

OFFICIAL STATEMENT
DATED JUNE 19, 2014

NEW ISSUE - Book-Entry-Only

RATINGS: See "OTHER INFORMATION – Ratings" herein

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



\$973,775,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS, SERIES 2014



Dated: Date of Initial Delivery

Due: October 1, as shown on Page ii

The "Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014" (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 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"); Chapters 1207 and 1371, Texas Government Code, as amended; a "Master Resolution" adopted by minute order of the Commission on May 4, 2005, as amended (the "Master Resolution"); and a "Ninth Supplemental Resolution" adopted by minute order of the Commission on January 30, 2014 (the "Ninth Supplemental Resolution"), authorizing the Bonds.

Proceeds of the Bonds will be used to refund certain outstanding Parity Debt (defined below), as further identified in Schedule I attached hereto (the "Refunded Bonds") to achieve debt service savings, and to pay the costs of issuing the Bonds. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from the date of initial delivery to the underwriters shown below (the "Underwriters"), 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, 2014. 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 and integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the "Paying Agent/Registrar," initially Wilmington Trust, National Association, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the Bonds. See "DESCRIPTION OF THE BONDS – Paying Agent/Registrar" and "APPENDIX D – Book-Entry-Only System."

Obligations that are payable from the Fund (defined herein) 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. **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."

The Bonds are subject to 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. It 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 Page ii

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., Bond Counsel. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Andrews Kurth LLP, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Bracewell & Giuliani LLP, Austin, Texas and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas. It is expected that the Bonds will be delivered on or about July 2, 2014, through the facilities of DTC.

BoFA MERRILL LYNCH

BARCLAYS
RBC CAPITAL MARKETS

MORGAN STANLEY
SIEBERT BRANDFORD SHANK & Co., L.L.C.

PIPER JAFFRAY & Co.

RAMIREZ & Co., INC.
WELLS FARGO SECURITIES

MATURITY SCHEDULE

\$973,775,000

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION MOBILITY FUND REFUNDING BONDS,
SERIES 2014**

<u>Maturity (October 1)</u> ⁽¹⁾	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No.</u> ⁽²⁾
2016	\$24,845,000	5.000%	0.300%	882723MQ9
2017	23,790,000	4.000%	0.740%	882723MR7
2018	33,185,000	5.000%	1.090%	882723MS5
2019	36,875,000	5.000%	1.400%	882723MT3
2020	40,950,000	5.000%	1.700%	882723MU0
2021	44,240,000	5.000%	1.950%	882723MV8
2022	47,710,000	5.000%	2.150%	882723MW6
2023	51,445,000	5.000%	2.330%	882723MX4
2024	55,360,000	5.000%	2.450% ⁽³⁾	882723MY2
2025	59,455,000	5.000%	2.590% ⁽³⁾	882723MZ9
2026	63,800,000	5.000%	2.710% ⁽³⁾	882723NA3
2027	68,385,000	5.000%	2.790% ⁽³⁾	882723NJ4
2028	73,305,000	5.000%	2.850% ⁽³⁾	882723NB1
2029	77,800,000	5.000%	2.920% ⁽³⁾	882723NC9
2030	50,000,000	5.000%	2.970% ⁽³⁾	882723ND7
2031	52,290,000	4.000%	3.330% ⁽³⁾	882723NE5
2032	54,430,000	4.000%	3.400% ⁽³⁾	882723NF2
2033	56,645,000	4.000%	3.490% ⁽³⁾	882723NG0
2034	59,265,000	5.000%	3.210% ⁽³⁾	882723NH8

(Interest accrues from the Date of Initial Delivery of the Bonds)

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- ⁽¹⁾ The Bonds maturing on and after October 1, 2024 are subject to redemption at the option of the Commission, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Commission may select, on April 1, 2024, or on any date thereafter, at a redemption price equal to par plus accrued interest to (but not including) the date fixed for redemption. See “DESCRIPTION OF THE BONDS – Redemption Provisions” herein.
- ⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Department, the Commission, or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- ⁽³⁾ Initial Yield calculated to the first optional redemption date for the Bonds of April 1, 2024.

STATE OF TEXAS OFFICIALS

Rick Perry	Governor
David Dewhurst	Lieutenant Governor
Greg Abbott	Attorney General
Susan Combs	Comptroller of Public Accounts

TEXAS TRANSPORTATION COMMISSION

Name	Title	Term Expires
Ted Houghton	Chairman	February 2015
Jeff Austin, III	Commissioner	February 2019
Jeff Moseley	Commissioner	February 2017
Fred Underwood	Commissioner	February 2015
Victor Vandergriff	Commissioner	February 2019

TEXAS DEPARTMENT OF TRANSPORTATION - SELECTED PERSONNEL

Name	Position	Total Years of Service with the Department
Lt. General Joe Weber	Executive Director	Under 1 year
John Barton, P.E.	Deputy Executive Director	27 years
James M. Bass	Chief Financial Officer	26 years
Benjamin Asher	Innovative Financing/Debt Management Officer	2 years
Brian Ragland, CPA	Finance Director	7 years
Jeff Graham	General Counsel	2 years

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 Bond Counsel McCall, Parkhurst & Horton L.L.P.
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 Paying Agent/Registrar..... Wilmington Trust, National Association

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SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman, or other person has been authorized by the Commission or the Underwriters set forth on the cover page hereof (the “Underwriters”) to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Commission since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the Commission’s undertakings and the undertakings of the Texas Comptroller of Public Accounts to provide certain information on a continuing basis. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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 SEC 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 SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction (domestic or foreign).

The Commission assumes no responsibility for registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction (domestic or foreign) 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**

\$973,775,000

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS, SERIES 2014**

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, pages ii through viii, the Schedule and the Appendices) is to furnish information concerning the issuance of the “Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014” (the “Bonds”) 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”). 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”); Chapters 1207 and 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 pursuant to minute orders adopted by the Commission on September 27, 2007 and June 28, 2012 (collectively, the “Master Resolution”) and a “Ninth Supplemental Resolution” (the “Ninth Supplemental Resolution”) adopted by minute order of the Commission on January 30, 2014, authorizing the issuance of the Bonds. The Ninth Supplemental Resolution and the Master Resolution are referred to herein collectively as 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 Texas Legislature (the “Legislature”) established the Texas Mobility Fund (the “Mobility Fund” or “Fund”) pursuant to the Constitutional Provision to be administered by the Commission to provide a method of financing the construction, reconstruction, acquisition, and expansion of State highways, including costs of any necessary design and costs of acquisition of rights-of-way. The Fund may also be used to provide participation by the Department in the payment of all or a portion of the costs of constructing and providing publicly-owned toll roads and other public transportation projects.

The Legislature has dedicated certain revenues to the Fund and such revenues (referred to herein as the “Dedicated Revenues”) must be deposited in the Mobility 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 Outstanding Parity Debt. Upon their deposit in the Fund, Dedicated Revenues are available for the payment of Parity Debt, including the Bonds, the other Outstanding Parity Debt and any additional Parity Debt, without further appropriation by the State.

Pursuant to the Constitutional Provision, while money in the Fund is pledged to the payment of any outstanding obligations or related credit agreements, the dedication of a specific source or portion of revenues, taxes, or other money may not be reduced, rescinded, or repealed unless the Legislature by law dedicates a substitute or different source projected by the Comptroller of Public Accounts of the State (the “Comptroller”) to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed and the Commission has implemented a pledge of the State’s full faith and credit, if such a pledge is not already in place, for the payment of obligations then secured by such Dedicated Revenues. For more information on Dedicated Revenues, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Major Sources” and “ – Substitution of Dedicated Revenues” herein.

There can be no assurance that the Legislature will not in the future replace some or all of the Dedicated Revenues outlined herein. If the Legislature replaces any revenue source with a substitute source,

the Master Resolution provides that the definition of “Dedicated Revenues” with respect to Parity Debt, including the Bonds and all other previously issued Outstanding Parity Debt, will be automatically revised accordingly. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment.” See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Substitution of Dedicated Revenues.”

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 all other currently Outstanding Parity Debt. THE BONDS CONSTITUTE GENERAL OBLIGATIONS OF THE STATE, AND THE FULL FAITH AND CREDIT OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE BONDS. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – State 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. Loans made for Commission participation in projects may be made by entering into a loan agreement or by the Commission’s purchase of obligations issued by such political subdivisions to evidence such loans (“Transportation Assistance Bonds”) with the proceeds of such Parity Debt. The Commission may, but is not required to, pledge the repayments relating to such loan agreements or Transportation Assistance Bonds to the payment of Parity Debt. In the event such repayments are pledged, such loan agreements or Transportation Assistance Bonds will be held in the “Portfolio Account” (as hereinafter defined) of the Mobility Fund and such repayments will be deposited in the “General Account” (as hereinafter defined) of the Mobility Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Creation of Accounts and Subaccounts within the Mobility Fund.” The Commission has not used the proceeds of the currently outstanding Parity Debt to make loans to political subdivisions as described above, but may consider using proceeds of future obligations issued in the form of Parity Debt for such purpose. At this time, there are no loan agreements or 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 Innovative Financing/Debt Management Office, DeWitt C. Greer State Office Building, 125 E. 11th Street, Austin, Texas 78701. Reference is made to the Resolution and the caption “Select Definitions in the Master Resolution and the Ninth Supplemental Resolution” in “APPENDIX B — Select Provisions of 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 electronically with the Municipal Securities Rulemaking Board and will be available free of charge at www.emma.msrb.org. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Commission’s and the Comptroller’s undertakings to provide certain information on a continuing basis.

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PLAN OF FINANCE

General

Pursuant to the Ninth Supplemental Resolution, the Department Representative is authorized, on behalf of the Commission, to establish the pricing terms for one or more series of bonds in an aggregate principal amount not to exceed \$2.6 billion for (i) refunding all or any portion of the Outstanding Parity Debt, (ii) paying 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 (iii) paying the costs of issuing such bonds.

