discretion, provide in the applicable Supplement for a surety bond, insurance policy or other Credit Agreement, to the extent then authorized by law, to be held for the benefit of such a reserve account or subaccount.

(g) Other Accounts. The Commission reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts within the Mobility Fund for such other purposes as the Commission may determine from time to time. The Commission may, at its option, declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

Section 4. FLOW OF FUNDS. (a) Application of Certain Pledged Revenues. All Pledged Revenues shall be deposited in the General Account immediately upon receipt by the Department, the Comptroller or other applicable State agency. Except as provided in subsection (b) below, all Pledged Revenues are hereby and shall be pledged, appropriated, deposited, and transferred from the General Account to the other Accounts and Subaccounts in the Mobility Fund to the extent required for the following uses and in the order of priority shown:

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

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

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

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

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

(b) Repayments and Sale Proceeds. Notwithstanding the foregoing subsection (a), the Commission may direct and apply all Repayments and Sale Proceeds relating to Transportation Assistance Bonds pledged as Security pursuant to Section 7(b) of this Master Resolution in such a manner and to the extent necessary to protect the tax-exempt status of interest on any Parity Debt under the Code.

Section 5. GENERAL REPRESENTATIONS AND COVENANTS. The Commission further represents, covenants, and agrees that while Parity Debt or interest thereon is Outstanding:

(a) Payment of Parity Debt. The Commission will duly and punctually pay or cause the Comptroller to pay, solely from the Security, (i) the Annual Debt Service Requirements on, and other payments with respect to, each and every Parity Debt on the dates and at the places, as such Parity Debt accrues or matures, or becomes subject to mandatory redemption prior to maturity and such payments will be made in the manner provided in said Parity Debt and the Supplement governing its issuance, according to the true intent and meaning thereof and (ii) the fees and expenses related to Parity Debt, including the fees and expenses of the Paying Agent and any registrar, trustee, remarketing agent, tender agent, or credit provider.

(b) Performance. The Commission will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Master Resolution and in each Supplement, and in each and every Parity Debt or evidence thereof and will take such action as is reasonably possible to cause the Comptroller and each other agency of the State to perform each and every duty imposed upon the Comptroller or such agency by law with respect to the Mobility Fund and Parity Debt.

(c) Redemption. The Commission will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Debt which by its terms is mandatorily required to be redeemed prior to maturity, when and as required.

(d) Determination of Annual Debt Service Requirements. For all purposes of 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.

(e) Lawful Authority. The Commission is lawfully authorized to pledge the Security herein pledged in the manner prescribed herein, and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in subsection (g) of this Section and in Section 6 of this Master Resolution, the Commission (i) will not do or suffer any act or thing whereby the pledge of the Security might or could be impaired and (ii) will take all actions to the extent necessary to ensure that the Comptroller does not do or suffer any act or thing whereby the pledge of the Security might or could be impaired.

(g) No Additional Encumbrance. The Commission shall not incur additional Debt secured by the Security in any manner, except as permitted by this Master Resolution in connection with Parity Debt, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Resolution and any Supplement. Any Debt incurred by the Commission without satisfying the conditions for the issuance of Parity Debt, as set forth in this Master Resolution, is hereby declared to be Subordinated Debt junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Resolution and any Supplement whether such status is noted or not.

(h) Mobility Fund. The Commission will administer the Mobility Fund in accordance with the Enabling Act, the Constitutional Provision, and any other applicable provision of State law.

(i) Investments and Security. Moneys in all accounts and subaccounts established pursuant to this Master Resolution and any Supplement will be held uninvested or invested and secured in the manner prescribed by State law for such funds and in accordance with the applicable Supplement and written policies adopted by the Commission. The investments of each account and subaccount shall be made under conditions that will timely provide money sufficient to satisfy the Commission's obligations hereunder and under any Supplement. Money in all accounts and subaccounts established pursuant to this Master Resolution and any Supplement may be combined for investment purposes, as directed by the Commission. Such treatment does not constitute a commingling of the money in such accounts and subaccounts and the Commission shall keep or cause to be kept full and complete records indicating the money, investments and securities credited to each such account and subaccount. Any profits or losses from investments shall be credited or charged, respectively, on a pro rata basis among the accounts and other sources of money from which such investment was made.

(j) Records; Annual Audit. The Commission will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Mobility Fund. Each year while any Parity Debt is Outstanding, the Commission covenants that as soon as practicable, but in no event more than one hundred twenty (120) days after the last day of each Fiscal Year, beginning with the end of the

first Fiscal Year in which Parity Debt is issued, it will prepare or cause to be prepared a financial report of the Mobility Fund for such Fiscal Year in accordance with generally accepted accounting principles, certified by a Certified Public Accountant. The Commission shall promptly furnish such audited financial report to the municipal bond rating agencies then maintaining a rating on Parity Debt and to any owner of Parity Debt who shall request the same, and shall file or make available such audited financial report as required by each Supplement. In addition, a copy of each such audited financial report shall be retained on file in the Department's administrative offices and open to the inspection of the owners of Parity Debt, and their respective agents and representatives, at all reasonable times during regular business hours, for at least 365 days following the preparation thereof.

(k) Inspection of Records. The Commission will permit any owner or owners of twenty-five percent (25%) or more of the then Outstanding Principal Amount of Parity Debt at all reasonable times to inspect all records, accounts, and data of the Commission and the Department relating to the Mobility Fund and the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

Section 6. ISSUANCE OF PARITY DEBT. (a) General. The Commission reserves and shall have the right and power to issue or incur Parity Debt for any purpose authorized by law, including the refunding of Parity Debt, Subordinated Debt, or other obligations of the Commission issued to finance the costs of a project authorized to be financed under the Financing Program, pursuant to the provisions of 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 Parity Debt.

(b) Parity Debt Issued as Long-Term Obligations. Provided that the Commission is in compliance with the requirements of any then applicable provisions of State law, the Commission may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt constituting Long-Term Obligations if, in the applicable Supplement, the Commission finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the Commission shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the Commission an Officer's Certificate stating that, to the best of his or her knowledge, the Commission, the Department and the Comptroller have not failed to comply with the covenants contained in 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 Credit Agreement that constitutes Parity Debt and (ii) to the extent then required by law, the Commission has received all required certifications of the Comptroller with respect to such Parity Debt.

(c) Parity Debt Issued as Short-Term Obligations. Provided that the Commission is in compliance with the requirements of any then applicable provisions of State law, the Commission may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt constituting Short-Term Obligations if, in the applicable Supplement, the Commission finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the Commission shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the Commission an Officer's Certificate stating that, to the best of his or her knowledge, the Commission, the Department and the Comptroller have not failed to comply with the covenants contained in 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 Credit Agreement that constitutes Parity Debt and (ii) to the extent then required by law, the Commission has received all required certifications of the Comptroller with respect to such Parity Debt.

(d) Credit Agreements. To the extent permitted by law, the Commission may execute and deliver one or more Credit Agreements (i) upon the delivery to the Commission of an Officer's Certificate to the effect that the Credit Agreement is in the best interest of the Commission and (ii) compliance with the requirements of subsection (b) or (c) of this section as the case may be, if the Credit Agreement is to constitute Parity Debt. Each Credit Agreement shall be approved by the Commission, to the extent required by law, either pursuant to a Supplement or by other action. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) Parity

Debt secured by a pledge of the Security on parity with other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt, or (iii) partially Parity Debt and partially Subordinated Debt.

(e) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the Commission in accordance with State law.

(f) Increase in Financing Program. The principal amount of the Financing Program, as authorized by Section 1, may be increased by the Commission upon a finding by the Commission to the effect that the Dedicated Revenues will be sufficient to pay all amounts to be payable from Dedicated Revenues. The increase in the principal amount of the Financing Program does not relieve the Commission from any of the Controlling Provisions, including specifically the other requirements of this Section 6 relating to the issuance or incurrence of Parity Debt by the Commission.

Section 7. TRANSPORTATION ASSISTANCE BONDS. (a) Purchase of Transportation Assistance Bonds. To the extent then authorized by State law, including specifically, Section 222.103, Texas Transportation Code, the Commission may use available moneys in the Mobility Fund to provide participation by the State, by loan, in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects or otherwise as provided by law. The Commission may evidence such a loan by the purchase of Transportation Assistance Bonds from the entity receiving such a loan.

(b) Pledge of Transportation Assistance Bonds. The Commission, pursuant to a Supplement, may pledge the Repayments relating to particular Transportation Assistance Bonds to the payment of Parity Debt and such Transportation Assistance Bonds shall be held in the Portfolio Account of the Mobility Fund and the Repayments shall be deposited into the General Account.

Section 8. WAIVER OF CERTAIN COVENANTS. The Commission may omit in any particular instance to comply with any covenant or condition set forth in Sections 5 and 6 hereof if before or after the time for such compliance the Holders of the same percentage in Outstanding Principal Amount, the consent of which would be required to amend the applicable provisions to permit such noncompliance, shall either waive such compliance in the particular instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Commission and the duties of the Commission in respect of any such covenant or condition shall remain in full force and effect. For the purpose of this Section, the Commission may determine in each Supplement the treatment of who may act as an "owner", "Holder", or "Bondholder" and other matters relating to such Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

Section 9. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Commission contained in this Master Resolution and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Mobility Fund, and the Department to the full extent authorized or permitted by the Constitution and State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Commission or agent or employee of the Department in his or her individual capacity and neither the members of the Commission, nor any officer, employee, or agent of the Department shall be liable personally on Parity Debt when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. SPECIAL OBLIGATIONS; ABSOLUTE OBLIGATION TO PAY PARITY DEBT. All Parity Debt and the interest thereon shall constitute special obligations of the Commission payable from the Security, and except as provided in Section 2(c) hereof, the owners of Parity Debt shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than those specified in this Master Resolution or any Supplement. The obligation of the Commission to pay or cause to be paid the amounts payable under this Master Resolution and each Supplement out of the Security shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the Commission might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or

cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is Outstanding.

In addition, the obligation of the State, to the extent that the full faith and credit of the State is pledged to the payment of an issue or series of Parity Debt pursuant to the Constitutional Provision and Section 2(c) of this Master Resolution, to pay or cause to be paid the amounts payable under this Master Resolution and each Supplement shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the State might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is Outstanding.

Section 11. REMEDIES. Pursuant to the Constitutional Provision and as allowed by other law, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any owner of Parity Debt in the event of default in connection with any covenant contained herein or in any Supplement, or default in the payment of Annual Debt Service Requirements due in connection with any Parity Debt, or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of this Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State.

Section 12. DEFEASANCE OF PARITY DEBT. Each Supplement authorizing Parity Debt may provide by its respective terms the circumstances and conditions under which such Parity Debt may be considered Defeased Debt.

Section 13. AMENDMENT OF RESOLUTION. (a) Amendment Without Consent. This Master Resolution and the rights and obligations of the Commission and of the owners of the Outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Commission contained in 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 approving 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 Parity Debt or to change the definition of Dedicated Revenues as may be altered by the State Legislature from time to time in accordance with the Constitutional Provision and State law;

(iv) To make such other changes in the provisions hereof as the Commission may deem necessary or desirable and which shall not, in the judgment of the Commission, materially adversely affect the interests of the owners of Outstanding Parity Debt;

(v) To make any changes or amendments requested by the State Attorney General's Office or the State Bond Review Board as a condition to the approval of a series or issue of Parity Debt, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the owners of the Outstanding Parity Debt;

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or

amendments do not, in the judgment of the Commission, materially adversely affect the interests of the owners of the Outstanding Parity Debt; or

(vii) To change the principal amount of the Financing Program as provided in Section 6(f).

(b) Amendments With Consent. Subject to the provisions of Section 13(g) of this Master Resolution, the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to 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 the owners of all of the Outstanding Parity Debt (unless such amendment shall be determined by the Commission to affect only the owners of certain Parity Debt, in which case such amendment shall not be made without the approval of the owners so affected), the amendment of the terms and conditions in this Master Resolution so as to:

(i) Grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or

(ii) Materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or

(iv) Make any change in the maturity of any Outstanding Parity Debt; or

(v) Reduce the rate of interest borne by any Outstanding Parity Debt; or

(vi) Reduce the amount of the principal payable on any Outstanding Parity Debt; or

(vii) Modify the terms of payment of the amounts required to meet any financial obligations of the Commission relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or

(viii) Amend this subsection (b) of this Section.