The Bonds will be the first obligations issued pursuant to the Ninth Supplemental Resolution and the ninth series of obligations issued or executed under the Program, and are being issued under the Program to refund certain Outstanding Parity Debt obligations, as further identified in Schedule I attached hereto (the “Refunded Bonds”), and to pay the costs of issuing the Bonds.*

Pursuant to the Master Resolution, the Program is established in the aggregate principal amount of \$7.2 billion outstanding at any one time, as authorized by a minute order adopted by the Commission on May 4, 2005, and subsequently amended pursuant to minute orders adopted by the Commission on September 27, 2007 and June 28, 2012. As of June 1, 2014, \$5,747,335,000 of Parity Debt was outstanding. Following the issuance of the Bonds and the defeasance of the Refunded Bonds, \$5,648,660,000 of Parity Debt will be outstanding. Approval by the Texas Bond Review Board is necessary for the issuance of any additional bonds, including any additional obligations (other than the Bonds) authorized pursuant to the Ninth Supplemental Resolution. See “– Bond Review Board Approval” below. As long as the required certifications are received, the Enabling Act does not limit the amount of obligations that may be issued, and the Master Resolution may be amended, without the consent of the Owners (as defined herein), to increase the principal amount of the Program and to permit the issuance of additional obligations thereunder. Subject to the receipt of such required certifications and to the approval of the Bond Review Board, the Commission may further amend the Master Resolution to increase the amount of obligations that may be issued or executed under the Program and to issue additional Program obligations. See “– Issuance of Additional Obligations” below for information concerning future issuances of obligations under the Program, including increases in the maximum principal amount of obligations authorized under the Program and required certifications for the issuance of obligations.

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

Strategic Plan

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

* A Tenth Supplemental Resolution authorizing the issuance of additional Mobility Fund bonds for refunding purposes was approved by the Commission on April 26, 2012. The Tenth Supplemental Resolution expired by its terms on June 28, 2013. No bonds were issued pursuant to the Tenth Supplemental Resolution, and the Ninth Supplemental Resolution was amended to provide for issuance of Parity Debt for both new money and refunding purposes.

Projects in the eight metropolitan areas of the State selected for funding with Program obligation proceeds were approved by the Commission on October 28, 2004, through the approval of the mobility plans of the eight metropolitan planning organizations, which included \$21.5 billion in future transportation projects. Selection of the projects in the mobility plans that have been (or will be) funded with Program obligation proceeds were (or will be) designated by a Department Representative at the time proceeds are drawn down by execution of a requisition certificate which did (or will) certify that the projects funded with such proceeds were (or will be) authorized Fund expenditures approved by the Commission. In its approval of the mobility plans, the Commission considered issues such as tolling/leveraging, system connectivity, safety, and economic development. The mobility plans of the eight metropolitan planning organizations are subject to review on a periodic basis by each of the regional metropolitan planning organizations. The administrative staff of the Department expects to review the updated mobility plans of each metropolitan planning organization when they are presented to the Commission for approval. Pursuant to such periodic updates, new Mobility Projects may be added, Mobility Projects not yet funded may be deleted, and the priority ranking of Mobility Projects by the Commission may change.

Issuance of Additional Obligations

The Commission has reserved the right to issue or incur additional Parity Debt for any purpose authorized by law upon a finding by the Commission that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Program. See “DESCRIPTION OF THE BONDS – Additional Parity Debt” below. 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 all 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. For purposes of this calculation, Annual Debt Service Requirements excludes the portion of debt service on certain previously issued Parity Debt that is expected to be paid from BAB Subsidy Payments (as defined herein) expected to be received from the U.S. Treasury. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Effects of Federal Sequestration on Certain Bonds.”

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. See “– General” above and “DESCRIPTION OF THE BONDS – Additional Parity Debt.” 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 \$7.2 billion maximum aggregate principal amount of obligations currently authorized to be outstanding at any one time, the maximum amount of obligations authorized to be outstanding under the Program may be increased by the Commission, without the consent of the Owners, 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. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Detailed Information on Dedicated Revenues – Table 3: Texas Mobility Fund Historical and Estimated Revenues” for information regarding the capacity of the Fund to support Parity Debt based on current revenue estimates. Changes in economic and/or market conditions could result in an increase or decrease in the capacity of the Fund to support Parity Debt. 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.

The maximum authorized amount of the Program was increased from \$4.0 billion to \$6.5 billion outstanding at any one time, pursuant to the First Amendment to the Master Resolution adopted by minute order of the Commission on September 27, 2007, and from \$6.5 billion to \$7.2 billion outstanding at any one time, pursuant to the Second Amendment to the Master Resolution adopted by minute order of the Commission on June 28, 2012. To the extent that the capacity of the Security to meet the financial obligations of the Program is sufficient to support the issuance of additional Parity Debt, 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 expects to issue new money Parity Debt within the next twelve months; however, the amount of such new money Parity Debt has not been determined. The Commission does not currently expect to issue or incur Non-Recourse Debt or Subordinated Debt. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Credit Agreements.”

Bond Review Board Approval

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

By letter dated June 17, 2014, the BRB approved the issuance of Mobility Fund refunding bonds as additional Parity Debt in one or more series with a maximum par amount and total proceeds amount of \$1,768,420,000, including premiums. The Bonds are being issued pursuant to such approval. Prior to the issuance of bonds, including any additional obligations authorized by the Ninth Supplemental Resolution or any additional Parity Debt, in excess of the amount previously approved by the BRB, the Commission must apply to the BRB for approval of the issuance of such obligations.

Payment of Refunded Bonds

A portion of the proceeds of the Bonds, together with a cash contribution by the Commission, will be used to purchase a portfolio of obligations authorized under Texas law (the “Escrowed Securities”) to be deposited, along with certain uninvested proceeds of the Bonds, in escrow with Wilmington Trust, National Association (the “Escrow Agent”), the maturing principal of and interest on which will be sufficient together with uninvested funds to pay, when due, the principal of and interest on the Refunded Bonds on their respective redemption dates. See Schedule I for additional information concerning the Refunded Bonds.

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the Escrowed Securities, together with the uninvested funds, to provide for the payment of the Refunded Bonds will be verified by The Arbitrage Group, Inc., a firm of independent certified public accountants (the “Verification Agent”). See “OTHER INFORMATION – Verification of Mathematical Accuracy” herein.

Money or Escrowed Securities on deposit in the Escrow Fund held by the Escrow Agent will not be available to pay debt service on the Bonds.

Simultaneously with the issuance of the Bonds, the Commission will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturity on the first optional redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement, and the Commission will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities.

By the deposit of the Escrowed Securities and uninvested funds with the Escrow Agent pursuant to the Escrow Agreement, the Commission will have entered into firm banking and financial arrangements for the discharge, defeasance, and final payment of the Refunded Bonds in accordance with applicable law and the terms of the Master Resolution and the applicable Supplement authorizing their issuance. Bond Counsel will render an opinion on the date of issuance of the Bonds to the effect that, in reliance upon the report of the Verification Agent,

and as a result of such firm banking and financial arrangements, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided in escrow therefor.

SOURCES AND USES OF FUNDS

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

Sources

Par Amount of Bonds	\$ 973,775,000.00
Original Issue Premium	157,759,599.95
Cash Transferred from Interest and Sinking Account of the Fund	<u>13,124,885.76</u>
Total	<u>\$1,144,659,485.71</u>

Uses

Deposit to Escrow Fund	\$1,140,139,655.21
Underwriters' Discount	3,762,306.88
Costs of Issuance	<u>757,523.62</u>
Total	<u>\$1,144,659,485.71</u>

DESCRIPTION OF THE BONDS

General

The Bonds will bear interest from their date of initial delivery (the "Date of Initial Delivery"), calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2014. 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 page ii of this Official Statement. The Bonds will be dated the Date of Initial Delivery.

Payment of the Bonds

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 and redemption premium, if any, and interest on the Bonds will be payable only upon the presentation and surrender of said 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 preceding the next scheduled interest payment date. If any such Record Date is not a business day then the Record Date is the business day next preceding such date. Notwithstanding the foregoing, so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described in "APPENDIX D - Book-Entry-Only System."

In the event that any date for payment of the principal or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day that is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close.

Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date that payment was due.

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 appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Paying Agent/Registrar

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

The Commission expressly reserves the right to appoint one or more successor Paying Agent/Registrars, by filing with the Paying Agent/Registrar a certified copy of a resolution or minute order of the Commission making such appointment. The Commission further expressly reserves the right to terminate the appointment of the Paying Agent/Registrar by filing a certified copy of a resolution or minute order of the Commission giving notice of the Commission's termination of the Commission's agreement with such Paying Agent/Registrar and appointing a successor. The Commission covenants to maintain and provide a Paying Agent/Registrar at all times until the 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 of \$5,000 and integral multiples thereof ("Authorized Denominations") upon the Security Register by the Owner, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Owner or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

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

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

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

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

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

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

Optional Redemption. The Bonds maturing on and after October 1, 2024 will be subject to redemption on April 1, 2024 or any day thereafter, in whole or in part, from time to time, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus interest accrued to the date of redemption.

If a Bond is in a denomination in excess of \$5,000, portions of the principal sum in amounts of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum is to be redeemed, there will be issued, without charge, to the Owner, upon the surrender of the Bond at the designated office of the Paying Agent/Registrar, a new Bond or Bonds of like maturity, series, and interest rate in any Authorized Denominations provided by the Resolution for the then unredeemed balance of the principal amount.

Retention of Rights. To the extent that the Commission has defeased any Outstanding Bond to its stated maturity (the “Defeased Debt”), the Commission retains the right under State law to later redeem that Defeased Debt in accordance with the provisions of the 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 Resolution with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Notice of Redemption

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of

such notice of redemption, such notice will state, at the option of the Commission, that said redemption may be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Commission will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Limitation on Transfer of Bonds Called for Redemption

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

Redemption Through The Depository Trust Company

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

Amendments to Ninth Supplemental Resolution Without Consent of Owners

Subject to the provisions of the Master Resolution, the Ninth Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the applicable series of Bonds, the Ninth Supplemental Resolution may be modified or amended at any time without notice to or the consent of any such Owners 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 such 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 such Supplemental Resolution;
- (ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in such 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 such Supplemental Resolution;
- (iii) to supplement the Security for the applicable series of Bonds;
- (iv) to make such other changes in the provisions of such 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 applicable series of 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 initial issuance of the applicable series of Bonds, which changes

or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the applicable series of Outstanding Bonds; or

(vi) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the applicable series of 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 applicable series of Outstanding Bonds.

Amendments to Ninth Supplemental Resolution With Consent of Owners

Subject to the other provisions of the Ninth Supplemental Resolution and the Master Resolution, the Owners of the applicable series of Outstanding Bonds aggregating a majority in Outstanding Principal Amount of such Bonds have the right from time to time to approve any amendment, other than amendments described in the immediately preceding section, to the Ninth 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 applicable series of Outstanding Bonds, the amendment of the terms and conditions in the Ninth Supplemental Resolution or in the Bonds, so as to:

- (i) make any change in the maturity of the applicable series of Outstanding Bonds;
 - (ii) reduce the rate of interest borne by the applicable series of Outstanding Bonds;
 - (iii) reduce the amount of the principal payable on the applicable series of Outstanding Bonds;
 - (iv) modify the terms of payment of principal of or interest on the applicable series of Outstanding Bonds, or impose any conditions with respect to such payment;
 - (v) affect the rights of the Owners of less than all of the applicable series of Bonds then Outstanding;
- or
- (vi) change the minimum percentage of the Outstanding Principal Amount of the applicable series of 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 applicable series of 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 applicable series of Bonds. A copy of such notice must be provided in writing to each rating agency maintaining a rating on the applicable series of Bonds.

Use of Certain Terms in Other Sections of this Official Statement

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

Additional Parity Debt

In the Master Resolution, the Commission has reserved the right to issue or incur additional Parity Debt for any purpose authorized by law. Prior to the issuance of such additional Parity Debt, the Commission must find that,

upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Program. For this purpose, Annual Debt Service Requirements excludes the portion of debt service on certain previously issued Parity Debt that is expected to be paid from BAB Subsidy Payments expected to be received from the U.S. Treasury. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Effects of Federal Sequestration on Certain Bonds.” In addition, to the extent then required by law, the Commission must receive all required certifications of the Comptroller with respect to such additional Parity Debt. Under current law, before additional obligations (including Parity Debt and Subordinated Debt) are issued payable from a pledge of and lien on all or part of the money in the Fund, the Comptroller must project and certify that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the proposed additional obligations are scheduled to be outstanding will be equal to at least 110% of the Annual Debt Service Requirements during that year on both the proposed additional obligations and already outstanding obligations. See “FUND ADMINISTRATION AND INVESTMENT – Texas Mobility Fund Administration Agreement – Certification.”

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 all other previously issued Outstanding Parity Debt, the Commission has pledged, as security for the payment of the Bonds and all other previously issued Outstanding Parity Debt, a first lien interest in the Security, which is defined below under “ – Other Sources of Payment – Pledge of Security.” See also “ – Creation of Accounts and Subaccounts Within the Mobility Fund” below for a description of the accounts created pursuant to the Master Resolution.

In addition, by adoption of the Ninth Supplemental Resolution, the Commission 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 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 ninth series of obligations issued or executed by the Commission under the Program and payable from the Fund.

State General Obligation Pledge

THE BONDS 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 IN THE EVENT THAT THE REVENUE AND MONEY DEDICATED TO AND ON DEPOSIT IN THE FUND ARE INSUFFICIENT. For information describing the financial condition of the State, see “GENERAL INFORMATION REGARDING THE STATE” and “APPENDIX A – The State” attached hereto.

The Constitutional Provision provides that 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 principal of, redemption premium, if any, and interest on 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 and Outstanding Parity Debt 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, the Outstanding Parity Debt 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 result in a draw on the general revenues of the State. As discussed below, the Commission anticipates that debt service on the Bonds and all other previously issued Outstanding Parity Debt and any related Credit Agreements will be self-supporting and, thus, the Bonds, all other previously issued Outstanding Parity Debt and any related Credit Agreements are excluded from the computation required by, and are not subject to the limitation imposed by, Article III, Section 49-j. Notwithstanding this limitation on the ability of the Legislature to authorize additional State debt, the Bonds, all other previously issued Outstanding Parity Debt and any related Credit Agreements 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 all other previously issued Outstanding Parity Debt, pursuant to the Resolution the Commission has pledged as security for the payment of the Bonds, all other previously issued Outstanding Parity Debt and any related Credit Agreements, 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 other 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 “– State 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 the 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 used proceeds of any Parity Debt obligations to purchase Transportation Assistance Bonds. Therefore, there are no Transportation Assistance Bonds held in the Portfolio Account, and Repayments are not currently expected to 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 described herein, or make further changes to the provisions governing the amount and deposit of Dedicated Revenues. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of Dedicated Revenues with respect to Parity Debt, including the Bonds, will be automatically revised accordingly without further amendment to the Master Resolution. See “Detailed Information on Dedicated Revenues – Major Sources” and “– Substitution of Dedicated Revenues” below.

Detailed Information on Dedicated Revenues

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

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

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

Chapter 521, Texas Transportation Code requires presentation of documentation establishing the right to reside in the United States for the issuance and renewal of driver’s licenses and personal identification cards. Individuals that are lawfully permitted to reside in, but that are not citizens of, the United States are

able to obtain driver's licenses and personal identification cards that would expire either at the end of the applicant's lawful presence or after one year if the legal stay is indefinite. If an applicant cannot present documentation of lawful presence, no driver's license or identification card will be issued. It is expected that for many of these non-citizen applicants, renewal will occur annually rather than every six years. The fee for renewal or issuance of a license or card that expires annually is \$24.

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

Under Section 522.029, Texas Transportation Code, a person that operates a commercial motor vehicle in Texas must have a commercial driver's license issued by DPS. The fee for a commercial driver's license or a commercial driver learner's permit is \$60 subject to reduction by \$4 for each remaining year of validity of a driver's license. The fee for a duplicate license is \$10 and the fee for a change of class of license, endorsement, or restriction is \$10 per required examination. The fee for renewal of a commercial driver's license or commercial driver learner's permit that includes authorization to operate a motorcycle is \$45 (\$5 of which is dedicated to a motorcycle education fund). The fee for a commercial driver's license or commercial driver learner's permit that includes an authorization to operate a motorcycle or moped, is increased by \$8 (\$5 of which is dedicated to a motorcycle education fund). The fee for an applicant applying for additional authorization to operate a motorcycle is \$15 for the examination (\$5 of which is dedicated to a motorcycle education fund). The fee for a commercial driver's license issued to a registered sex offender is \$20. The fee for a nonresident commercial driver's license is \$120. The fee for a temporary nonresident commercial driver's license is \$20.

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

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

In certain circumstances, disabled veterans are not subject to these fees for driver's licenses or for personal identification cards. Certain young people in foster care are exempt from paying a fee for the issuance of a driver's license.

In addition, Section 501.0165, Texas Government Code, provides that prison inmates who are U.S. citizens and who are soon to be released will have a personal identification card issued for them to be available at the time of their release. The fee for the card is \$5 for this one-time issuance at release.

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

- *Motor Vehicle Inspection Fees:* Under Chapter 548, Texas Transportation Code, since September 1, 2005, a portion of certain fees collected by local inspection stations and forwarded to DPS under Chapter 548,

Subchapter H, Texas Transportation Code (the “Motor Vehicle Inspection Fees”), have been deposited daily to the credit of the Fund. The fees currently being charged are shown below.

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

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

Since September 1, 2008, the TERP/Mobility Fund Fee Portion has been deposited to the credit of the Mobility Fund, except for the amount of the TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount transferred to the Texas Emissions Reduction Plan (“TERP”) fund. From September 1, 2008 through August 31, 2015, \$5 of the \$20 TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount must be deposited to the credit of the TERP fund. When the dedication of such \$5 portion of the TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount expires on September 1, 2015, the amount of revenues deposited into the Mobility Fund from this source is expected to increase as a result of the increase in the portion of the TERP/Mobility Fund Fee Portion of the Nonattainment Area Fee Amount available for deposit into the Mobility Fund.

The amount of Certificate of Title Fees deposited into the Fund and into the TERP fund for Fiscal Years 2009 through 2013 are shown below.

	<u>Deposited into Mobility Fund⁽¹⁾</u>	<u>Deposited into TERP Fund⁽²⁾</u>	<u>Total</u>
FY 2009	\$ 73,712,156	\$ 18,535,854	\$ 92,248,010
FY 2010	74,179,366	18,815,512	92,994,878
FY 2011	80,282,516	19,385,031	99,667,547
FY 2012	87,060,097	20,776,129	107,836,226
FY 2013	89,923,812	29,696,162	119,619,974

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

⁽²⁾ Represents the deposit of \$5 of the Nonattainment Area Fee Amount into the TERP Fund.

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

- *United We Stand License Plate Fees:* Under Chapter 504, Texas Transportation Code, the Department is authorized to issue specialty license plates that include the words “United We Stand.” The fees for issuance of the license plates, less the Department’s administrative costs, are deposited to the credit of the Fund. For Fiscal Years 2009 through 2013, \$3,555, \$5,044, \$4,712, \$5,399, and \$3,922, 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. 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 2009 through 2013, \$2,133,154, \$1,727,175, \$1,794,612, \$2,641,440, and \$2,857,470, respectively, was collected from this source.

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

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

After certain retentions by the local jurisdiction that collects Court Fines, 67% of Court Fines, and 49.5% of the Driver's License Points Surcharge, are deposited into the State's General Revenue Fund until the total amount of money deposited to the credit of the General Revenue Fund from such sources exceeds \$250 million in any fiscal year. Amounts in excess of \$250 million in any fiscal year must be deposited to the credit of the Fund. During Fiscal Years 2006 through 2013, no such excess revenues from Court Fines and Driver's License Points Surcharges were deposited into the Fund, and as of January 21, 2014, as extended by letter of the Comptroller dated June 6, 2014, 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 2014 or thereafter.

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

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) if not already in place, 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.

Legislative and executive actions may affect the amount of revenues deposited to the Fund. There can be no assurance that the Legislature will not replace some or all of the Dedicated Revenues outlined herein, or make further changes to the provisions governing the amount and deposit of Dedicated Revenues. If the Legislature replaces any revenue source with a substitute source, the Master Resolution provides that the definition of Dedicated

Revenues with respect to Outstanding Parity Debt, including the Bonds, will be automatically revised accordingly without further amendment to the Master Resolution. There were no substitutions of Dedicated Revenues as a result of any legislation enacted during the most recent sessions of the Texas Legislature (83rd).

The Governor may declare a state of disaster if the Governor finds a disaster has occurred or that the occurrence or threat of disaster is imminent. Once the Governor issues a disaster proclamation, he may suspend the provisions of regulatory statutes pursuant to Sections 418.016 and 418.017, Texas Government Code, including provisions for the collection of fees that provide Dedicated Revenues. The Commission cannot predict whether there will be disaster proclamations in the future, whether there will be fee waivers associated with such proclamations, or whether such fee waivers will have a material impact on the amount of Dedicated Revenues deposited in the Fund.

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 entering into loan agreements with, or purchasing obligations issued by, the borrowing political subdivisions (the "Transportation Assistance Bonds"). The Commission, pursuant to a supplemental resolution, may (but is not required to) pledge the payments and repayments relating to such Transportation Assistance Bonds to the payment of Parity Debt, including the Bonds, and such pledged Transportation Assistance Bonds will be held in the Portfolio Account of the Fund. The repayments and prepayments made on such pledged Transportation Assistance Bonds, along with Sale Proceeds from the sale of such Transportation Assistance Bonds, will be deposited into the Interest and Sinking Account and used to make payments due on Parity Debt, including the Bonds. The Commission has not loaned proceeds of any Parity Debt obligations to political subdivisions for these purposes.