(c) Notice. If at any time the Commission shall desire to amend 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 of Texas (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Registrar for any Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on any Parity Debt.

(d) Receipt of Consents. With respect to any amendment undertaken pursuant to subsection (b) above, whenever at any time the Commission shall receive an instrument or instruments executed by all of the owners or the owners of a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Commission may adopt the amendatory resolution in substantially the same form.

(e) Effect of Amendments. Upon the adoption by the Commission of any resolution to amend 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 of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under this Master Resolution, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Debt pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section or the date of such consent, whichever is later, and shall be conclusive and binding upon all future owners of the same Parity Debt during such period. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Debt and the Commission, but such revocation shall not be effective if the owners of the requisite amount of the Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given by an owner at the time of and in connection with the initial sale or incurrence of an issue or series Parity Debt by the Commission shall be irrevocable.

(g) Ownership. For the purpose of this Section, the Commission may determine in each Supplement the treatment of who may act as an “owner”, “Holder”, or “Bondholder” and other matters relating to all Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the Commission to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Debt under such Supplement a priority over the owners of any other Outstanding Parity Debt.

Select Provisions of the Eighth Supplemental Resolution*

Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT.

(b) Bonds Are Parity Debt. As required by Section 6 of the Master Resolution governing the issuance of Long-Term Obligations such as the Bonds, the Commission hereby finds that, upon the issuance of the Bonds, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. The Bonds are hereby declared to be Parity Debt under the Master Resolution.

(c) State Guarantee. The Commission hereby exercises the authority provided for in subsection (g) of the Constitutional Provision, Section 201.944, Texas Transportation Code, and Section 2(c) of the Master Resolution and guarantees on behalf of the State the payment of the Bonds and any Credit Agreements executed under Section 7.11 of this Eighth Supplement by pledging the full faith and credit of the State to the payment of the Bonds and any Credit Agreements executed under Section 7.11 of this Eighth Supplement in the event that the revenue and moneys dedicated to and on deposit in the Mobility Fund are insufficient to provide for the payment of the Bonds and any Credit Agreements executed under Section 7.11 of this Eighth Supplement.

Section 4.01. PAYMENTS. (a) Accrued and Capitalized Interest. Immediately after the delivery of each Series of Bonds the Commission shall deposit any accrued and any sale proceeds to be used to pay capitalized interest received from the sale and delivery of such Bonds to the credit of the Interest and Sinking Account, or the

* The Eighth Supplemental Resolution authorizes the issuance of one or more series of bonds in an aggregate principal amount not to exceed \$1,300,000,000.

2009 Build America Bonds Interest and Sinking Subaccount within the Interest and Sinking Account with respect to any Build America Bonds, to be held to pay interest on such Bonds.

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

(c) Subsidy Payments. If any Series of Bonds are issued as Build America Bonds, the Commission shall create a Series 2009 Build America Bonds Interest and Sinking Subaccount within the Interest and Sinking Account and shall, subject to any required State appropriation, deposit into such subaccount when received any federal subsidy payments received on the Build America Bonds.

Section 4.02. REBATE FUND. A separate and special fund to be known as the Rebate Fund is hereby established by the Commission within the Mobility Fund 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 Eighth Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Eighth Supplement. Such amounts shall be deposited therein and withdrawn therefrom as is necessary to comply with the provisions of Section 5.01. Any moneys held within the Rebate Fund shall not constitute Security under the Master Resolution.

Section 5.02. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR PROJECT. The Commission covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 2.01 of this Eighth 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 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 Bonds, or (ii) the date the Bonds are retired, unless the Commission obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 5.03. DISPOSITION OF PROJECT. The Commission covenants that the property financed with the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the Commission of cash or other compensation, unless the Commission obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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

(i) To add to the covenants and agreements of the Commission contained in this Eighth 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 Eighth Supplement;

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

(iii) To supplement the Security for the Bonds;

(iv) To make such other changes in the provisions hereof, as the Commission may deem necessary or desirable and which shall not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(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 of the Outstanding Bonds; or

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

Section 6.02. AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS OF BONDS.

(a) Amendments. Subject to the other provisions of this Eighth Supplement and the Master Resolution, the Owners of Outstanding Bonds 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 Eighth 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 the Owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Eighth 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 of Bonds necessary for consent to such amendment.

(b) Notice. If at any time the Commission shall desire to amend this Eighth 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 of Bonds. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing to each Owner of Bonds. 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 of Outstanding Bonds aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed

amendment described in said notice and which consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Commission may adopt the amendatory resolution in substantially the same form.

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

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Security Register kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 7.01. DISPOSITION OF BOND PROCEEDS AND OTHER FUNDS. Proceeds from the sale of each Series of Bonds will, 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 and sale proceeds to be used to pay capitalized interest for the Series of Bonds, if any, 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 acquiring, purchasing, constructing, improving, enlarging, and equipping the improvements being financed with the proceeds of each Series of Bonds shall be deposited in the Bond Proceeds Account to be used for such purposes. Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be applied to the payment of principal of and interest on the Current Interest Bonds and Maturity Amounts in the case of Capital Appreciation Bonds.

Section 7.03. DEFEASANCE OF BONDS. (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased Debt within the meaning of the Master Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such 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 Debt 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 Debt 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 Eighth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Bonds as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with the Master Resolution and this Eighth Supplement. Any money so deposited with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank as provided in this Section may at the discretion of the Commission also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bonds and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the Commission for deposit into the General Account of the Mobility Fund.

(c) Continuing Duty of Paying Agent and Registrar. Notwithstanding any provision of any other Section of this Eighth 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 Debt shall have become due and payable, the Paying Agent/Registrar for such Defeased Debt shall perform the services of Paying Agent/Registrar for such Defeased Debt the same as if they had not been defeased, and the Department shall make proper arrangements to provide and pay for such services as required by this Eighth Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Eighth Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bonds affected thereby.

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

Section 7.05. FURTHER PROCEDURES.

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

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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LAW OFFICES

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DALLAS, TEXAS 75201-6587

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600 CONGRESS AVENUE

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700 N. ST. MARY'S STREET

SUITE 1525

SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 210 225-2800

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

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS
TAXABLE SERIES 2009A
(BUILD AMERICA BONDS - DIRECT PAYMENT)
\$1,208,495,000**

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined the legality of and validity of the issue of bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates specified, all in accordance with the "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" as amended by the "First Amendment to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (collectively, the "Master Resolution") as supplemented by the "Amended and Restated Eighth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Eighth Supplement") adopted by minute order of the Commission on April 30, 2009 and the Award Certificate of the Department Representative dated as of August 19, 2009 (the "Award Certificate"), (the Master Resolution, the Eighth Supplement and the Award Certificate are collectively referred to as the "Resolution"). Terms used herein and not otherwise defined shall have the meanings given in the Resolution.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Commission is the governing body of the Department, an agency of the State of Texas, created and operating under the

Constitution and laws of the State of Texas and is authorized to issue the Bonds under Article III, Section 49-k, Texas Constitution, and Subchapter M of Chapter 201 of the Texas Transportation Code, as amended (the "Enabling Act"), and Chapter 1371, Texas Government Code, as amended. It is further our opinion that the Bonds have been duly authorized; that all conditions precedent to the delivery of the Bonds have been fulfilled; and that the Bonds have been duly issued and delivered, all in accordance with law except as the enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion. Additionally, it is our opinion that except as the enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion: (i) the Bonds are Parity Debt; (ii) the covenants and agreements in the Resolution constitute valid and binding obligations of the Commission, and (iii) the Bonds constitute valid and legally binding obligations of the Commission which, together with the Outstanding Parity Debt, are secured equally and ratably, on parity, by a first lien on and pledge of the Security established by the Master Resolution, the Eighth Supplement and the Award Certificate, and are payable as to principal and interest solely from the sources provided therein, including the Pledged Revenues. The Bonds are additionally secured by the State guarantee as authorized in the Master Resolution and exercised in the Eighth Supplement. The Master Resolution and Eighth Supplement are authorized by law, have been duly executed and delivered, and are valid and legally binding upon the Commission in accordance with their terms and provisions.

THE COMMISSION has reserved the right, subject to the restrictions stated in the Resolution to issue additional Parity Debt which also may be secured by the Master Resolution on a parity with the Bonds and the Outstanding Parity Debt. The Commission also has reserved the right to amend the Master Resolution and Eighth Supplement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of all Parity Debt.

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

WE EXPRESS NO OPINION as to any insurance policies, issued in the future with respect to the payments due for the principal of and interest on the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Commission, the State, or the Texas Mobility Fund, or the disclosure thereof in connection with the sale of the Bonds, and

have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Commission as to the current outstanding indebtedness of the Commission and the Comptroller of Public Accounts of the State of Texas with respect to the projected revenues of the Texas Mobility Fund. Our role in connection with the 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 D describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this Appendix D 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 (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants (defined herein), (ii) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the SEC, and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

* * * * *

APPENDIX E

AUDITED FINANCIAL STATEMENTS OF THE FUND

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TEXAS DEPARTMENT OF TRANSPORTATION

Texas Mobility Fund

(A Special Revenue Fund of the Texas Department of Transportation of the State of Texas)



Financial Statements - August 31, 2008 and 2007

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Texas Mobility Fund

FINANCIAL STATEMENTS

August 31, 2008

Prepared by:
Finance Division of the Texas Department of Transportation

Texas Mobility Fund

Financial Statements
August 31, 2008

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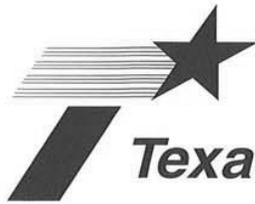
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INTRODUCTORY SECTION

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Texas Department of Transportation

DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

December 10, 2008

TO: The Citizens of the State of Texas and the Creditors of the Texas Mobility Bonds

The Master Resolution, dated as of May 4, 2005, as supplemented by the First through Seventh Supplemental Master Resolutions (collectively, the "*Resolution*") requires the Texas Transportation Commission (the "*Commission*") to provide audited annual financial statements of the Texas Mobility Fund (the "*Mobility Fund*"). Pursuant to this requirement, we hereby present to you the Financial Statements for the Mobility Fund for the year ended August 31, 2008 and for comparative purposes the year ended August 31, 2007. This report has been prepared by the Accounting Management staff in the Finance Division of the Texas Department of Transportation (the "*Department*").

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of the presentation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this financial report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements of the Mobility Fund in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the financial report is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the Mobility Fund and provides disclosures that enable the reader to understand the Mobility Fund's financial condition.

Clifton Gunderson LLP, an independent certified public accounting firm, performed an independent audit of the Mobility Fund's basic financial statements for the year ended August 31, 2008. The auditors issued an unqualified opinion on the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements for the Mobility Fund as of August 31, 2007 were audited by the Texas State Auditor's Office; whose report dated December 7, 2007 expressed an unqualified opinion on those financial statements.

THE TEXAS PLAN

REDUCE CONGESTION • ENHANCE SAFETY • EXPAND ECONOMIC OPPORTUNITY • IMPROVE AIR QUALITY
INCREASE THE VALUE OF OUR TRANSPORTATION ASSETS

An Equal Opportunity Employer

The Management's Discussion and Analysis (*MD&A*) provides a narrative introduction, overview and analysis of the financial activities of the Mobility Fund. We encourage readers to consider the information in this letter of transmittal in conjunction with the *MD&A*, which can be found on page 13.

Profile of the Government

The Department is an agency of the State of Texas (the "*State*") created to provide a safe, effective and efficient transportation system throughout the State. The Department is managed by the Executive Director and is governed by a five-member Commission. The Department is organized into 25 districts and 27 divisions/offices and currently has an annual budget of approximately \$8.4 billion and a staff of approximately 15,000 which manage approximately \$2.8 billion in annual highway contract lettings.

Voter approval in 2001 of Proposition 15 (Texas constitutional amendment) and enactment of legislation by the 77th Legislature in 2001 created the Mobility Fund. In particular, Article III, Section 49-k of the Texas Constitution (the "*Constitutional Provision*") created the Mobility Fund within the treasury of the State of Texas. The creation of the Mobility Fund allows the Department to issue bonds secured by future revenue. This allows the acceleration of mobility projects throughout the state. The Mobility Fund is to be administered by the Texas Transportation Commission as a revolving fund to provide a method of financing for the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way, as determined by the Commission in accordance with standards and procedures established by law. Monies in the Mobility Fund may also be used to provide state participation in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects in accordance with procedures, standards, and limitations established by law. By expediting the delivery of transportation infrastructure, the Mobility Fund is an important tactic in meeting the Department's goals to reduce congestion, improve air quality, enhance safety, expand economic opportunity and preserve the value of transportation assets.