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

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

Mobility Fund Financial Statements. The Fund 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, 2013, the Fund had total assets of \$1,208,093,000 (which included approximately \$634,104,000 of proceeds of previously issued Parity Debt). See Table 1 - Balance Sheet of the Fund and Table 2 - Statement of Revenues, Expenditures, and Changes in Fund Balances of the Fund. Tables 1 and 2 were obtained from the Annual Financial Statements of the Fund for the Fiscal Year ended August 31, 2013, attached to this Official Statement as APPENDIX E (the "FY 2013 Report"). On May 14, 2014, the Commission used approximately \$169 million of cash from the Fund to defease \$150 million of outstanding Parity Debt. Following the cash defeasance, the total fund balance for amounts reported as "Debt Service Funds" (on a cash basis) was \$358,009,678 as of June 1, 2014. Of this amount, \$326,998,853 was held in the General Account for use in accordance with State law and the Master Resolution, \$30,741,396 was held in the Interest and Sinking Account for payment of outstanding Parity Debt, and \$269,429 was held in the Rebate Fund. (Amounts held in the Rebate Fund do not constitute Security under the Master Resolution.) See "- Creation of Accounts and Subaccounts Within the Mobility Fund" and "- Flow of Funds". On

the date of initial delivery of the Bonds, \$13,124,885.76 will be transferred from the Interest and Sinking Account to the Escrow Fund for the Refunded Bonds. See “PLAN OF FINANCE – Payment of Refunded Bonds.”

As described in Note 7 to the FY 2013 Report, presentation of the Fund’s financial statements was changed to reflect the fact that the Fund is a governmental fund of the Department and not a separate entity or special purpose government. As such, the financial statements no longer combine the presentation of fund financial and government-wide financial statements. For reporting purposes, the Fund was split into two fund types to align its activity with the definitions established in generally accepted accounting principles. In addition, the separation of the debt service and capital projects activities is consistent with how other Department bond funds are reported. The Fund’s base financial statements for Fiscal Year 2013 have been audited by the State Auditor’s Office; however, the Commission has not requested the State Auditor’s Office to reissue its audit report contained in APPENDIX E and the State Auditor’s Office has not undertaken any procedures in connection with this Official Statement.

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Table 1: Balance Sheet of the Fund⁽¹⁾

	As of August 31, 2013		
	Debt Service Funds	Capital Projects Funds	Total Texas Mobility Fund
Assets			
Cash in State Treasury	\$ 552,997,425	\$ 645,320,840	\$ 1,198,318,265
Federal Receivable	8,865,205	-	8,865,205
Due From Other Funds	890,388	19,037	909,425
Total Assets	562,753,018	645,339,877	1,208,092,895
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	10,345,176	10,345,176
Due to Other Funds	400,000	890,388	1,290,388
Total Liabilities	400,000	11,235,564	11,635,564
Fund Balances:			
Restricted - Debt Service ⁽²⁾	562,353,018	-	562,353,018
Restricted - Capital Projects	-	634,104,313	634,104,313
Total Fund Balance	562,353,018	634,104,313	1,196,457,331
Total Liabilities and Fund Balance	\$ 562,753,018	\$ 645,339,877	\$ 1,208,092,895

Source: FY 2013 Report, as audited by the Texas State Auditor's Office. See APPENDIX E to this Official Statement.

⁽¹⁾ As described in Note 7 to the FY 2013 Report, included as APPENDIX E to this Official Statement, presentation of the Fund's financial statements was changed to reflect the fact that the Fund is a governmental fund of the Department and not a separate entity or special purpose government. As such, the financial statements no longer combine the presentation of fund financial and government-wide financial statements. For reporting purposes, the Fund was split into two fund types to align its activity with the definitions established in generally accepted accounting principles. In addition, the separation of the debt service and capital projects activities is consistent with how other Department bond funds are reported.

⁽²⁾ Of the \$562,353,018 reported as restricted for the payment of debt service, \$425,241,071 was held in the General Account for use in accordance with State law and the Master Resolution, \$136,842,518 was held in the Interest and Sinking Account for payment of outstanding Parity Debt, and \$269,429 was held in the Rebate Fund. On May 14, 2014, the Commission used approximately \$169 million of cash from the Fund to defease \$150 million of outstanding Parity Debt. Following the cash defeasance, the total fund balance for amounts reported as "Debt Service Funds" (on a cash basis) was \$358,009,678 as of June 1, 2014. Of this amount, \$326,998,853 was held in the General Account for use in accordance with State law and the Master Resolution, \$30,741,396 was held in the Interest and Sinking Account for payment of outstanding Parity Debt, and \$269,429 was held in the Rebate Fund. (Amounts held in the Rebate Fund do not constitute Security under the Master Resolution.) See "- Creation of Accounts and Subaccounts Within the Mobility Fund" and "- Flow of Funds". On the date of initial delivery of the Bonds, \$13,124,885.76 will be transferred from the Interest and Sinking Account to the Escrow Fund for the Refunded Bonds. See "PLAN OF FINANCE - Payment of Refunded Bonds."

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Table 2: Statement of Revenues, Expenditures, and Changes in Fund Balances of the Fund⁽¹⁾

	For the Fiscal Year Ended August 31, 2013		
	Debt Service Funds	Capital Project Funds	Total Texas Mobility Fund
Revenues:			
Licenses, Fees and Permits	\$ 383,422,457	\$ -	\$ 383,422,457
Federal Revenue	21,445,445	-	21,445,445
Interest and Investment Income	25,790,908	2,192,091	27,982,999
Total Revenues	430,658,810	2,192,091	432,850,901
Expenditures:			
Transportation	315	93,606,621	93,606,936
Debt Service:			
Principal	53,190,000	-	53,190,000
Interest	287,770,649	-	287,770,649
Other Financing Fees	-	468,456	468,456
Capital Outlay	-	55,356,085	55,356,085
Total Expenditures	340,960,964	149,431,162	490,392,126
Excess (Deficiency) of Revenues over Expenditures	89,697,846	(147,239,071)	(57,541,225)
Net Change in Fund Balances	89,697,846	(147,239,071)	(57,541,225)
Fund Balances, September 1, 2012	1,108,826,725	-	1,108,826,725
Restatements	(636,171,553)	781,343,384	145,171,831
Fund Balances, September 1, 2012 as restated	472,655,172	781,343,384	1,253,998,556
Fund Balances, August 31, 2013	\$ 562,353,018⁽²⁾	\$ 634,104,313	\$ 1,196,457,331

Source: FY 2013 Report, as audited by the Texas State Auditor's Office. See APPENDIX E to this Official Statement.

⁽¹⁾ As described in Note 7 to the FY 2013 Report, included as APPENDIX E to this Official Statement, the presentation of the Fund's financial statements was changed to reflect the fact that the Fund is a governmental fund of the Department and not a separate entity or special purpose government. As such, the financial statements no longer combine the presentation of fund financial and government-wide financial statements. For reporting purposes, the Fund was split into two fund types to align its activity with the definitions established in generally accepted accounting principles. In addition, the separation of the debt service and capital projects activities is consistent with how other Department bond funds are reported.

⁽²⁾ Of the \$562,353,018 reported as "Debt Service Funds", \$425,241,071 was held in the General Account for use in accordance with State law and the Master Resolution, \$136,842,518 was held in the Interest and Sinking Account for payment of outstanding Parity Debt, and \$269,429 was held in the Rebate Fund. On May 14, 2014, the Commission used approximately \$169 million of cash from the Fund to defease \$150 million of outstanding Parity Debt. Following the cash defeasance, the total fund balance for amounts reported as "Debt Service Funds" (on a cash basis) was \$358,009,678 as of June 1, 2014. Of this amount, \$326,998,853 was held in the General Account for use in accordance with State law and the Master Resolution, \$30,741,396 was held in the Interest and Sinking Account for payment of outstanding Parity Debt, and \$269,429 was held in the Rebate Fund. (Amounts held in the Rebate Fund do not constitute Security under the Master Resolution.) See "- Creation of Accounts and Subaccounts Within the Mobility Fund" and "- Flow of Funds". On the date of initial delivery of the Bonds, \$13,124,885.76 will be transferred from the Interest and Sinking Account to the Escrow Fund for the Refunded Bonds. See "PLAN OF FINANCE - Payment of Refunded Bonds."

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Mobility Fund Revenue Forecasts. As required by Section 201.943(e) and (f), Texas Transportation Code, before Program obligations are issued payable from a pledge of and lien on all or part of the money in the Fund, the Comptroller must certify that the projected Dedicated Revenues and money on deposit in the Fund, including projected investment earnings, during each year of the period during which such obligations will be outstanding, will be equal to at least 110% of the Annual Debt Service Requirements of the proposed additional obligations and any already outstanding obligations in each year. Current law requires that for the purpose of so certifying for the issuance of short-term obligations (obligations with a final stated maturity of five years or less), the Comptroller must assume that the short-term obligations will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates, as determined by the Comptroller.

The Comptroller's Mobility Fund Revenue Forecast, dated as of January 21, 2014, as extended by letter of the Comptroller dated June 6, 2014, is incorporated into Table 3 on the following page. Based on the forecast in Table 3 and the Department's certification of Annual Debt Service Requirements due on the Bonds and Outstanding Parity Debt as shown in Table 4, 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, and are excluded from existing debt service requirements included in "Table 4: Pro Forma Debt Service Coverage for Parity Debt" below in accordance with the calculation of Annual Debt Service Requirements pursuant to the Master Resolution.

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. The maximum aggregate principal amount of obligations currently established for the Program pursuant to the Master Resolution is \$7.2 billion. See "PLAN OF FINANCE – General" herein.

THERE CAN BE NO ASSURANCES THAT REVENUES ACTUALLY DEPOSITED INTO THE FUND WILL BE DEPOSITED, EITHER AS TO TYPE OF REVENUES, TIMING OF DEPOSIT, OR AMOUNT, AS FORECAST IN TABLE 3 BELOW. See "OTHER INFORMATION – Forward-Looking Statements."

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Table 3: Texas Mobility Fund Historical and Estimated Dedicated Revenues⁽¹⁾
(in Thousands)

Fiscal Year ⁽²⁾	Motor Vehicle Inspection Fees	Driver's License Fees ⁽³⁾	Driver Record Information Fees	United We Stand License Fees	Certificate of Title Fees ⁽³⁾	Motor Carrier Act Penalties	Depository Interest	Total Dedicated Revenues ⁽⁴⁾
2009	\$ 83,433	\$ 102,032	\$ 57,730	\$ 4	\$ 73,712	\$ 2,133	\$ 15,088	\$ 334,132
2010	88,893	99,645	55,956	5	74,179	1,727	18,273	338,678
2011	90,080	126,527	57,119	5	80,283	1,795	11,248	367,057
2012	95,837	129,018	58,381	5	87,060	2,641	7,131	380,073
2013	98,020	131,490	61,127	4	89,924	2,857	4,063	387,486 ⁽⁵⁾
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2014	99,874	144,938	62,044	4	91,102	2,721	2,800	403,483
2015	101,971	133,773	62,975	4	93,317	2,762	2,864	397,666
2016	104,112	134,376	63,919	4	118,222	2,803	2,928	426,364
2017	106,298	141,268	64,879	4	120,585	2,845	2,982	438,861
2018	108,530	139,248	65,851	4	122,968	2,888	3,011	442,500
2019	110,701	147,835	66,838	4	125,427	2,931	3,048	456,784
2020	112,915	150,053	67,841	4	127,936	2,975	3,109	464,832
2021	115,173	152,303	68,858	4	130,495	3,020	3,171	473,024
2022	117,476	154,588	69,891	4	133,105	3,065	3,235	481,364
2023	119,826	156,907	70,939	4	135,767	3,111	3,299	489,853
2024	122,222	159,260	72,004	4	138,482	3,158	3,365	498,495
2025	124,667	161,649	73,084	4	141,252	3,205	3,433	507,293
2026	127,160	164,074	74,180	4	144,077	3,253	3,501	516,249
2027	129,703	166,535	75,293	4	146,958	3,302	3,571	525,367
2028	132,297	169,033	76,422	4	149,897	3,352	3,643	534,648
2029	134,943	171,569	77,568	4	152,895	3,402	3,715	544,097
2030	137,642	174,142	78,732	4	155,953	3,453	3,790	553,716
2031	140,395	176,754	79,913	4	159,072	3,505	3,866	563,509
2032	143,203	179,406	81,111	4	162,254	3,558	3,943	573,478
2033	146,067	182,097	82,328	4	165,499	3,611	4,022	583,627
2034	148,988	184,828	83,563	4	168,809	3,665	4,102	593,959
2035	151,968	187,600	84,816	4	172,185	3,720	4,184	604,478
2036	155,008	190,414	86,089	4	175,629	3,776	4,268	615,187
2037	158,108	193,271	87,830	4	179,141	3,832	4,353	626,089
2038	161,270	196,170	88,691	4	182,724	3,890	4,440	637,189
2039	164,495	199,112	90,021	4	186,378	3,948	4,529	648,489
2040	167,785	202,099	91,371	4	190,106	4,008	4,620	659,993
2041	171,141	205,130	92,742	4	193,908	4,068	4,712	671,705
2042	174,564	208,207	94,133	4	197,786	4,129	4,806	683,630
2043	178,055	211,331	95,545	4	201,742	4,191	4,903	695,770
2044	181,616	214,501	96,978	4	205,777	4,253	5,001	708,130

Source: Revenue projections and certification provided by the Texas Comptroller of Public Accounts dated January 21, 2014, as extended by letter of the Comptroller dated June 6, 2014 received prior to the issuance of the Bonds as required by Section 201.943(e), Texas Transportation Code.

- (1) These revenue projections assume no surplus revenues are received 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 2009 through 2013 represent unaudited actual revenues of the Fund as reported in the Annual Financial Statements of the Fund for the Fiscal Years 2009 through 2013. See "-- Mobility Fund Financial Statements" above. These amounts exclude federal subsidies for Build America Bonds.
- (3) The fee shown is the portion of such fee collections that is deposited to the Fund.
- (4) Totals may not sum due to rounding.
- (5) Total revenues for Fiscal Year 2013 does not include payments of approximately \$22.5 million received in connection with the Department's termination of certain interest rate swap agreements.

Table 4 – Pro Forma Debt Service Coverage for Parity Debt*

Based on the Comptroller's revenue projections shown in Table 3 (above), this Table 4 shows the pro forma Annual Debt Service Requirements coverage for Parity Debt, including the Bonds and all other previously issued Outstanding Parity Debt.

Fiscal Year	Fiscal Year Parity Debt Service ⁽¹⁾	Build America Bond		The Bonds			Total	Post-Refunding Parity Debt Service	Comptroller's Revenue Estimate ⁽³⁾	Revenue as a % of Total Debt Service
		Direct Subsidy ⁽²⁾	Refunded Bonds	Less:	Principal	Interest				
2014	\$ 353,813,239	\$ (21,451,271)	\$ -	\$ -	\$ -	\$ -	\$ 332,361,967	\$ 403,483,000	121%	
2015	349,196,533	(22,464,993)	(51,922,625)	-	34,982,852	34,982,852	309,791,767	397,666,000	128%	
2016	353,774,974	(23,303,934)	(73,117,625)	-	46,817,200	46,817,200	304,170,614	426,364,000	140%	
2017	358,504,189	(23,303,934)	(91,747,875)	24,845,000	46,196,075	71,041,075	314,493,455	438,861,000	140%	
2018	363,962,804	(23,303,934)	(91,743,430)	23,790,000	45,099,150	68,889,150	317,804,590	442,500,000	139%	
2019	368,854,370	(23,303,934)	(91,740,630)	33,185,000	43,793,725	76,978,725	330,788,531	456,784,000	138%	
2020	374,232,715	(23,303,934)	(91,742,030)	36,875,000	42,042,225	78,917,225	338,103,975	464,832,000	137%	
2021	379,542,857	(23,296,045)	(91,743,575)	40,950,000	40,096,600	81,046,600	345,549,837	473,024,000	137%	
2022	385,955,375	(23,282,332)	(91,744,825)	44,240,000	37,966,850	82,206,850	353,135,068	481,364,000	136%	
2023	392,452,809	(23,242,979)	(91,739,325)	47,710,000	35,668,100	83,378,100	360,848,605	489,853,000	136%	
2024	398,994,929	(23,176,200)	(91,746,325)	51,445,000	33,189,225	84,634,225	368,706,630	498,495,000	135%	
2025	405,663,803	(23,092,233)	(91,748,825)	55,360,000	30,519,100	85,879,100	376,701,845	507,293,000	135%	
2026	412,463,020	(22,977,647)	(91,741,663)	59,455,000	27,648,725	87,103,725	384,847,435	516,249,000	134%	
2027	419,340,633	(22,829,907)	(91,745,413)	63,800,000	24,567,350	88,367,350	393,132,663	525,367,000	134%	
2028	426,314,683	(22,646,665)	(91,743,913)	68,385,000	21,262,725	89,647,725	401,571,831	534,648,000	133%	
2029	433,304,146	(22,425,383)	(91,744,663)	73,305,000	17,720,475	91,025,475	410,159,575	544,097,000	133%	
2030	440,483,652	(22,176,864)	(91,744,413)	77,800,000	13,942,850	91,742,850	418,305,225	553,716,000	132%	
2031	447,752,511	(21,877,760)	(60,749,663)	50,000,000	10,747,850	60,747,850	425,872,938	563,509,000	132%	
2032	455,085,882	(21,532,217)	(60,746,588)	52,290,000	8,452,050	60,742,050	433,549,127	573,478,000	132%	
2033	462,499,613	(21,136,855)	(60,749,975)	54,430,000	6,317,650	60,747,650	441,360,433	583,627,000	132%	
2034	470,009,498	(20,689,357)	(60,744,363)	56,645,000	4,096,150	60,741,150	449,316,929	593,959,000	132%	
2035	477,121,196	(20,186,248)	(60,749,763)	59,265,000	1,481,625	60,746,625	456,931,810	604,478,000	132%	
2036	483,786,854	(19,637,182)	-	-	-	-	464,149,672	615,187,000	133%	
2037	484,136,510	(19,025,264)	-	-	-	-	465,111,246	626,089,000	135%	
2038	513,851,262	(18,314,192)	-	-	-	-	495,537,071	637,189,000	129%	
2039	513,793,928	(9,402,375)	-	-	-	-	504,391,553	648,489,000	129%	
2040	-	-	-	-	-	-	-	659,993,000	-	
2041	-	-	-	-	-	-	-	671,705,000	-	
2042	-	-	-	-	-	-	-	683,630,000	-	
2043	-	-	-	-	-	-	-	695,770,000	-	
2044	-	-	-	-	-	-	-	708,130,000	-	
Total	\$10,924,891,982	\$(561,383,638)	\$(1,713,197,503)	\$973,775,000	\$572,608,552	\$1,546,383,552	\$10,196,694,394	\$17,019,829,000		

* Totals may not sum due to rounding.

- Excludes debt service on \$150 million of Parity Debt (the "Defeased Debt") that was defeased on May 14, 2014 by the deposit of moneys and eligible securities into an escrow account in an amount sufficient to pay the remaining debt service on such Defeased Debt through the dates on which such debt has been called for early redemption. Debt service on the Series 2005-B Variable Rate Bonds and the Series 2006-B Variable Rate Bonds is calculated at a rate of approximately 3.50%, including remarketing and liquidity fees. Includes the full interest payment amounts on the Series 2009A Bonds issued as taxable Build America Bonds.
- Represents BAB Subsidy Payments expected to be received with respect to the Series 2009A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments" and "– Effects of Federal Sequestration on Certain Bonds". Certain amounts reflect a reduction in BAB Subsidy Payments due to the federal Sequester Cuts (as defined herein) made for the federal fiscal year ending September 30, 2013, and anticipated in the federal fiscal year ending September 30, 2014, which together impact the Department's fiscal years ending August 31, 2014 and August 31, 2015 shown in the table. Reductions in BAB Subsidy Payments that may occur due to Sequester Cuts in future federal fiscal years are not shown, thus BAB Subsidy Payments shown for subsequent Department fiscal years assume receipt of entire BAB Subsidy Payment entitlement in each such fiscal year, without adjustment for federal reductions in BAB Subsidy Payments.
- Revenue projections and certification thereof provided by the Comptroller dated January 21, 2014, as extended by letter of the Comptroller dated June 6, 2014 received prior to the issuance of the Bonds as required by Section 201.943(e), Texas Transportation Code. See "Table 3: Texas Mobility Fund Historical and Estimated Revenues."