Legislation enacted under the Constitutional Provision authorized the Commission to issue and sell obligations of the State and enter into related credit agreements that are payable from and secured by a pledge of and a lien on all or part of the money on deposit in the Mobility Fund. As of the end of August 2008, the Department has issued a par amount of \$5.05 billion in bonds.

Information useful in assessing the government's financial condition

Cash Management policies and practices: In 2003, the 78th Legislature dedicated sources of revenue to the Mobility Fund. The funds generated by these dedicated revenues, as well as funds generated through other pledged revenues, are required to be accounted for in accounts established in the Mobility Fund.

The following accounts have been created and established by the Commission in the Mobility Fund:

1. Mobility Fund General Account – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used pursuant to the Constitutional Provision, the Enabling Act, and other State Law.
2. Mobility Fund Portfolio Account – any Transportation Assistance Bonds acquired for the Mobility Fund are to be promptly deposited into this account and held therein until paid.
3. Mobility Fund Interest and Sinking Account – monies in this account are used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as they become due and payable. This account is required as long as Parity Debt is outstanding.
4. Mobility Fund Bond Proceeds Account – proceeds from the issuance of Parity Debt are deposited into this account upon the issuance of such Parity Debt. Such proceeds and the interest thereon remain in the Bond Proceeds Account until expended to accomplish the purposes for which such Parity Debt was issued.
5. Rebate Account – the Fifth Supplemental resolution established the Rebate Account for the bonds. Money on deposit in the Rebate Account, if any, is paid to the United States of America in compliance with the provisions of section 148(f) of the Code. Money in the Rebate Fund, if any, does not constitute security.
6. Purchase Account – is used for the purpose of depositing money obtained from (a) the remarketing of the Bonds, and (b) draws under a Liquidity Facility, and such deposited money is used solely to pay the purchase price of the bonds or to reimburse a Liquidity Facility Issuer for a drawing on the Liquidity Facility to pay the purchase price of the bonds.
7. Reserve Accounts or Subaccounts – these accounts are established as required by any Supplements to the Master Resolution.

The Department is responsible for ensuring that accounts maintain the proper minimum balances as set forth in the Master Resolution and for investing in securities required to meet liquidity requirements. The investments suitable for each account have been determined using the following criteria that are detailed in the Commission's Investment Strategy: 1) safety; 2) liquidity; and 3) return on investments. For more detailed information, please see the latest Texas Transportation Commission Investment Policy. Requests for a copy of the Investment Policy should be addressed to the Finance Division, Accounting Management Section, 125 E. 11th Street, Austin, Texas, 78701-2483.

The Mobility Fund does not have any employees. Department employees and contractors perform the work of the Mobility Fund. The Department provides all accounting and administrative services. The Mobility Fund does not provide financing for any of the risks the Department is subject to in the course of its operations.

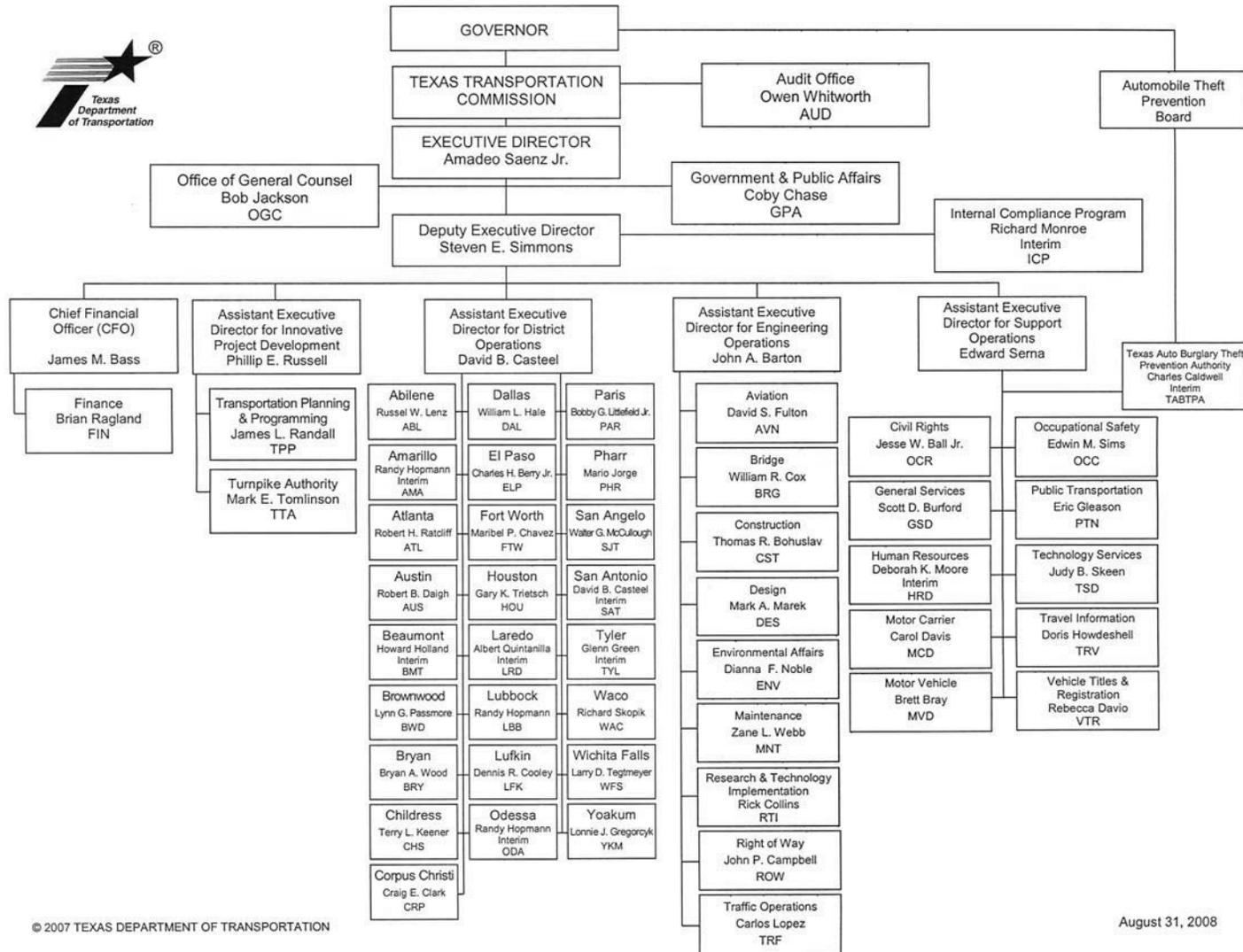
Risk Financing & Management: The Department is exposed to a wide range of risks due to the size, scope, and nature of its activities. Some of these risks include, but are not limited to, property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. The Department retains these risks, and manages them through claims review and safety programs, which are primarily the responsibility of the Department's Occupational Safety Division.

Acknowledgements

Production of this report would not have been possible without the efficient and dedicated staff of the Department. We extend special appreciation to Duane Sullivan, Diana Smith, Glen Knipstein and the Finance Division for their professionalism and devotion in preparing this complex financial document.



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



**Commission and Key Personnel
As of August 31, 2008**

TEXAS TRANSPORTATION COMMISSION

DEIRDRE DELISI.....Chair
Austin

NED S. HOLMES.....Commissioner
Houston

TED HOUGHTONCommissioner
El Paso

WILLIAM MEADOWSCommissioner
Fort Worth

FRED UNDERWOODCommissioner
Lubbock

TEXAS DEPARTMENT OF TRANSPORTATION

AMADEO SAENZ, Jr., P.E..... Executive Director

STEVEN E. SIMMONS, P.E. Deputy Executive Director

DAVID CASTEEL, P.E. Assist. Exec. Dir. for District Operations

JOHN A. BARTON, P.E. Assist. Exec. Dir. for Engineering Operations

PHILLIP E. RUSSELL, P.E. Assist. Exec. Dir. for Innovative Project Dev.

EDWARD S. SERNA..... Assist. Exec. Dir. for Support Operations

JAMES M. BASS Chief Financial Officer

BOB JACKSON General Counsel

COBY CHASE Director of Government and Public Affairs

FINANCIAL SECTION

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Independent Auditor's Report

Members of the Texas Transportation Commission
Texas Mobility Fund
Austin, Texas

We have audited the accompanying financial statements of the governmental activities and special revenue fund as of and for the year ended August 31, 2008, which collectively comprise Texas Mobility Fund's (Fund) basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements for the Fund as of August 31, 2007, were audited by other auditors whose report dated December 7, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1(A) and 1(B), the financial statements present only the financial position of the Fund, which is a special revenue fund of the State of Texas. They do not purport to, and do not, present fairly the financial position of the entire State of Texas.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and special revenue fund of the Fund as of August 31, 2008 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 13 through 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The *Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2008* listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Austin, Texas
December 10, 2008

Management's Discussion and Analysis

As management of the Texas Department of Transportation (the "*Department*"), we offer readers of the Texas Mobility Fund (the "*Mobility Fund*") financial statements this narrative overview and analysis of its financial activities for the year ended August 31, 2008 and for comparative purposes the year ended August 31, 2007. These financial statements reflect the financial position of the Mobility Fund. The Mobility Fund is a special revenue fund of the Department, an agency of the State of Texas. The Texas Transportation Commission, the governing body of the Department, has the authority to commit the Mobility Fund to various legal agreements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 3 of this report.

Financial Highlights

- Voter approval in 2001 of Proposition 15 (Texas constitutional amendment) and enactment of legislation by the 77th Legislature in 2001 created the Mobility Fund in the State treasury. This fund permits the Texas Transportation Commission to issue bonds secured by the Mobility Fund to advance highways and other public transportation projects.
- In 2003, the 78th Legislature dedicated revenue from transportation-related fees to the Mobility Fund.
- In May 2005, the Texas Bond Review Board approved \$4 billion of bonds through one or more issuances from the Mobility Fund.
- In November 2007, the Texas Bond Review Board approved an additional \$2.4 billion in Mobility Fund bonds through one or more issuances.
- As of August 31, 2008, the Mobility Fund has received \$609,627,261 in dedicated revenue.
- As of August 31, 2008, the Commission has issued \$5.05 billion in bonds.
- The Department transferred \$1,212,608,361 and \$1,780,133,499 during fiscal years 2008 and 2007, respectively to the State Highway Fund to accelerate various transportation projects.
- During fiscal year 2008 certain accounting changes and adjustments were made which required the restatement of fund balances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Mobility Fund's basic financial statements. The Mobility Fund's financial statements combine two types of financial statements into one statement. These two types of financial statements are the entity-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the entity-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Entity-Wide Financial Statements. The focus of the entity-wide financial statement is on the overall financial position and activities of the Mobility Fund. The Mobility Fund's entity-wide financial statements include the statement of net assets and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net assets is to report all of the assets and liabilities of the Mobility Fund. The Mobility Fund reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

Fund financial statements. The focus of fund financial statements is directed to specific activities of the Mobility Fund rather than the Mobility Fund as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities related to the Mobility Fund are being accounted for in a special revenue fund. The accounts of the Mobility Fund are maintained in accordance with practices set forth in the provisions of the Master Resolution. These practices are modeled after generally accepted accounting principles for a special revenue fund on a modified accrual basis.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 20-36 of this report.

Entity-Wide Financial Analysis

The Mobility Fund's overall financial position and operations for the past years are summarized as follows based on the information included in the entity-wide financial statements.