Credit Agreements

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

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

Pursuant to the Second Supplemental Resolution, the Commission entered into a “Standby Bond Purchase Agreement” dated as of March 1, 2012 (the “Series 2005-B Liquidity Facility”) with Royal Bank of Canada (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 (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 Supplemental Resolution but not remarketed by the remarketing agent. Unless extended, the Series 2005-B Liquidity Facility expires on March 1, 2015, or if such day is not a business day, the next preceding business day. In addition, pursuant to the Fifth Supplemental Resolution, the Commission entered into a “Standby Bond Purchase Agreement” dated as of November 1, 2006 (the “Series 2006-B Liquidity Facility” and, together with the 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 (the “Series 2006-B Variable Rate Bonds”), which provides for the purchase, in accordance with the terms thereof, of the Series 2006-B Variable Rate Bonds which bear interest at a Daily Rate or a Weekly Rate and that are tendered for purchase as provided in the Fifth Supplemental Resolution but not remarketed by the remarketing agents. Unless extended, the Series 2006-B Liquidity Facility expires on December 13, 2016 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.

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

Enforcement

Pursuant to the Constitutional Provision and as allowed by other law, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any Owner of the Bonds, 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. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors

and with respect to certain other matters as referenced therein. See “APPENDIX C – Form of Opinion of Bond Counsel.”

Limitation of Liability of Officials of the Commission

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

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 Ninth Supplemental Resolution creates the Rebate Fund for the Bonds (the “Rebate Fund”).

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

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

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

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

Rebate Fund. Money on deposit in the Rebate Fund, if any, will be paid to the United States of America in compliance with the provisions of section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”). Money in the Rebate Fund, if any, does not constitute Security.

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

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

Flow of Funds

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

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

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

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

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

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

Investment of Funds

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

Based on the current Investment Policy and current law, the Fund may be invested in the following: (i) direct obligations of the United States or its agencies and instrumentalities (including senior debt obligations of the Government National Mortgage Association, or “GNMA”, the Federal National Mortgage Association, or “FNMA”, and the Federal Home Loan Mortgage Corporation, or “FHLMC”); (ii) direct obligations of the State or its agencies and instrumentalities rated as to investment quality by a nationally-recognized investment firm of not less than “A”; (iii) certain collateralized mortgage obligations that have a stated maturity of ten years or less directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States (such transactions not to exceed ten percent of the total of each investment portfolio under the Investment Policy); (iv) other obligations, the principal and interest of which are unconditionally guaranteed by the State or the United States or their respective agencies and instrumentalities; (v) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than “A” or its equivalent (such transactions not to exceed ten percent of the total of each investment portfolio under the Investment Policy); (vi) certificates of deposit issued by a

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

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

The Commission is specifically prohibited from investing in: (i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (interest only bond); (ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (principal only bond); (iii) collateralized mortgage obligations that have a stated final maturity date of greater than ten years; (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a

market index (inverse floaters); or (v) investments of any type that are denominated in a foreign currency. In addition, the Commission is not authorized to invest in the aggregate more than 15% of the monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in clause (x)(b) of the second paragraph under this subcaption, any portion of bond proceeds, reserves and other funds held for debt service, in mutual funds described in clause (x)(b) of the second paragraph under this subcaption, or invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in (x) of the second paragraph under this subcaption in an amount that exceeds ten percent of the total assets of the mutual fund. Further, reverse repurchase agreements must not have a term of more than 90 days, and the investment of reverse repurchase agreement funds must be in obligations with a term no greater than the term of the reverse purchase agreement.

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

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

Under State law, the Commission is additionally required to: (i) annually review its adopted policies and strategies; (ii) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (iii) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Commission to disclose the relationship and file a statement with the Texas Ethics Commission and the Commission; (iv) require the qualified representative of firms offering to engage in an investment transaction with the Commission to: (a) receive and review the Commission's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Commission and the business organization that are not authorized by the Commission's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Commission's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Commission and the business organization attesting to these requirements; (v) perform a biennial audit of the management controls on investments and adherence to the Commission's investment policy; (vi) provide specific investment training for the Commissioners, Chief Financial Officer, and investment officers; (vii) require local government investment pools to conform to the disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (viii) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Commission.

Application of Certain BAB Subsidy Payments

Pursuant to the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"), the Commission issued its "Texas Transportation Commission State of Texas General

Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds - Direct Payment)” (the “Series 2009A Bonds”) as taxable “Build America Bonds” (or “BAB”s) and elected to receive a subsidy payment from the United States Treasury (the “U.S. Treasury”) equal to 35% of the amount of each interest payment on the Series 2009A Bonds (the “BAB Subsidy Payments”).

Subject to any required State appropriation, the Commission has covenanted to deposit all collections of BAB Subsidy Payments into the 2009A Subaccount of the Interest and Sinking Account within the Mobility Fund (the “2009A Subaccount”). Funds in the 2009A Subaccount must be used solely for the purpose of paying principal of and interest on the Series 2009A Bonds and may not be used to pay any debt service on other Parity Debt, including the Bonds, or Subordinated Debt. The debt service on the Series 2009A Bonds that is expected to be paid from funds on deposit in the 2009A Subaccount is excluded from the calculation of Annual Debt Service Requirements, as provided in the Master Resolution, in connection with obtaining the Comptroller’s certification for the issuance of additional Parity Debt, including the Bonds. See “PLAN OF FINANCE - Issuance of Additional Obligations.” The BAB Subsidy Payments have been appropriated to the Department for the Mobility Fund for the 2014-2015 biennium, and the Department expects to receive future appropriations of the BAB Subsidy Payments in connection with Annual Debt Service Requirements for the Series 2009A Bonds.

The receipt of the BAB Subsidy Payments by the Commission is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date for the Series 2009A Bonds. In the event of a failure to file a necessary form with the Internal Revenue Service in a timely manner, the Commission may not receive a BAB Subsidy Payment. BAB Subsidy Payments are also subject to offset against certain amounts that may, for reasons unrelated to the Series 2009A Bonds, be owed by the State to an agency of the United States. In addition, the Commission can give no assurances regarding future changes in legislation or United States Treasury regulations or the netting of other liabilities of the State against BAB Subsidy Payments which may affect the timing or amount of the BAB Subsidy Payments. Accordingly, there is no assurance that the anticipated BAB Subsidy Payments that are excluded from the calculation of Annual Debt Service Requirements will be received as anticipated. See “–Effects of Federal Sequestration on Certain Bonds” below.

THE BAB SUBSIDY PAYMENTS ARE NOT FULL FAITH AND CREDIT OBLIGATIONS OF THE UNITED STATES OF AMERICA AND DO NOT CONSTITUTE “PLEGGED REVENUES” UNDER THE RESOLUTION.

Effects of Federal Sequestration on Certain Bonds

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Bipartisan Budget Act of 2013, certain automatic reductions in federal spending (the "Sequester Cuts") took effect as of March 1, 2013 for federal fiscal year ending September 30, 2013. The Sequester Cuts affected the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as BABs (including the Commission’s Series 2009A Bonds). As a result of the Sequester Cuts, the BAB Subsidy Payments received by the Commission in fiscal years 2013 and 2014 for the Series 2009A Bonds were reduced by approximately \$1 million and \$1.9 million, respectively. For fiscal year 2015, the Commission anticipates the BAB Subsidy Payment to be received for the Series 2009A Bonds will be reduced by approximately \$838,942 in respect of the October 1, 2014 debt service payment. The amount of reduction, if any, in the BAB Subsidy Payment to be received for the Series 2009A Bonds in respect of the April 1, 2015 debt service payment has not yet been announced by the federal government. Pursuant to the resolution authorizing the issuance of the Series 2009A Bonds, the Commission is required to make interest and principal payments on the Series 2009A Bonds regardless of whether any BAB Subsidy Payments are received. If the Sequester Cuts continue, the Commission may be required to expend additional Pledged Revenues or other sources of Security in order to pay debt service on the Series 2009A Bonds resulting from a reduction in BAB Subsidy Payments. The Commission has determined that the reduced amount of BAB Subsidy Payments to be received for the Series 2009A Bonds as a result of the Sequester Cuts will not have a material adverse impact on the financial condition of the Commission or its ability to pay regularly scheduled debt service on the Series 2009A Bonds, any Parity Debt and the Bonds when and in the amounts due in fiscal year 2015.

On February 15, 2014, the Bipartisan Budget Act of 2013 was amended to, among other things, extend the planned Sequester Cuts to 2024, however, at this time, the Commission and Department make no representations as

to whether the Sequester Cuts will remain in effect and cause a reduction in receipt of federal funds or BAB Subsidy Payments for any future year.

FUND ADMINISTRATION AND INVESTMENT

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

Texas Mobility Fund Administration Agreement

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

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 and investment of all or any portion of the Fund pursuant to the Investment Agreement. See “– Texas Mobility Fund Investment Agreement” below.

Certification.

Certification Needed to Issue Additional Parity Debt. Under current State law, additional Parity Debt obligations may not be issued unless the Comptroller projects that the amount of money dedicated to and required to be on deposit in the Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which the Bonds are scheduled to be Outstanding, will be equal to at least 110% of the Annual Debt Service Requirements on the obligations proposed to be issued and all outstanding Parity Debt obligations. As provided in the Master Resolution, for the purposes of this certification, the Department’s Chief Financial Officer will certify the outstanding and proposed Annual Debt Service Requirements. Certain payment obligations of the Commission that constitute Parity Debt (such as the Commission’s obligation to reimburse the provider of any Credit Agreement for amounts drawn pursuant to such Credit Agreement) and certain amounts, such as the anticipated BAB Subsidy Payments expected to be on deposit in the Interest and Sinking Account, are excluded from existing debt service requirements included in the Comptroller’s certification. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Effects of Federal Sequestration on Certain Bonds.”

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

Certification Needed to Determine Impact of Substituted Revenues. While Dedicated Revenues are pledged to the payment of Outstanding Parity Debt, the Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the Legislature dedicates a substitute source that is projected by the Comptroller to be of a value equal to or greater than the source being reduced, rescinded, or repealed and (ii) if not already in place, 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.

Texas Mobility Fund Investment Agreement

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

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

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

THE COMMISSION AND THE DEPARTMENT

The Commission

The Commission is the Department's policy-making body and is composed of five commissioners appointed by the Governor with the advice and consent of the Texas Senate. Commissioners serve overlapping six-year terms. One member is designated by the Governor as the Chair and serves as the chief presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person's spouse is employed by or manages a business that is regulated by or regularly receives funds from the Department; directly or indirectly owns or controls more than a 10% interest in a business that is regulated by or receives funds from the Department; uses or receives a substantial amount of goods, services, or funds from the Department; or is registered, certified, or licensed by the Department.

The Legislature created the "State Highway Commission" on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of state highways and promoting the construction of a state highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the 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 current members of the Commission are listed below.

Ted Houghton, Chairman

Mr. Houghton was appointed to the Commission by Governor Perry in December of 2003, and appointed as Chairman of the Commission in October of 2011. A native of El Paso, Mr. Houghton is self-employed in the fields of financial services, executive benefits, and estate planning. He is the first resident of El Paso to serve on the Commission. Mr. Houghton has served on the State of Texas School Land Board. He also served for eight years on the El Paso Water Utilities Public Service Board and on the board of directors of the El Paso Electric Company and the El Paso Rapid Transit Board, as president of the Sun Bowl Association, and as a member of the 1984 Los Angeles Olympic Committee. Mr. Houghton received his bachelor's degree in finance from The University of Texas at El Paso.

Jeff Austin III, Commissioner

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

Jeff Moseley, Commissioner

Mr. Moseley was appointed to the Commission by Governor Perry in June of 2012. Prior to his appointment, Mr. Moseley was chief executive officer of the Greater Houston Partnership. During seven years in this role, he worked on numerous regional transportation policy efforts and partnered with transportation stakeholders such as the Gulf Coast Regional Mobility Partners and the I-69 Corridor Coalition. He previously served as director of the Governor's Office of Economic Development and Tourism. Between 1991 and 1999, Mr. Moseley served as Denton County Judge. During that time, he was a member of the metropolitan planning organization for the North Central Texas Council of Governments, supported the passage of two mobility bond campaigns, organized the I-35 Corridor Coalition, and was involved in the creation of the North Texas Tollway Authority. Mr. Moseley is currently self-employed and serves as a consultant to Opportunity Houston. Mr. Moseley received the Outstanding Alumnus Award from Southern Nazarene University in Oklahoma.

Fred Underwood, Commissioner

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

Victor Vandergriff, Commissioner

Mr. Vandergriff was appointed to the Commission by Governor Perry in March of 2013. Mr. Vandergriff is an attorney and private businessman specializing in business development and legislative issues. From 2009 to 2013, Mr. Vandergriff served as the chairman of the Texas Department of Motor Vehicles Board. He was also a board member for the North Texas Tollway Authority from 2007 to 2013 and served as chairman from 2010 to

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

The Department

The Department is a public authority and body politic and corporate created in 1917 as the “Texas Highway Department” by an act of the Legislature to administer federal funds for highway construction and maintenance. In 1975, the Legislature merged the Texas Highway Department with the “Texas Mass Transportation Commission” to form the “State Department of Highways and Public Transportation,” and in 1991, the Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create the Department. In 2009, the Legislature created the Department of Motor Vehicles as a separate State agency, and moved vehicle title and registration; motor carrier registration and enforcement; licensing of motor vehicle dealers, manufacturers, distributors, and other similar entities; and auto theft reduction efforts from the Department to the Department of Motor Vehicles.

The mission of the Department is to provide safe and efficient movement of people and goods, enhance economic viability and improve the quality of life for the people that travel in the state of Texas by maintaining existing roadways and collaborating with private and local entities to plan, design, build and maintain expanded transportation infrastructure. The Department’s vision is to be a trusted, performance-driven organization committed to collaborating with internal and external partners to deliver a modern, interconnected and multimodal transportation system that enhances the quality of life for Texas citizens and increases the competitive position for Texas industry.

The Department is headquartered in Austin, Texas, with 34 divisions/offices, four regional offices, and 25 district offices located throughout the State. Each district is responsible for the planning, design, construction, maintenance, and operation of its area’s transportation systems. The Department is managed by an Executive Director, subject to and under the direction of the Commission. The Executive Director and other key Department personnel are listed below.

Lieutenant General Joe Weber, Executive Director

Lieutenant General Joe Weber, United States Marine Corps (Retired) was appointed Executive Director by the Commission on April 4, 2014. Under the direction of the Commission, General Weber manages, directs and implements Department policies, programs and operating strategies. General Weber also represents the Department before the Legislature and other entities. Prior to his appointment as Executive Director, General Weber served as Vice President of Student Affairs at Texas A&M University in College Station (“Texas A&M”). In that role, he was responsible for the strategic planning, direction and development of fiscal and human resources, and how they impact the overall experience of nearly 57,000 students at Texas A&M. He was also responsible for crisis management and the oversight of more than 900 student organizations and dozens of campus-wide programs and services. In his last assignment in the Marine Corps, General Weber led more than 75,000 Marines and Sailors along the eastern seaboard. During his 36 years with the Marine Corps, he also previously served in assignments throughout the United States and overseas leading major efforts, including tours in Iraq and Japan. His primary duties focused on training, education and combat readiness for thousands of Marines, Sailors, Soldiers and Airmen. General Weber is a graduate of Texas A&M and obtained a master’s degree from the LBJ School of Public Affairs at The University of Texas at Austin.

John A. Barton, Deputy Executive Director

As Deputy Executive Director, Mr. Barton is responsible for assisting in all phases of directing, managing, and implementing the Department's policies, programs, and operating strategies. He oversees the management of all transportation systems for which the agency is responsible to ensure that systems are adequate, safe, and constructed and maintained for the traveling public in the most cost-effective manner. He also assists in directing long- and short-range planning for the agency including the establishment of overall operating objectives and the technical

merits of programs and policies. Mr. Barton grew up in Archer City, a small rural town in north central Texas, before attending college at Texas A&M University where he graduated with honors in 1986 with a Bachelor of Science degree in Civil Engineering. Mr. Barton began working for the Department as a summer employee in the Archer City Maintenance Section of the Wichita Falls District while in high school, and then began full-time employment with the Department after graduating from Texas A&M and now has more than 27 years with the Department. Like most Department employees, he has worn many hats during his time with the Department, ranging from Construction Project Inspector and Manager to Area Engineer, to District Engineer, Assistant Executive Director for Engineering Operations, Chief Engineer, and now Deputy Executive Director.

James M. Bass, Chief Financial Officer

As the Department's Chief Financial Officer ("CFO"), Mr. Bass has financial oversight responsibility for the Department. Mr. Bass also oversees management of the Department's financial planning operations division (the "Finance Division"), which now includes programming and scheduling of all transportation projects and letting management activities associated with project delivery. In addition, the CFO has oversight of toll operations, innovative finance and debt management (including the State Infrastructure Bank and investment functions), and grant management. Under his direction, the Finance Division develops and implements systems and policies related to accounting, forecasting, budgeting, payment for goods and services, and the processing of receipts and revenues. Mr. Bass also served as Interim Executive Director of the Department from January 17, 2014 until General Weber's appointment as Executive Director. Mr. Bass began his career with the Department in 1985 in the Fort Worth District where he maintained records and audited field measurements. He also worked part-time as an engineering aide for the Austin District while earning his bachelor's degree in accounting from The University of Texas at Austin. After graduation in 1991, Mr. Bass served as an accounting clerk in the Finance Division. In 1997, Mr. Bass became a manager in the Budget and Forecasting Branch, and in that position was responsible for preparation of the Department's Legislative Appropriations Request and Operating Budget, and working with the Texas Legislative Budget Board, State Auditor's Office, and the Comptroller of Public Accounts. He also worked on the Department's Cash Forecasting System for the State Highway Fund. Mr. Bass was named Finance Division Director in 1999 and his title was changed to Chief Financial Officer in 2005.

Benjamin Asher, Innovative Financing/Debt Management Officer

Mr. Asher assumed the position as the Department's Innovative Financing/Debt Management Officer in June 2012. In this role he oversees the day-to-day activities of the Innovative Financing/Debt Management Office which include managing the Department's various debt programs, including the Department's TIFIA loan activity as well as the State Infrastructure Bank, toll equity, pass-through financings, and the financial aspects of the Department's public-private partnerships. Prior to joining the Department, Mr. Asher worked for the Public Resources Advisory Group, an independent financial advisory firm, most recently as a Senior Managing Director in New York. Previously, Mr. Asher worked as an associate for the First Boston Corporation in the public finance and corporate restructuring departments. Mr. Asher received his Bachelor of Arts in History from Columbia College and an M.B.A. in Finance from Columbia University Graduate School of Business.

Brian Ragland, Finance Director

As the Department's Finance Director, Mr. Ragland is responsible for the management and control of budget, revenue, disbursements, and accounting, and debt management for the Department as well as programming and scheduling and letting management of all transportation projects. Mr. Ragland is also currently an elected trustee of the Employees Retirement System, with a term expiring August 31, 2017. Mr. Ragland began his career with the Department as the Director of the Department's Claims Management Section of the Finance Division in 2003. He left the Department in 2005 to pursue an opportunity as Senior Vice President and Chief Financial 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 that agency until 2003, when he joined the Department. Mr. Ragland received a bachelor's degree in Accounting from The University of Texas at Austin in 1990 and a Masters

of Business Administration degree from Southwest Texas State University in 1999. He is a licensed Certified Public Accountant.

Jeff Graham, General Counsel

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

Sunset Review

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

Audits

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

The SAO is authorized, by Chapter 321, Texas Government Code, to perform audits, reviews, and investigations of any entity receiving State funds, including State agencies and higher education institutions. Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants.

In connection with the State's Comprehensive Annual Financial Report, the SAO issued an audit report in February 2014 (the "Audit") which included a discussion of the Department's statewide financial and federal compliance for fiscal year ended August 31, 2013. The SAO regularly audits State agencies that receive federal funds to ensure compliance with applicable federal requirements for the receipt of such funds. The SAO indicated the Department should improve certain financial reporting and information technology controls. As discussed in the Audit, the Department has continued to implement corrective actions in response to the SAO's findings. State audit reports, including reports covering various aspects of the Department's performance, are available at <http://www.sao.state.tx.us>.

The Department's Office of Internal Audit conducted an audit of the Department's compliance with certain bond covenants. The Internal Audit Report, released in March 2014, noted that the Department's control mechanisms are effective and substantially address risk factors and exposures considered significant relative to impacting financial reporting reliability, operational execution and regulatory compliance. The report also noted that controls for monitoring project level requirements, including private use, could be improved. The Department is implementing procedures to address this concern.

Other Financing Programs

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

Set forth below is a summary of several of the financing programs and financing alternatives that have been utilized and are available to the Commission (in addition to the Program) to finance, assist in the financing of, or otherwise facilitate the development and construction of highway projects. **None of such financing programs are part of the Mobility Fund and, except for the State general obligation bonds to fund highway improvements, such programs are not secured by the full faith and credit of the State. Additionally, none of such financing programs provide a source of security for obligations of the Mobility Fund, including Parity Debt, and none of the Mobility Fund, the Dedicated Revenues, or the Security are pledged to secure payment of any obligations described under this caption.**

Turnpike Financings.