	CONDENSED NET ASSETS		
	FY 2008	FY 2007	FY 2006
Restricted and other assets	\$956,369,615	\$1,125,545,231	\$ 535,795,121
Deferred Charges	19,769,927	16,398,662	8,116,635
Total Assets	\$976,139,542	\$1,141,943,893	\$543,911,756
Long-term Liabilities	(5,089,381,178)	(3,969,456,546)	(1,752,490,227)
Other Liabilities	(200,503,968)	(378,226,484)	(260,791,523)
Total Liabilities	(5,289,885,146)	(4,347,683,030)	(2,013,281,750)
Net Assets (Deficit):			
Restricted for: Mobility Projects	(4,313,745,604)	(3,205,739,137)	(1,469,369,994)
Total Net Assets (Deficit)	\$(4,313,745,604)	\$(3,205,739,137)	
Total Net Assets (Deficit), August 31, 2006, as restated			\$(1,469,369,994)

Changes in Net Assets. The total net liabilities of the Mobility Fund exceed its assets by \$4,313,745,604 and \$3,205,739,137 as of August 31, 2008 and 2007, respectively. The primary reason for this is that the Mobility Fund issued \$1.1 billion, \$2.2 billion, and \$.75 billion in debt in fiscal years 2008, 2007, and 2006, respectively and transferred out \$1,212,608,361, \$1,780,133,499, and \$1,300,757,489 to the State Highway Fund in 2008, 2007, and 2006 respectively, to speed up the completion of various transportation projects. Bond issue costs are reported as deferred charges and are being amortized over the life of the bonds. The Mobility Fund has no ownership over the highway projects, which it is helping to accelerate in the State Highway Fund, and is not responsible for the maintenance of these roadways which will become part of the Texas State Highway System.

Even though this negative statement of net assets looks unfavorable, the purpose of the Mobility Fund is to issue debt in the short run to accelerate transportation projects, to track transportation fees dedicated to the Mobility Fund, and to pay off the debt over a thirty-year period. As shown on the condensed changes in net assets, the Mobility Fund recognized fee revenue of about \$268 million in fiscal year 2008 and \$140 million in fiscal year 2007.

	<u>CONDENSED CHANGES IN NET ASSETS</u>		
	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Revenues			
Charges for Services			
Violations, Fines & Penalties	\$267,915,922	\$140,481,055	\$84,287,959
Interest and Investment Income			
Operating Grants and Contributions	35,460,407	36,700,487	27,985,334
Total Revenues	<u>303,376,329</u>	<u>177,181,542</u>	<u>112,273,293</u>
Expenses			
Interest on State Bonds	(205,902,012)	(137,301,879)	(54,691,156)
Amortization	8,185,132	5,439,100	3,268,571
Other Financing Fees	(619,086)	(627,919)	(274,009)
Professional Fees & Services	(415,079)	(913,497)	(472,049)
Other	(23,390)	(12,991)	(28,501)
Total Expenses	<u>(198,774,435)</u>	<u>(133,417,186)</u>	<u>(52,197,144)</u>
Increase in net assets before transfers	<u>104,601,894</u>	<u>43,764,356</u>	<u>60,076,149</u>
Transfer to State Highway Fund	(1,212,608,361)	(1,780,133,499)	(1,300,757,489)
Change in Net Assets (Deficit)	<u>(1,108,006,467)</u>	<u>(1,736,369,143)</u>	<u>(1,240,681,340)</u>
Total Net Assets (Deficit) – beginning	(3,205,739,137)	(1,469,369,994)	
Total Net Assets (Deficit) – beginning, as restated			(228,688,654)
Total Net Assets (Deficit) – ending	<u><u>\$(4,313,745,604)</u></u>	<u><u>\$(3,205,739,137)</u></u>	<u><u>\$(1,469,369,994)</u></u>

Financial Analysis of the Mobility Fund's Fund Financial Statements

The Mobility Fund's fund financial statements show a fund balance of \$883,260,028 and \$840,858,938 for the periods ended August 31, 2008 and 2007, respectively. This is in contrast to the Statements of Net Assets which show net deficits of \$4,313,745,604 in 2008 and \$3,205,739,137 in 2007. The reason why there is a difference is because the fund financial statements do not show long term debt or capital assets, and the Mobility Fund has \$5.089 billion in long term debt as of the end of August 31, 2008 and \$3.969 billion in long term debt as of the end of August 31, 2007 that is not shown on the Fund Financial Statements which are more concerned with current resources.

The restatements to fiscal years 2007 and 2006 reflect an adjustment to assets and liabilities for bond premium, discount, and bond issue costs which were not capitalized or amortized in prior periods.

Debt Administration

Long-term debt. As of August 31, 2008, the Mobility Fund had total long-term debt outstanding of \$5,089,381,178. Total bonds payable of \$5,121,671,178, as detailed in the table below, includes \$32,290,000 of amounts due within one year.

Bonds Payable	2008	2007	2006
Series 2005-A Fixed Rate Interest Bonds	\$885,579,434	\$902,475,876	\$918,845,600
Series 2005-B Variable Rate Interest Bonds	91,275,000	94,075,000	96,785,000
Series 2006 Fixed Rate Interest Bonds	738,984,195	752,461,652	772,034,627
Series 2006-A Fixed Rate Interest Bonds	1,072,612,028	1,074,268,261	
Series 2006-B Variable Rate Interest Bonds	150,000,000	150,000,000	
Series 2007 Fixed Rate Interest Bonds	1,025,053,014	1,027,075,757	
Series 2008 Fixed Rate Interest Bonds	1,158,167,507		
Total Bonds Payable	\$5,121,671,178	\$4,000,356,546	\$1,787,665,227

The issuance of long term debt increased the Mobility Fund's current financial resources. However, including the debt-related inflows among the Mobility Fund's regular revenues could distort the Mobility Fund's revenue trends. The Mobility fund issued the Series 2008 bonds with a premium of \$61,109,369, the Series 2007 bonds with a premium of \$21,624,500, the Series 2006A bonds with a premium of \$35,844,494, and the Series 2006 bonds with a premium of \$23,288,275. Premiums and discounts are being amortized over the life of the bonds.

Bond Credit Ratings

	Fitch	Moody's	Standard & Poor's
Series 2008	AA+	Aa1	AA
Series 2007	AA+	Aa1	AA
Series 2006-A	AA+/CCC*	Aa1/B1*	AA/BB*
Series 2006-B	AA+/F1+	Aa1/VMIG1	n/a
Series 2006	AA+	Aa1	AA
Series 2005-A	AA+	Aa1	AA
Series 2005-B	AA+/F1+	Aa1/VMIG1	AA/A-1
* insurer rating			

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the bonds.

Requests for Information

This financial report is designed to provide a general overview of the Mobility Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Division, Accounting Management Section, 125 E. 11th Street, Austin, Texas, 78701-2483.

BASIC FINANCIAL STATEMENTS

EXHIBIT I
TEXAS MOBILITY FUND
Statement of Net Assets and Governmental Fund Balance Sheet
August 31, 2008 and 2007

	Special Revenue Fund	Adjustments	Statement of Net Assets 8/31/2008
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury	\$ 955,909,300	\$	\$ 955,909,300
Accrued Swap Payment Receivable	460,315		460,315
Total Current Assets	<u>956,369,615</u>	<u>0</u>	<u>956,369,615</u>
Noncurrent Assets:			
Deferred Charges		19,769,927	19,769,927
Total Noncurrent Assets	<u>0</u>	<u>19,769,927</u>	<u>19,769,927</u>
TOTAL ASSETS	<u>956,369,615</u>	<u>19,769,927</u>	<u>976,139,542</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	18,565		18,565
Interest Payable		95,104,381	95,104,381
Due to State Highway Fund	73,091,022		73,091,022
General Obligation Bonds Payable		32,290,000	32,290,000
Total Current Liabilities	<u>73,109,587</u>	<u>127,394,381</u>	<u>200,503,968</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable		4,923,560,000	4,923,560,000
Premium/Discount		165,821,178	165,821,178
Total Noncurrent Liabilities	<u>0</u>	<u>5,089,381,178</u>	<u>5,089,381,178</u>
TOTAL LIABILITIES	<u>73,109,587</u>	<u>5,216,775,559</u>	<u>5,289,885,146</u>
FUND BALANCES/NET ASSETS			
Unreserved:	883,260,028	(883,260,028)	
TOTAL FUND BALANCES	<u>883,260,028</u>	<u>(883,260,028)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 956,369,615</u>		
Net Assets (Deficit):			
Restricted for Mobility Projects		(4,313,745,604)	(4,313,745,604)
Total Net Assets (Deficit)		<u>\$ (5,197,005,632)</u>	<u>\$ (4,313,745,604)</u>

	Special Revenue Fund	Adjustments	Statement of Net Assets 8/31/2007
ASSETS			
Current Assets:			
Cash and Cash Equivalents in State Treasury	\$ 1,125,545,231	\$	\$ 1,125,545,231
Total Current Assets	<u>1,125,545,231</u>	<u>0</u>	<u>1,125,545,231</u>
Noncurrent Assets:			
Deferred Charges		16,398,662	16,398,662
Total Noncurrent Assets	<u>0</u>	<u>16,398,662</u>	<u>16,398,662</u>
TOTAL ASSETS	<u>1,125,545,231</u>	<u>16,398,662</u>	<u>1,141,943,893</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,729,523		2,729,523
Interest Payable		62,640,191	62,640,191
Due to Comptroller of Public Accounts	144,348,568		144,348,568
Due to State Highway Fund	137,608,202		137,608,202
General Obligation Bonds Payable		30,900,000	30,900,000
Total Current Liabilities	<u>284,686,293</u>	<u>93,540,191</u>	<u>378,226,484</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable		3,855,850,000	3,855,850,000
Premium/Discount		113,606,546	113,606,546
Total Noncurrent Liabilities	<u>0</u>	<u>3,969,456,546</u>	<u>3,969,456,546</u>
TOTAL LIABILITIES	<u>284,686,293</u>	<u>4,062,996,737</u>	<u>4,347,683,030</u>
FUND BALANCES/NET ASSETS			
Unreserved:	840,858,938	(840,858,938)	
TOTAL FUND BALANCES, as Restated	<u>840,858,938</u>	<u>(840,858,938)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,125,545,231</u>		
Net Assets (Deficit):			
Restricted for Mobility Projects		(3,205,739,137)	(3,205,739,137)
Total Net Asset (Deficit)		<u>\$ (4,046,598,075)</u>	<u>\$ (3,205,739,137)</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

EXHIBIT II

**TEXAS MOBILITY FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

For the years ended August 31, 2008 and August 31, 2007

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES			
Charges for Services -	\$	\$	\$
Violations, Fines & Penalties	267,915,922		267,915,922
Interest and Investment Income			
Operating Grants and Contributions	35,460,407		35,460,407
Total Revenues	<u>303,376,329</u>	<u>0</u>	<u>303,376,329</u>
EXPENDITURES/EXPENSES			
Professional Fees & Services	415,079		415,079
Debt Service:			
Principal	30,900,000	(30,900,000)	0
Interest	173,437,824	32,464,188	205,902,012
Amortization of Premium/Discount		(8,894,737)	(8,894,737)
Bond Issue Costs	4,080,868	(4,080,868)	0
Amortization Bond Issue Costs		709,605	709,605
Other Financing Fees	619,086		619,086
Other Expenditures/Expenses	23,390		23,390
Total Expenditures/Expenses	<u>209,476,247</u>	<u>(10,701,812)</u>	<u>198,774,435</u>
Excess of Revenues over Expenditures/Expenses	93,900,082	10,701,812	104,601,894
OTHER FINANCING SOURCES (USES):			
Bond and Note Proceeds	1,100,000,000	(1,100,000,000)	0
Premium on Bonds Issued	61,109,369	(61,109,369)	0
Operating Transfer Out to the State Highway Fund	(1,212,608,361)		(1,212,608,361)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(51,498,992)</u>	<u>(1,161,109,369)</u>	<u>(1,212,608,361)</u>
Change in Fund Balance/Net Assets (Deficit)	<u>42,401,090</u>	<u>(1,150,407,557)</u>	<u>(1,108,006,467)</u>
Fund Balance/Net Assets (Deficit):			
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2007	840,858,938	(4,046,598,075)	(3,205,739,137)
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2008	<u>\$ 883,260,028</u>	<u>\$ (5,197,005,632)</u>	<u>\$ (4,313,745,604)</u>

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES			
Charges for Services -	\$	\$	\$
Violations, Fines & Penalties	140,481,055		140,481,055
Interest and Investment Income			
Operating Grants and Contributions	36,700,487		36,700,487
Total Revenues	<u>177,181,542</u>	<u>0</u>	<u>177,181,542</u>
EXPENDITURES/EXPENSES			
Professional Fees & Services	913,497		913,497
Debt Service:			
Principal	35,370,000	(35,370,000)	0
Interest	101,438,585	35,863,294	137,301,879
Amortization of Premium/Discount		(6,012,675)	(6,012,675)
Bond Issue Costs	8,855,602	(8,855,602)	0
Amortization Bond Issue Costs		573,575	573,575
Other Financing Fees	627,919		627,919
Other Expenditures/Expenses	12,991		12,991
Total Expenditures/Expenses	<u>147,218,594</u>	<u>(13,801,408)</u>	<u>133,417,186</u>
Excess of Revenues over Expenditures/Expenses	29,962,948	13,801,408	43,764,356
OTHER FINANCING SOURCES (USES):			
Bond and Note Proceeds	2,196,605,000	(2,196,605,000)	0
Premium on Bonds Issued	57,468,994	(57,468,994)	0
Operating Transfer Out to the State Highway Fund	(1,780,133,499)		(1,780,133,499)
TOTAL OTHER FINANCING SOURCES (USES):	<u>473,940,495</u>	<u>(2,254,073,994)</u>	<u>(1,780,133,499)</u>
Change in Fund Balance/Net Assets (Deficit)	<u>503,903,443</u>	<u>(2,240,272,586)</u>	<u>(1,736,369,143)</u>
Fund Balance/Net Assets (Deficit):			
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2006, as restated	336,955,495	(1,806,325,489)	(1,469,369,994)
FUND BALANCES/NET ASSETS (DEFICIT), August 31, 2007	<u>\$ 840,858,938</u>	<u>\$ (4,046,598,075)</u>	<u>\$ (3,205,739,137)</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

These financial statements reflect the financial position of the Texas Mobility Fund (the “Mobility Fund”). The Mobility Fund is a special revenue fund of the Texas Department of Transportation (the “Department”), an agency of the State of Texas. Also, the Texas Transportation Commission (the “Commission”), the governing body of the Department, has the authority to commit the Mobility Fund to various legal agreements.

The Commission

The State created the State Highway Commission on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of state highways and promoting the construction of a state highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the State Legislature changed the name of the State Highway Commission to the State Highway and Public Transportation Commission. In 1991, the State Legislature changed the name to the current name, the Texas Transportation Commission. The State Legislature directed the Commission to plan and make policies for the location, construction, and maintenance of a comprehensive system of state highways and public roads.

The Commission governs the Department and is charged by statute with policy-making responsibilities. The Department is charged with the management responsibilities for implementing the policies of the Commission. The Department is managed by the Executive Director and supported by the staff. The State Legislature provided that the Commission must divide the State into no more than 25 regional districts for the purpose of the performance of the Department’s duties. There are currently 25 districts.

The Commission consists of five members appointed by the Governor with the advice and consent of the State Senate. One member is designated by the Governor as the Chairman and serves as the chief executive officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person’s spouse is employed by or manages a business that is regulated by or regularly receives funds from the Department, directly or indirectly owns or controls more than ten percent (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. Members of the Commission serve six-year terms, with one to two members’ terms expiring February 1 of each odd-numbered year.

The Department

The Department was created to provide a safe, effective and efficient transportation system throughout the State. The Department is governed by the five-member Commission and an executive director selected by the Commission and is an agency of the State of Texas. The Department’s operations are conducted by a central office with twenty two functional divisions, five offices, and twenty-five geographic districts in the State.

The Mobility Fund

The Texas Legislature (the “Legislature”) established the Mobility Fund pursuant to the Constitutional Provision to be administered by the Commission to provide a method of financing the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way. The Mobility Fund may also be used to provide participation by the

Department in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects. Pursuant to the Enabling Act, the Commission may sell obligations of the State that are payable from and secured by a pledge of and a lien on all or part of the money dedicated to and on deposit in the Mobility Fund. The Legislature has dedicated to the Mobility Fund certain revenues of the State. The Commission may also elect to pledge the general obligation of the State as additional repayment security for the bonds.

The Commission has issued a total of \$5,046,605,000 par value of general obligation bonds. These proceeds are used to pay, or reimburse the State Highway Fund for, the payment of the costs of (i) constructing, reconstructing, acquiring, and expanding certain State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects as described below and (ii) issuing the bonds.

The Mobility Fund does not have any employees. The Department provides all accounting and administrative services. In addition, the Department's risk financing and insurance programs apply to the Mobility Fund.

B. Basis of Presentation

The records of the Mobility Fund are maintained in accordance with the practices set forth in the provisions of the Resolution for the Texas Mobility Fund General Obligation Bonds. These practices are modeled after generally accepted accounting principles for a special revenue fund. The Mobility Fund is a special revenue fund within the Department.

The accompanying financial statements present only the financial position and changes in financial position of the Mobility Fund, and are not intended to and do not present fairly the financial position or changes in financial position of the Department in conformity with accounting principles generally accepted in the United States of America.

The reporting period is for the year ended August 31, 2008. Voter approval in 2001 of Proposition 15 (Texas constitutional amendment) and enactment of legislation by the 77th Legislature in 2001 created the Mobility Fund. Dedicated revenue and investment earnings began to be deposited into the Mobility Fund in March 2004.

C. Measurement Focus and Basis for Accounting

The entity-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is a type of governmental fund used to account for a government's tax-supported activities. Special revenue funds are accounted for on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Note 3 provides further details for the adjustments from the governmental fund presentation to the entity-wide presentation.

D. Assets and Liabilities

(1) Cash and Cash Equivalents

Short-term highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents. On the Statement of Net Assets and Governmental Fund Balance Sheet, cash and cash equivalents are considered to be cash in bank and cash in the State Treasury.

(2) Accrued Swap Payment Receivable

Accrued Swap Payment Receivable represents the August 2008 Swap receivable, which was outstanding at the end of the fiscal year.

(3) Noncurrent Assets

The costs associated with debt issuance totaled \$21,511,433. These costs are not reported as an expense of the period in which they were incurred, but instead are reported as an adjustment to interest expense throughout the period during which the related debt is outstanding. Unamortized deferred charges equaled \$19,769,927 and \$16,398,662 as of August 31, 2008 and August 31, 2007, respectively.

(4) Accounts Payable

Accounts Payable represents the liability for the value of assets or services received during the reporting period for which payment is pending.

(5) Bonds Payable – General Obligation Bonds

Bonds payable are reported at par value plus the unamortized premium and discount. Premiums and discounts are amortized over the life of the bonds. Payables are reported separately as either current or non-current in the statement of net assets.

E. Fund Balance

(1) Unreserved

In the special revenue fund, fund equity is classified as fund balance. Fund balance can be further classified as reserved and unreserved. Unreserved fund balance is the amount that represents the unexpended balance at year end which is available for use in subsequent years.

(2) Net Assets (Deficit), restricted for Mobility Projects

In the entity-wide statements, equity is classified as net assets. Net assets can be classified into three components; invested in capital assets, restricted, and unrestricted. The Mobility Fund's net assets are restricted by enabling legislation.

F. Revenues, Expenditures, Transfers, and Restatements

(1) Violations, Fines and Penalties

The Legislature has dedicated to the Mobility Fund certain revenues of the State. These dedicated revenues are those revenue sources allocated by the Legislature for the benefit of the Mobility Fund. Initially, the Mobility Fund was funded with certain revenue sources that were dedicated to the Mobility Fund until August 31, 2005. These initial sources consisted of Court Fines and a Driver License Point Surcharge.

On September 1, 2005, the initial revenue sources of the Mobility Fund were redirected to the State of Texas General Revenue Fund. New sources of revenue were phased into the Mobility Fund. In fiscal year 2006 the sources of revenue were United We Stand License Plate Fees, Investment Income, and Motor Vehicle

Inspection Fees. In fiscal year 2007 the sources of revenue were Driver Record Information Fees, Investment Income, and Motor Vehicle Inspection Fees. In fiscal year 2008 the major sources of revenue were Driver License Fees, Driver Record Information Fees, Investment Income, and Motor Vehicle Inspection Fees. Certificate of Title Fees are to be added in fiscal year 2009.

(2) Interest and Investment Income

Cash held in the State Treasury consists of dedicated revenues and proceeds from the sale of the bonds. Interest and investment income earned is revenue to the Mobility Fund in the period earned.

(3) Operating Transfers Out to the State Highway Fund

Operating transfers out reflect the transfer of cash to reimburse the State Highway Fund for the payment of the costs of constructing, reconstructing, acquiring, and expanding certain State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects.

NOTE 2 – CAPITAL ASSETS

The Mobility Fund does not have any capital assets. The purpose of the Mobility Fund is to provide a source of revenue to pay for the costs of constructing, reconstructing, acquiring, and expanding certain State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and public transportation projects. The revenues accumulated in the Mobility Fund are used to pay the debt service of the Mobility Bonds. The infrastructure built with transfers from the Mobility Fund becomes part of the state highway system and a capital asset to the State Highway Fund.

NOTE 3 – ADJUSTMENT OF GOVERNMENTAL TO ENTITY-WIDE BASIS

Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets

	2008	2007
Total Fund Balance, governmental funds	\$883,260,028	\$840,858,938
Deferred Charges	19,769,927	16,398,662
Interest Payable	(95,104,381)	(62,640,191)
Premium/Discount on Bonds Payable	(165,821,178)	(113,606,546)
Bonds Payable	(4,955,850,000)	(3,886,750,000)
Total Net (Deficit) – governmental activities	\$(4,313,745,604)	\$(3,205,739,137)

Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported as liabilities in governmental funds.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Government Funds to the Statements of Activities

	2008	2007
Net change in fund balances – total governmental funds	\$42,401,090	\$503,903,443
Change in Interest Payable	(32,464,188)	(35,863,294)
Amortization of Bond Premium/Discount	8,894,737	6,012,675
Bond Issue Costs	4,080,868	8,855,602
Amortization of Bond Issue Costs	(709,605)	(573,575)
Bond and Note Proceeds	(1,100,000,000)	(2,196,605,000)
Debt Service Principal	30,900,000	35,370,000
Premium/Discount on Bonds Issued	(61,109,369)	(57,468,994)
Change in Net Assets (Deficit) of governmental activities	\$(1,108,006,467)	\$(1,736,369,143)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Governmental funds also report the effect of bond issue costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

NOTE 4 – DEPOSITS AND INVESTMENTS

The carrying amount of deposits for the Mobility Fund was \$955,909,300 as of August 31, 2008 and \$1,125,545,231 as of August 31, 2007, as reported on the Statement of Net Assets.

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. All of the Fund’s deposits are held by the Comptroller in the State Treasury. Deposits of the State of Texas are normally managed by the State Comptroller of Public Accounts (the “Comptroller”). Deposits that exceed the \$100,000 of insurance by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in accordance with Comptroller policy. Collateral pledged must be equal to at least 105% of the principal amount deposited by the Department. The Comptroller has full responsibility for ensuring adequate collateralization of all State deposits, including those held in local banks. On August 31, 2008, the deposits were fully collateralized with securities held by an agent of the Comptroller, in the Department’s name, in accordance with the Comptroller’s requirements.

The Mobility Fund is established in the Treasury Operations Division – Comptroller’s office (Treasury) and it is pooled with other state funds for investment purposes. See the State of Texas Comprehensive Annual Financial Report (CAFR) for information on the investment policy and for the risks associated with the investment pool. The State of Texas CAFR may be found online at <https://fm.xcpa.state.tx.us/fm/pubs/cafr/index.php>.

NOTE 5 - SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the period ended August 31, 2008, the following changes occurred in liabilities (including premiums and discounts).

Debt	Balance 8/31/2007	Additions	Amortization	Principal Payments	Balance 08/31/08	Amounts Due Within One Year (Principal)
General Obligation Bonds	\$3,886,750,000	1,100,000,000	-	(30,900,000)	\$4,955,850,000	\$32,290,000
Premium (Discount)	\$113,606,546	61,109,369	(8,894,737)	-	\$165,821,178	-
Total Governmental Type Activities	\$4,000,356,546	1,161,109,369	(8,894,737)	(30,900,000)	\$5,121,671,178	\$32,290,000

During the period ended August 31, 2007, the following changes occurred in liabilities (including premiums and discounts).

Debt	Balance 8/31/2006	Additions	Amortization	Principal Payments	Balance 08/31/07	Amounts Due Within One Year (Principal)
General Obligation Bonds	\$1,725,515,000	2,196,605,000	-	(35,370,000)	\$3,886,750,000	\$30,900,000
Premium (Discount)	\$62,150,227	57,468,994	(6,012,675)	-	\$113,606,546	-
Total Governmental Type Activities	\$1,787,665,227	2,254,073,994	(6,012,675)	(35,370,000)	\$4,000,356,546	\$30,900,000

Debt Service Requirements

Yearly Service Requirements	GENERAL OBLIGATION BONDS		TOTAL
	Principal	Interest	
2009	\$32,290,000	\$232,748,811	\$265,038,811
2010	34,730,000	231,255,300	265,985,300
2011	39,645,000	229,678,011	269,323,011
2012	46,770,000	227,866,482	274,636,482
2013	53,190,000	225,704,845	278,894,845
2014-2018	382,575,000	1,084,833,317	1,467,408,317
2019-2023	622,575,000	974,355,360	1,596,930,360
2024-2028	941,480,000	794,008,288	1,735,488,288
2029-2033	1,351,735,000	530,967,493	1,882,702,493
2034-2037	1,450,860,000	167,929,978	1,618,789,978
Total Requirements	\$4,955,850,000	\$4,699,347,885	\$9,655,197,885

Fixed interest rates for the Series 2005-A bonds vary from 3.900% to 5.000% depending on maturities. The Series 2005-B bonds have a variable interest rate. To date, the average interest rate on the Series 2005-B bonds has been approximately 3.201%. Fixed interest rates on the Series 2006 bonds vary from 3.625% to 5.000%. Fixed interest rates on the Series 2006-A bonds vary from 4.0% to 5.0%, the Series 2006-B bonds have a variable interest rate. The average interest rate on the Series 2006-B bonds has been approximately 2.507%. Fixed interest rates on the Series 2007 bonds vary from 4.0% to 5.0%. Fixed interest rates on the Series 2008 bonds vary from 4.0% to 5.0%.

General Obligation Bonds Payable

Transportation Code, Chapter 201, Subchapter M. Obligations for Certain Highway and Mobility Projects authorized the Commission to issue Texas Mobility Fund bonds. The Commission issued these bonds to pay, or reimburse the State Highway Fund or the Mobility Fund for, the costs of (i) constructing, reconstructing, acquiring, and expanding State highways and providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and (ii) issuing the bonds.

Long-term obligations proposed to be issued by the Commission may not be issued unless the Comptroller projects in a Comptroller's certification that the amount of money dedicated to the fund and required to be on deposit in the fund, and the investment earnings on that money, during each year of the period during which the proposed obligations are scheduled to be outstanding will be equal to at least 110% of the debt service requirements during that year. The Commission through an amendment to the Master Resolution, which can be amended without bondholder consent, has authorized up to \$6.4 billion outstanding at any time.

Series	Par Value	Date Issued
Series 2008 General Obligation Bonds	\$1,100,000,000	February 28, 2008
Series 2007 General Obligation Bonds	1,006,330,000	June 21, 2007
Series 2006-B General Obligation Bonds	150,000,000	December 13, 2006
Series 2006-A General Obligation Bonds	1,040,275,000	October 31, 2006
Series 2006 General Obligation Bonds	750,000,000	June 8, 2006
Series 2005-A General Obligation Bonds	900,000,000	June 8, 2005
Series 2005-B General Obligation Bonds	100,000,000	June 8, 2005

Source of revenue for debt service – Pursuant to the Enabling Act, the Commission must secure payment of Parity Debt with all or part of the revenues dedicated to and on deposit in the Mobility Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the Mobility Fund are insufficient to make payments due on such obligations. With respect to Parity Debt, the Commission has pledged to the Owners as security for the payment of the Bonds and the previously issued Outstanding Parity Debt, a first lien in the Security, which consists of: (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently established and designated as being included within the Security; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement; and (vi) any applicable guarantee of the State. Funds deposited to the Mobility Fund through August 31, 2005 include revenues from Court Fines and Driver License Point Surcharge Fees. On September 1, 2005, the initial revenue sources of the Mobility Fund were redirected to the State of Texas General Revenue Fund. New sources of revenue for the Mobility Fund are being phased into the Mobility Fund. In fiscal year 2006 the sources of revenue were the United We Stand License Plate Fees, Investment Income, and Motor Vehicle Inspection Fees. Driver Record Information Fees were added in fiscal year 2007, Driver License Fees in fiscal year 2008, and Certificate of Title Fees in fiscal year 2009.

With respect to the Series 2005-B Bonds and the Series 2006-B Bonds liquidity facilities have been executed with DEPFA Bank PLC (for Series 2005-B), and State Street Bank and Trust along with California Public Employees' Retirement System (for Series 2006-B), to provide liquidity in the event such bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The repayment obligations under the liquidity facilities are parity debt and payable from the same source of revenues as the outstanding parity obligations.

General Obligation Bonds – Principal							
MATURITY	SERIES 2008	SERIES 2007	SERIES 2006-A	SERIES 2006-B	SERIES 2006	SERIES 2005-A	SERIES 2005-B
April 1, 2006	\$	\$	\$	\$	\$	\$21,270,000	\$3,215,000
April 1, 2007			195,000		18,350,000	14,115,000	2,710,000
April 1, 2008		1,145,000	0		12,275,000	14,680,000	2,800,000
April 1, 2009	500,000	250,000	375,000		12,860,000	15,415,000	2,890,000
April 1, 2010	500,000	250,000	1,325,000		13,485,000	16,185,000	2,985,000
April 1, 2011	2,925,000	250,000	2,275,000		14,115,000	16,995,000	3,085,000
April 1, 2012	7,490,000	250,000	3,215,000		14,785,000	17,845,000	3,185,000
April 1, 2013	11,245,000	250,000	4,185,000		15,485,000	18,735,000	3,290,000
April 1, 2014	13,625,000	2,350,000	5,115,000		16,225,000	19,670,000	3,400,000
April 1, 2015	15,645,000	5,130,000	6,045,000		16,940,000	20,655,000	3,510,000
April 1, 2016	17,765,000	8,125,000	6,955,000		17,770,000	21,690,000	3,625,000
April 1, 2017	19,465,000	10,890,000	8,895,000		18,630,000	22,775,000	3,745,000
April 1, 2018	21,935,000	12,420,000	12,490,000		19,560,000	23,660,000	3,870,000
April 1, 2019	23,860,000	14,035,000	16,305,000		20,540,000	24,605,000	4,000,000
April 1, 2020	25,905,000	15,735,000	20,340,000		21,565,000	25,590,000	4,130,000
April 1, 2021	28,045,000	17,540,000	24,655,000		22,645,000	26,640,000	4,265,000
April 1, 2022	30,310,000	19,450,000	29,195,000		23,775,000	27,975,000	4,405,000
April 1, 2023	32,695,000	21,470,000	34,015,000		24,965,000	29,370,000	4,550,000
April 1, 2024	35,880,000	23,595,000	39,105,000		26,215,000	30,840,000	4,700,000
April 1, 2025	38,565,000	25,840,000	44,530,000		27,525,000	32,385,000	4,855,000
April 1, 2026	41,395,000	28,165,000	50,240,000		28,805,000	34,000,000	5,015,000
April 1, 2027	44,375,000	30,605,000	56,035,000		30,245,000	35,700,000	5,180,000
April 1, 2028	47,515,000	33,170,000	62,405,000		31,755,000	37,490,000	5,350,000
April 1, 2029	51,500,000	35,865,000	68,865,000		33,345,000	39,360,000	5,530,000
April 1, 2030	55,015,000	38,725,000	75,975,000		35,010,000	41,330,000	5,710,000
April 1, 2031	58,715,000	41,625,000	83,055,000		36,760,000	49,295,000	
April 1, 2032	62,310,000	44,720,000	90,900,000		38,600,000	51,635,000	
April 1, 2033	66,090,000	47,895,000	99,285,000		40,530,000	54,090,000	
April 1, 2034	70,205,000	51,270,000	108,100,000		42,555,000	56,655,000	
April 1, 2035	75,210,000	66,015,000	86,200,000	19,890,000	44,685,000	59,350,000	
April 1, 2036	79,795,000	135,590,000		130,110,000	30,000,000		
April 1, 2037	121,520,000	273,710,000					
TOTAL	\$1,100,000,000	\$1,006,330,000	\$1,040,275,000	\$150,000,000	\$750,000,000	\$900,000,000	\$100,000,000

*Maturity dates and amounts for bonds subject to mandatory redemption prior to maturity are based on mandatory redemption schedules.

The bonds and the Commission’s payment obligations to the Liquidity Facility Issuer under the Liquidity Facility are general obligations of the State, and as provided in the Enabling Act and the Resolution, the full faith and credit of the State is pledged for the payment of the bonds and the Commission’s payment obligations to the Liquidity Facility Issuer under the Liquidity Facility in the event that the revenue and money dedicated to and on deposit in the Mobility Fund are insufficient.

The Commission is subject to various covenants imposed by the various bond resolutions. Management believes the Commission was in compliance with all significant covenants as of August 31, 2008.

Redemption

Series 2008 Optional Redemption

The Bonds maturing on and after April 1, 2019 will be subject to redemption on April 1, 2018 or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2008 Mandatory Redemption

The Bonds maturing on April 1 in the years 2032 and 2037 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows.

<u>Term Bonds Maturing April 1, 2032</u>		<u>Term Bonds Maturing April 1, 2037</u>	
<u>Redemption Date</u>		<u>Redemption Date</u>	
<u>(April 1)</u>	<u>Principal Amount</u>	<u>(April 1)</u>	<u>Principal Amount</u>
2031	\$58,715,000	2033	\$66,090,000
2032*	\$62,310,000	2034	\$70,205,000
		2035	\$75,210,000
		2036	\$79,795,000
		2037*	\$121,520,000

* Stated maturity

Series 2007 Optional Redemption

The Bonds maturing on and after April 1, 2018 will be subject to redemption on April 1, 2017 or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2007 Mandatory Redemption

The Bonds maturing on April 1 in the years 2033 and 2037 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows.

<u>Term Bonds Maturing April 1, 2033</u>		<u>Term Bonds Maturing April 1, 2037</u>	
<u>Redemption Date</u>		<u>Redemption Date</u>	
<u>(April 1)</u>	<u>Principal Amount</u>	<u>(April 1)</u>	<u>Principal Amount</u>
2030	\$38,725,000	2034	\$26,270,000
2031	\$41,625,000	2035	\$66,015,000
2032	\$44,720,000	2036	\$135,590,000
2033*	\$47,895,000	2037*	\$273,710,000

* Stated maturity

Series 2006-B Optional Redemption

Daily Mode or Weekly Mode. Variable Rate Bonds in the Daily Mode or Weekly Mode will be subject to redemption at the option of the Commission in whole or in part, on any interest payment date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Series 2006-B Mandatory Redemption

The Bonds will be subject to redemption prior to maturity on April 1 of such years and in such principal amounts as set forth in the following schedule:

Redemption Date	Principal Amount
<u>(April 1)</u>	<u>(April 1)</u>
2035	\$19,890,000
2036*	\$130,110,000

* Stated Maturity

Series 2006-A Optional Redemption

The Bonds maturing on and after April 1, 2018 will be subject to redemption on April 1, 2017, or any day thereafter, in whole in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2006-A Mandatory Redemption

The Bonds maturing on April 1 in the years 2033 and 2035 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption dates, as follows:

<u>Term Bonds Maturing April 1, 2033</u>		<u>Term Bonds Maturing April 1, 2035</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
<u>(April 1)</u>		<u>(April 1)</u>	
2031	\$83,055,000	2034	\$108,100,000
2032	\$90,900,000	2035*	\$86,200,000
2033*	\$99,285,000		

* Stated maturity

Series 2006 Optional Redemption

The Bonds maturing on and after April 1, 2017 will be subject to redemption on April 1, 2016, or any day thereafter, in whole in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2006 Mandatory Redemption

The Bonds maturing on April 1, 2035 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following table, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption dates, set forth below:

Term Bonds Maturing	
April 1, 2035	
Redemption Date	Principal Amount
<u>(April 1)</u>	
2032	\$38,600,000
2033	40,530,000
2034	42,555,000
2035*	44,685,000
TOTAL	<u>\$166,370,000</u>

* Stated maturity

Series 2005-A Optional Redemption

The Fixed Rate Bonds maturing on and after April 1, 2016 will be subject to redemption on April 1, 2015 or any day thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Series 2005-A Mandatory Redemption

The Fixed Rate Bonds maturing on April 1, 2035 (the "Term Bond") are subject to mandatory sinking fund redemption prior to maturity in the aggregate principal amounts and on the dates set forth in the following tables, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, as follows:

Term Bonds Maturing	
April 1, 2035	
Redemption Date	Principal Amount
(April 1)	
2031	\$49,295,000
2032	51,635,000
2033	54,090,000
2034	56,655,000
2035*	59,350,000
TOTAL	\$271,025,000

* Stated maturity

Series 2005-B Optional Redemption

Daily Mode or Weekly Mode. Variable Rate Bonds in the Daily Mode or Weekly Mode will be subject to redemption at the option of the Commission in whole or in part, on any interest payment date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Series 2005-B Mandatory Redemption

The Variable Rate Bonds will be subject to mandatory redemption prior to maturity on April 1 of such years and in such principal amounts as set forth in the following schedule:

Date	Principal Amount	Date	Principal Amount
2006	\$3,215,000	2019	4,000,000
2007	2,710,000	2020	4,130,000
2008	2,800,000	2021	4,265,000
2009	2,890,000	2022	4,405,000
2010	2,985,000	2023	4,550,000
2011	3,085,000	2024	4,700,000
2012	3,185,000	2025	4,855,000
2013	3,290,000	2026	5,015,000
2014	3,400,000	2027	5,180,000
2015	3,510,000	2028	5,350,000
2016	3,625,000	2029	5,530,000
2017	3,745,000	2030	5,710,000
2018	3,870,000	Total	\$100,000,000

Redemption in Part

In the event of redemption of less than all the Variable Rate Bonds, the Variable Rate Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar in its discretion may determine; provided, however, that the Variable Rate Bonds to be redeemed will be in authorized denominations; and provided, further, that any Variable Rate Bonds which are Purchased Bonds will be redeemed prior to any other Variable Rate Bonds.

Redemption of Purchased Bonds

Purchased Bonds are subject to redemption, at the option of the Commission in whole or in part on any business day, at a redemption price equal to the principal amount of the Purchased Bonds to be redeemed plus accrued interest thereon to the redemption date. Purchased Bonds are also subject to mandatory redemption in accordance with the terms of the Liquidity Facility. If less than all of the Variable Rate Bonds are to be redeemed, the Commission is required to redeem all Purchased Bonds prior to the redemption of any other Variable Rate Bonds.

DERIVATIVES

Pay-Variable, Receive-Variable Interest Rate Swaps

Objective of the Swaps

The Commission is currently a party to three pay-variable, receive-variable Constant Maturity Swaps (CMS basis swaps) associated with the Commission's State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. The CMS basis swaps exchange the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (formerly known as Bond Market Association (BMA) Municipal Swap Index) for 69.42% of the 10 year London Interbank Offered Rate (LIBOR) Swap Index. The purpose of the CMS basis swaps is to achieve reduced overall borrowing costs through the assumption of yield curve risk (the difference between short-term and long-term rates) and tax risk (the spread between the SIFMA/BMA tax-exempt rate and the LIBOR taxable rate).

Significant Terms

The \$400 million forward starting CMS basis swap was competitively bid on October 5, 2006 and agreements were executed with the following counterparties on October 6, 2006: JPMorgan Chase Bank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P., and Morgan Stanley Capital Services Inc. The notional amount of the JPMorgan Chase CMS basis swap is \$200 million and the notional amounts of the Goldman Sachs and Morgan Stanley CMS basis swaps are each \$100 million. As of August 31, 2008 there was \$1,040,080,000 of Series 2006-A Bonds outstanding and the notional amount of the CMS basis swaps was \$400 million. Effective September 1, 2007, the Commission pays to each swap counterparty an amount equal to the SIFMA/BMA Municipal Swap Index on the notional amount of the swap agreements. In return, each swap counterparty will pay the Commission an amount equal to 69.42 percent of the USD-ISDA-Swap Rate assuming a 10-year Designated Maturity (which is a reported market rate at which 10-year interest rate swaps for a one month U.S. dollar LIBOR rate are entered into from time to time) on the notional amounts of each swap agreement. Regularly scheduled amounts owed by the Commission and the swap counterparties are due under the basis swap agreements on a net basis on the first business day of each month following the effective date of the basis swap agreements, which commenced October 2007 and ends on September 1, 2027. Following certain events, such as a credit rating downgrade of a counterparty, collateral posts may be required according to the credit support annex. In addition, the Commission has the option to terminate any swap transaction, in whole or in part, at any time. In the event that the Commission elects to terminate one or more

swap transactions, amounts due to and from the counterparty/counterparties will be calculated by an external calculation agent.

TERMS OF THE \$400 MILLION CMS BASIS SWAP					
<i>Counterparty</i>	<i>Notional Amount</i>	<i>Variable Rate Paid</i>	<i>Variable Rate Received</i>	<i>Fair Value as of 8/31/08</i>	<i>Credit Ratings F/M/S&P</i>
JPMorgan Chase	\$200 million	SIFMA/BMA	69.42% of 10-yr LIBOR	\$2,040,341	AA-/Aa2/AA-
Goldman Sachs	\$100 million	SIFMA/BMA	69.42% of 10-yr LIBOR	1,020,170	NR/Aaa/AAA
Morgan Stanley	\$100 million	SIFMA/BMA	69.42% of 10-yr LIBOR	1,020,170	AA-/A1/A+
	<u>\$400 million</u>			<u>\$4,080,681</u>	

Fair Value

As of August 31, 2008, the fair market values of the CMS basis swaps with JPMorgan Chase, Goldman Sachs, and Morgan Stanley were \$2,040,341, \$1,020,170, and \$1,020,170, respectively for a total market value of \$4,080,681. The valuations are intended to serve as theoretical estimates of the market value of the swaps as of the date indicated.

Risks Involved

- a. Credit Risk: Credit risk is the risk that a counterparty will not fulfill its obligations according to the swap agreement. The Commission mitigates credit risk associated with swap transactions by only entering into transactions with highly-rated counterparties. Upon entering a derivative transaction, the Commission requires that counterparties have a minimum credit rating of AA-/Aa3 by at least one of the three nationally recognized rating agencies. Additionally, the Commission diversifies exposure to counterparty credit risk through multiple awards. Although the original notional award amount for the CMS basis swap was \$400 million, the actual award was split amongst three counterparties. CMS basis swap agreements contain provisions for collateral posts by counterparties in the event of a credit rating downgrade. Acceptable forms of collateral include cash in the form of U.S. Dollars, negotiable debt obligations issued by the U.S. Treasury Department, and agency securities. Agency securities include negotiable debt obligations which are fully guaranteed as to both principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, but excluding 1) interest only and principal only securities, and 2) Collateralized Mortgage Obligations, Real Estate Mortgage Investment Conduits and similar derivative securities. Collateral will be held by the Commission and/or its designated custodian.
- b. Interest Rate Risk: Yield curve risk, a form of interest rate risk, exists when short-term and long-term interest rates change causing a change in the shape of the yield curve. Yield curve risk has been assumed in the swap transactions, with the anticipated benefit dependent upon the yield curve's return to a slope more closely related to historical norms. Long-term exposure to yield

curve risk is mitigated through the Commission's unilateral ability to terminate the swaps at any time should the yield curve not return to normal as projected.

- c. Basis Risk: Basis risk is the risk that occurs when derivative transactions incorporate variable interest rates based on different indexes, such as taxable versus tax-exempt indexes. Tax risk, a form of basis risk, is the risk that tax law changes would cause the SIFMA/BMA tax-exempt index to rise higher than the established percentage of the LIBOR taxable index. This change could cause the Commission's net cash outflows to be greater than the net cash inflows, thus reducing the cumulative interest rate savings intended by the swap transaction. To mitigate tax risk, the Commission executes swap agreements where the percentage of LIBOR closely matches historical trading relationships creating a net inflow of payments to the Commission, thus reducing interest cost. The Commission also mitigates tax risk by limiting the portion of the total portfolio that can be exposed to tax risk at a given time.
- d. Termination Risk: Termination risk exists if
 - i. The Commission opts to terminate the swap prior to maturity;
 - ii. The credit rating assigned to the long-term, unenhanced senior lien Texas Mobility Fund Revenue Financing Program Obligations of the Commission is withdrawn, suspended or falls below Baa2/BBB or the Commission fails to have any rated long-term, unenhanced senior lien Texas Mobility Fund Revenue Financing Program Obligations and the Commission is unable or not required to post collateral;
 - iii. The credit rating assigned to the long-term, unsecured, unenhanced, unsubordinated debt of a counterparty is withdrawn, suspended or falls below Baa2/BBB or a counterparty fails to have any rated long-term, unsecured, unenhanced, unsubordinated debt and the counterparty is unable to post collateral; or
 - iv. If the Commission or counterparty fails to perform under the terms of the respective swap agreements.

The Commission mitigates termination risk by maintaining a strong financial standing for its financing programs thus making involuntary termination unlikely. The Commission targets maintenance of sufficient reserves to cover all or part of a termination payment due to a counterparty if the swap is terminated prior to maturity and the swap has a negative fair value. Risk of involuntary termination due to counterparty downgrade is mitigated by a collateral posting requirement, and the use of a diverse group of highly-rated counterparties. Risk of involuntary termination due to a downgrade of the State of Texas below Baa2/BBB is highly unlikely given the General Obligation pledge and Aa1/AA/AA+ ratings supporting the obligations of the Mobility Fund. In addition, the Commission also has the sole option to terminate and cancel any swap transaction, at any time, in whole or in part.

- e. Rollover Risk: Rollover risk is the risk that the duration of the swap transaction does not match the final maturity of the underlying debt issue. This presents risk because once the swap terminates, the Commission will no longer benefit from the anticipated reduced interest cost provided by the swap. The CMS basis swaps present rollover risk because the swaps will terminate on September 1, 2027 and the final maturity of the associated debt series is April 1, 2035. The Commission accepted rollover risk because extending the term of the swap agreements to match the maturity of the bonds would have continued counterparty credit risk for only marginal projected benefit.
- f. Market-access Risk: Market-access risk is the risk that an entity will not be able to enter credit markets or that credit will become more costly. The CMS basis swap does not present market-access risk because the transaction does not require access to the credit market.

B. Associated Debt

The CMS basis swaps are associated with the Commission’s State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. The debt service schedule for the bonds is shown in the table below. The effective date for the exchange of payments commencement on the CMS basis swaps was September 1, 2007. Projected cash flows according to assumptions are listed in the table below.

Debt Service Schedule				
State of Texas General Obligation Mobility Fund Series 2006-A Fixed-Rate Bonds			Constant Maturity Swaps	
FY	PRINCIPAL	INTEREST	PAYMENTS*	NET DEBT SERVICE
2009	\$375,000	49,794,500	(5,060,000)	45,109,500
2010	1,325,000	49,779,500	(5,060,000)	46,044,500
2011	2,275,000	49,726,500	(5,060,000)	46,941,500
2012	3,215,000	49,635,500	(5,060,000)	47,790,500
2013	4,185,000	49,506,900	(5,060,000)	48,631,900
2014-2018	39,500,000	244,152,550	(25,300,000)	258,352,550
2019-2023	124,510,000	227,491,000	(25,300,000)	326,701,000
2024-2028	252,315,000	184,776,900	(20,661,667)	416,430,233
2029-2033	418,080,000	109,458,000		527,538,000
2034-2038	194,300,000	12,622,500		206,922,500
	\$1,040,080,000	\$1,026,943,850	\$(96,561,667)	\$1,970,462,183

*Swap payments projected using the historical average annual spread differential of 1.265%, between BMA and 69.42% of 10-Year USD-ISDA-Swap Rate since 1985.

NOTE 6 – DUE TO THE STATE HIGHWAY FUND

As of August 31, 2008, the Mobility Fund is reporting Due To the State Highway Fund in the amount of \$73,091,022. This represents accrued expenses which were payable to the State Highway Fund.

NOTE 7- EMPLOYEES' RETIREMENT PLANS

The State has joint contributory retirement plans for virtually all its employees. The Department participates in the plans administered by the Employees Retirement System of Texas (“ERS”) by making monthly payments based on actuarial calculations. Future pension costs are the liabilities of the ERS. ERS does not account for each State agency separately. Annual financial reports prepared by the ERS include audited financial statements and actuarial assumptions and conclusions. The Mobility Fund does not have any employees. The Department provides all accounting and administrative services. The Mobility Fund does not have any contributions to the plan.

NOTE 8 – CONTINUANCE SUBJECT TO REVIEW

The Department is currently subject to a continuance review. Under the Texas Sunset Act, the Department will be abolished effective September 1, 2009, unless continued in existence by the 81st Legislature as provided by the Act. If abolished, the Department may continue until September 1, 2010 to close out its operations. In the event that the Department is abolished pursuant to the Texas Sunset Act or other law, Section 325.017(f), Texas Government Code, acknowledges that such action will not alter the obligation of the State to pay bonded indebtedness and all other obligations of the abolished agency. The Mobility Fund is a fund of the Department, as such, is subject to the Texas Sunset Act.

NOTE 9 - RISK FINANCING & RELATED INSURANCE

The Mobility Fund is established in the Treasury Operations Division – Comptroller’s office (Treasury) and is managed by the Texas Department of Transportation (Department). The fund does not have any employees or equipment. The Department provides all accounting and administrative services. In addition, the Department’s risk financing and insurance programs apply to the Mobility Fund.

NOTE 10 – ADJUSTMENTS TO FUND BALANCE/NET ASSETS

During fiscal year 2008 certain accounting changes and adjustments were made which required the restatement of fund balances as shown and discussed below.

Restatements to Fund Balances/Net Assets			
	As Previously Reported	Restatements	As Restated
Governmental Funds			
FUND BALANCES, August 31, 2006	\$ <u>310,178,598</u>	\$ <u>26,776,897</u>	\$ <u>336,955,495</u>
Governmental Activities			
NET ASSETS, August 31, 2006	<u>(1,415,336,402)</u>	<u>(54,033,592)</u>	<u>(1,469,369,994)</u>
Total Governmental Funds and Government-wide Activities	\$ <u>(1,105,157,804)</u>	\$ <u>(27,256,695)</u>	\$ <u>(1,132,414,499)</u>

Restatements by Activity		
A. Interest Payable – FY 2006	\$	26,776,897
Total Governmental Funds Restatement		26,776,897
B. Bond Premium/Discount on Bonds Issued		(68,042,410)
C. Amortization of Bond Premium/Discount		5,892,183
D. Bond Issue Costs		8,574,963
E. Amortization of Bond Issue Costs		(458,328)
Total Governmental Activities Restatement	\$	(54,033,592)
Total Restatements	\$	(27,256,695)

A. This restatement is necessary to correct an accrual of debt service expense made in error in the prior period that resulted in the overstatement of interest expenditures. Governmental fund liabilities and expenditures for debt service on general long term debt are recognized when due. Subsequent year debt service requirements are appropriately accounted for as expenditures in the year of payment.

B. – E. These restatements are to adjust assets and liabilities for bond premium, discount, and bond issue costs which were not capitalized or amortized in prior periods. The difference between the present value and the face amount of a bond issue should be capitalized as discount or premium and amortized as interest expense. Bond issue costs associated with debt issues should be shown as a deferred charge and amortized over the remaining life of the bonds.

NOTE 11 – SUBSEQUENT EVENTS

Since the conclusion of fiscal year 2008, adverse events in the financial markets led to a period where volatile and higher than historic interest rates were borne by the variable rate bonds. Additionally, the credit rating of a standby bond purchase provider was downgraded, which has resulted in sustained higher than comparable market rates on the Texas Mobility Fund Series 2005-B variable rate bonds, as well as tenders and failed remarketings of a portion of those bonds outstanding. Remedies to resolve the status of the bank held bonds are being pursued and are expected to be successful due to the high quality of the underlying general obligation credit rating of the State of Texas that the bonds bear.

Also due to turbulence in the financial markets and the resulting volatility in short term interest rates, the mark-to-market value of the swaps has moved fairly dramatically in a short period of time. The same has been true for the exchange of payments on the swaps; however the duration of the rate volatility was short and short term rates have stabilized to more what historic experience has been. Additionally, a credit rating downgrade was experienced by one of the swap counterparties, which makes that firm ineligible to participate in future derivative transactions with the Commission until their ratings are upgraded.

Supplementary Schedule

Summary of Project Expenditures Funded by the Texas Mobility Fund by County for Fiscal Year 2008

<u>County</u>	<u>Preliminary Engineering</u>	<u>Construction</u>	<u>Construction Engineering</u>	<u>Right-of-Way</u>	<u>Total Expenditures</u>
Anderson	\$ 640,213	\$ -	\$ -	\$ 3,820,148	\$ 4,460,361
Angelina	114,272	-	-	3,102,775	3,217,047
Aransas	-	-	-	631	631
Archer	123,665	-	-	88,653	212,318
Austin	519,060	-	-	-	519,060
Bastrop	(8,050)	1,830,988	85,844	116,559	2,025,341
Baylor	86,715	11,273,371	442,348	365,130	12,167,564
Bee	10,250	11,075,533	252,947	3,310	11,342,040
Bell	907,980	31,907,336	1,017,443	3,752,427	37,585,186
Bexar	2,331,342	101,133,343	4,591,414	2,072,823	110,128,922
Bowie	655,858	8,643,205	546,486	972,404	10,817,953
Brazoria	24,529	1,414,074	144,782	1,802,085	3,385,470
Brazos	75,884	12,127,472	610,597	818,537	13,632,490
Brooks	181,823	-	-	-	181,823
Burleson	-	1,893,984	95,598	536,796	2,526,378
Burnet	-	-	-	17,399	17,399
Caldwell	-	-	-	68,169	68,169
Calhoun	-	71,717	67	48,510	120,294
Callahan	-	-	-	87,018	87,018
Cameron	775,438	17,020,373	711,886	316,932	18,824,629
Carson	-	-	-	15,707	15,707
Cass	6,816	11,641,840	432,120	1,690	12,082,466
Chambers	799,338	24,089,052	529,002	-	25,417,392
Cherokee	586,468	-	-	154,233	740,701
Childress	-	-	-	14,948	14,948
Collin	110,635	6,561,436	330,676	8,872,661	15,875,408
Colorado	109,616	-	-	-	109,616
Comal	1,006,669	590,599	57,306	39,533	1,694,107
Comanche	1,416	-	-	-	1,416
Concho	1,230	-	-	372,361	373,591
Cooke	133,273	-	-	623,813	757,086
Coryell	999	3,692,521	211,625	344,840	4,249,985
Dallam	450	2,663,144	111,510	904,625	3,679,729
Dallas	6,377,354	58,602,614	2,967,303	108,441,605	176,388,876
Denton	8,076,519	31,250,613	1,301,313	11,522	40,639,967
Dewitt	-	-	-	716	716
Eastland	-	-	-	6,452	6,452
Ector	16,708	-	-	-	16,708
El Paso	694,061	113,257	38,603	1,630,140	2,476,061
Ellis	-	15,597,314	564,075	-	16,161,389
Erath	86,638	-	-	449,788	536,426
Falls	23,527	951,016	70,948	872,887	1,918,378
Fannin	-	-	-	507,749	507,749
Fort Bend	47,632	30,411,581	1,274,330	849,771	32,583,314
Galveston	47,637	11,739,822	607,236	-	12,394,695
Gillespie	4,300	-	-	-	4,300
Glasscock	48,985	-	-	-	48,985
Goliad	2,535	10,582,349	518,569	-	11,103,453
Grayson	-	-	-	318,106	318,106
Gregg	308,612	-	-	199,710	508,322
Grimes	32,479	-	-	-	32,479
Guadalupe	156,766	-	-	-	156,766
Hardin	72,151	-	-	3,472	75,623
Harris	(1,211,081)	79,867,902	6,819,258	30,368,045	115,844,124

Supplementary Schedule
Summary of Project Expenditures funded by the Texas Mobility Fund by County for
Fiscal Year 2008 (Continued)

<u>County</u>	<u>Preliminary Engineering</u>	<u>Construction</u>	<u>Construction Engineering</u>	<u>Right-of-Way</u>	<u>Total Expenditures</u>
Harrison	-	1,035,063	74,834	389,318	1,499,215
Hartley	39,837	-	-	-	39,837
Haskell	-	545,919	27,071	2,869	575,859
Hays	332,287	-	-	26,339	358,626
Henderson	153,049	16,119,974	443,672	2,292,790	19,009,485
Hidalgo	357,312	24,153,706	700,060	3,079,108	28,290,186
Hill	717,874	13,705,283	562,090	931,323	15,916,570
Houston	20,954	-	-	48,862	69,816
Hunt	407,617	-	65,147	3,526,067	3,998,831
Jasper	136,377	11,685,375	302,863	108,502	12,233,117
Jefferson	-	647,385	38,105	-	685,490
Johnson	1,786,446	-	-	1,120,689	2,907,135
Kaufman	171,810	-	-	-	171,810
Kerr	40,412	794,903	13,435	-	848,750
Kimble	101,653	-	-	-	101,653
Kinney	369,844	-	-	-	369,844
Knox	-	519,124	47,368	-	566,492
Lampasas	2,013	-	-	185,268	187,281
Lavaca	396	-	-	3,090	3,486
Liberty	360,578	2,244,973	67,126	348,775	3,021,452
Limestone	-	-	-	219,533	219,533
Live Oak	199,237	7,255,865	532,247	342,344	8,329,693
Lubbock	(26,282)	20,123,243	1,189,530	-	21,286,491
Madison	1,137	-	-	-	1,137
Marion	6,614	9,310,533	334,339	1,733	9,653,219
Matagorda	-	-	-	18,057	18,057
Maverick	1,668,915	-	-	3,219,700	4,888,615
McCulloch	5,281	-	-	-	5,281
McLennan	1,850,862	20,735,870	617,050	3,896,313	27,100,095
Menard	22,236	-	-	57,666	79,902
Midland	173,587	13,500	3,549	-	190,636
Milam	124,117	-	-	-	124,117
Montgomery	929,178	73,785,212	2,070,143	1,746,532	78,531,065
Nacogdoches	9,779	-	-	150,566	160,345
Navarro	-	14,067,169	521,810	-	14,588,979
Nueces	482,046	2,012,384	285,418	-	2,779,848
Orange	6,733	8,340,259	284,579	848,919	9,480,490
Pecos	5,999	-	-	-	5,999
Potter	418	1,657,353	102,179	11,637	1,771,587
Rains	16,653	-	-	3,372	20,025
Red River	-	79,043	656	-	79,699
Robertson	28,143	4,295,876	201,814	353,564	4,879,397
Rockwall	176,077	13,314,776	851,006	646,344	14,988,203
San Jacinto	16,310	-	-	693,897	710,207
San Patricio	4,037	17,580,773	497,375	1,084,002	19,166,187
Shelby	-	-	-	569	569
Smith	282,670	6,634,347	919,053	2,309,791	10,145,861
Starr	369,989	-	-	-	369,989
Sterling	5,226	-	-	545,607	550,833
Tarrant	5,952,887	6,753,347	293,181	5,561,906	18,561,321
Taylor	-	8,252,546	326,337	92,767	8,671,650
Tom Green	166	8,071,320	472,788	-	8,544,274
Travis	6,462,298	71,815,047	3,291,238	17,283,274	98,851,857
Tyler	151,382	-	-	820,166	971,548
Val Verde	346,408	-	-	-	346,408
Van Zandt	-	24,033	985	-	25,018

Supplementary Schedule
Summary of Project Expenditures funded by the Texas Mobility fund by County for
Fiscal Year 2008 (Concluded)

<u>County</u>	<u>Preliminary</u> <u>Engineering</u>	<u>Construction</u>	<u>Construction</u> <u>Engineering</u>	<u>Right-of-Way</u>	<u>Total</u> <u>Expenditures</u>
Victoria	99,015	3,900,239	133,602	18,632	4,151,488
Walker	763	1,132,255	96,327	-	1,229,345
Waller	32,447	-	-	-	32,447
Webb	1,451,340	14,369,799	686,646	92,639	16,600,424
Wichita	-	4,968,389	317,564	-	5,285,953
Willacy	773	5,690,522	148,213	-	5,839,508
Williamson	366,529	580,580	10,590	2,197,633	3,155,332
Wilson	-	-	24	-	24
Wise	273,690	2,637,276	370,656	1,606,487	4,888,109
Wood	366,934	1,663,275	54,271	95,018	2,179,498
Zapata	363,918	3,734,289	139,833	-	4,238,040
Totals	\$ 51,206,683	\$ 890,997,281	\$ 41,428,060	\$ 228,976,348	\$ 1,212,608,372

- Totals may vary from Operating Transfers Out due to rounding.
- Negative balances reflect conversion of projects to Special Revenue Fund 6 funding.
- A detailed listing by project may be found at http://www.dot.state.tx.us/services/finance/mobility_fund.htm

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