The Commission, using the resources of the Department, has the statutory authority to study, plan, design, construct, finance, operate, and maintain turnpikes in all 254 counties in the State. Any such turnpike projects are part of the State Highway System. The Commission has the authority to issue turnpike revenue bonds to pay all or a part of the costs of a turnpike project, to enter into certain comprehensive development agreements for projects, and to acquire right-of-way. As of June 1, 2014, approximately \$2.7 billion of such debt obligations was outstanding, all of which relates to the Central Texas Turnpike System (“CTTS”).

In addition, the Commission authorized the creation of the Grand Parkway Transportation Corporation (“GPTC”) to provide financing for certain segments of State Highway 99 (the “Grand Parkway”). See “State Highway Fund – Other Obligations and Commitments – Toll Equity Obligations” below. As of June 1, 2014, the GPTC had approximately \$2.9 billion of debt obligations outstanding. GPTC also has entered into a loan agreement with the U.S. Department of Transportation (“USDOT”) pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998 (“TIFIA”) that authorizes GPTC to borrow up to \$840,645,000 for costs associated with the Grand Parkway.

State Highway Fund.

Senior Obligations. Texas Transportation Code, Section 222.003 (“Section 222.003”) authorizes the Commission to issue bonds and other public securities and enter into credit agreements related thereto (collectively, “State Highway Fund Revenue Obligations”) secured by a pledge of and payable from revenue deposited to the credit of the State Highway Fund (“State Highway Fund”) to fund improvements to the State Highway System. Under current law, \$6 billion maximum aggregate principal amount of State Highway Fund Revenue Obligations is authorized to be issued pursuant to Section 222.003. As of June 1, 2014, an aggregate principal amount of \$4,310,525,000 of State Highway Fund Revenue Obligations was outstanding. Approximately \$700 million of State Highway Fund Revenue Obligations remain authorized but unissued under current law. The Commission expects to issue additional State Highway Fund Revenue Obligations within the next 12 months, but the amount of such obligations has not yet been determined.

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

The Commission has authorized the Department to obtain financing pursuant to Section 201.115 and enter into short-term lending facilities to facilitate efficient cash management operations in the State Highway Fund in response to fluctuations in the cash balance of the State Highway Fund as a result of the cyclical nature and

uncertain timing of deposits into and payments out of the State Highway Fund. Pursuant to such authorization, the Department entered into separate Note Purchase Agreements, dated as of August 15, 2013, with Wells Fargo Bank, National Association, and Citibank, N.A. (collectively, the “Lending Banks”), to obtain direct loans from the Lending Banks through the issuance of the Department’s State Highway Fund Revenue Flexible Rate Revolving Notes in the combined aggregate principal amount of not to exceed \$750 million, which includes \$250 million of direct lending capacity that is subject to cancellation at the option of the Department or the Lending Banks. The Note Purchase Agreements are scheduled to expire on August 15, 2015, subject to any extensions or renewals. The Department’s direct lending program is subject to the requirements and limitations set forth in Section 201.115 and will be utilized from time to time for cash management purposes. As of June 1, 2014, no Flexible Rate Revolving Notes were outstanding pursuant to Section 201.115.

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

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

Central Texas Turnpike System. The Commission has a toll equity commitment, subject to the appropriation of available funds, to pay operation and maintenance, and current capital expenditures as well as certain unusual or extraordinary maintenance costs of the CTTS as determined by the Commission (“CTTS Reserve Maintenance”), to the extent the CTTS toll revenues are not sufficient to pay such expenses. Based on current projections, the Commission anticipates \$50.8 million will be needed for payment of CTTS operation and maintenance and CTTS Reserve Maintenance expenses through fiscal year 2042 from the State Highway Fund or other eligible sources that are available therefor, including surplus CTTS toll revenues.

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

Current law limits the amount of money that the Department may grant each fiscal year under Section 222.103 to no more than the amount that, together with amounts granted for the preceding four fiscal years, results in an average annual expenditure of \$2 billion. Toll equity loans under Section 222.103 are not included in the calculation of the limitation.

As of June 1, 2014, the Department had outstanding toll equity grant commitments and toll equity loan commitments totaling \$219 million and \$15.6 billion, respectively.

Of the outstanding toll equity loan commitments, as of June 1, 2014, approximately \$6.0 billion relates to toll equity loan agreements with the North Texas Tollway Authority, executed in connection with the financing of State Highway 161 (also known as the President George Bush Western Extension) and State Highway 121 (also known as the Chisholm Trail Parkway), and \$9.6 billion relates to a toll equity loan agreement with the Grand Parkway Transportation Corporation, executed in connection with the financing of the Grand Parkway.

Payments by the Department pursuant to any toll equity loan agreement are subject to appropriation, and such payments are subordinate to (i) State Highway Fund Revenue Obligations, which will have a prior lien on State Highway Fund revenues, and (ii) subordinate obligations issued or incurred as described above, and payable from the State Highway Fund.

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

As of June 1, 2014, the Department had executed 41 pass-through toll agreements with terms ranging from four to 20 years and total payments due from the Department of approximately \$1.7 billion. The \$1.7 billion will be paid out in either semiannual or annual payments, and the largest annual reimbursement over that term is approximately \$193 million. Neither the Commission nor the Department has adopted any policy limiting the ability to enter into toll equity loan agreements or other agreements payable from the State Highway Fund.

State Infrastructure Bank. Under Subchapter D of Chapter 222, Texas Transportation Code, the Commission may issue revenue bonds for the purpose of providing money for the “State Infrastructure Bank” as an account in the State Highway Fund which is used to provide financial assistance and loans to public or private entities for qualified projects. Such revenue bonds are special obligations of the Commission payable only from income and receipts of the State Infrastructure Bank. No State Infrastructure Bank revenue obligations have been issued to date.

Private Activity Bonds. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”), amended section 142 of the Internal Revenue Code to permit the use of up to \$15 billion of tax-exempt private activity bonds (“PABs”) to finance facilities for qualified highway or surface freight transfer projects. The Commission created the Texas Private Activity Bond Surface Transportation Corporation (the “Corporation”) as a transportation corporation under Chapter 431, Texas Transportation Code, for the purpose of issuing PABs for transportation projects developed or to be developed under comprehensive development agreements entered into by the Department. As of June 1, 2014, the Corporation had approximately \$1.3 billion of PABs outstanding.

State General Obligation Bonds to Fund Highway Improvements. Pursuant to Article III, Section 49-p(a), Texas Constitution, and Section 222.004, Texas Transportation Code, the Commission has the authority to issue State general obligation bonds in an amount not to exceed \$5 billion to provide funding for highway improvement projects. As of June 1, 2014, approximately \$1.8 billion of Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds were outstanding. These bonds and other such bonds that may be issued in the future were not and will not be issued as part of the Program, and are not and will not be secured by the Security, but they will be secured by the full faith and credit of the State.

LEGAL MATTERS

Legal Opinions

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 “PLAN OF FINANCE,” “DESCRIPTION OF THE BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” (except for the information under the headings “–Detailed Information on Dedicated Revenues – Major Sources,” “– Miscellaneous Sources,” “– Mobility Fund Financial Statements,” “– Mobility Fund Revenue Forecast,” and Tables 1 through 4, 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 – Continuing Disclosure Undertaking of the Commission Related to the Program” (except for the information under the subcaption “Compliance with Prior Undertakings”), APPENDIX B, and APPENDIX C, and such firm is of the opinion that such information contained under such captions and in such appendices 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 Disclosure Counsel represent only the Commission. A portion of the legal fee to be paid to Bond Counsel, and the legal fees to be paid to each of Disclosure Counsel and co-counsel to the Underwriters, for services rendered in connection with the issuance of the 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 Andrews Kurth LLP, Disclosure Counsel, and the General Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Bracewell & Giuliani LLP, Austin, Texas and Bickerstaff Heath Delgado Acosta LLP, Austin, 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 a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

There is no litigation, proceeding, inquiry, or investigation pending or threatened by or before any court or other governmental authority or entity of which the Commission has notice or, to the Department’s knowledge, any basis therefor, against or affecting the State or any of its agencies or instrumentalities that (i) affects the existence of the Department or the Commission or the right of the present commissioners 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, or (iii) would have a material adverse effect upon the power of 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. As set forth in “APPENDIX A - The State”, as of its date, in the opinion of the Comptroller, based on information provided by the State Attorney General as to the existence and legal status of such legal proceedings, none of such proceedings, except for those specifically disclosed therein, if finally decided adversely to the State, would have a materially adverse effect on the long term financial condition of the State. See “APPENDIX A – The State.”

Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. Currently, the Bonds meet the Public Funds Investment Act rating requirement. See “RATINGS.” In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of \$1,000,000 or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Commission has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and the acceptability of the Bonds for investment or collateral purposes.

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

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX C – Form of Opinion of Bond Counsel.”

In rendering its opinion, Bond Counsel will rely upon (i) certain information and representations of the Commission, including information and representations contained in the Commission’s federal tax certificate, (ii) covenants of the Commission contained in the Bonds and other documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith, and (iii) the verification report of The Arbitrage Group, Inc. as to the sufficiency of the Escrow Fund. Failure by the Commission to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Commission with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

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

State, Local, and Foreign Taxes

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

GENERAL INFORMATION REGARDING THE STATE

Bond Appendix

The Texas Comptroller of Public Accounts (the “Comptroller”) prepares a quarterly appendix (the “Bond Appendix”) which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated May 2014 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.

2013 State CAFR

The Texas 2013 Comprehensive Annual Financial Report for the year ended August 31, 2013 (the “2013 CAFR”) is currently on file with the Municipal Securities Rulemaking Board (the “MSRB”). The 2013 CAFR is incorporated herein by reference and made a part of this Official Statement as if set forth herein. The 2013 CAFR may be obtained (i) using the MSRB’s internet website, www.emma.msrb.org, by using the quick search function and entering the term “State of Texas Comptroller” and (ii) from the Comptroller’s website at <http://www.window.state.tx.us/finances/pubs/cafr>.

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the State Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000, if the resulting annual debt service exceeds 5% of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. However, the Bonds are self-supporting and, thus, the Bonds are excluded from the computation required by, and are not subject to the limitation imposed by, Article III, Section 49-j. See “APPENDIX A – The State” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – State General Obligation Pledge.”

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission Related to the Program

General. In the Ninth 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 provisions of the undertaking for so long as it remains obligated to advance funds to pay the Bonds. Under the undertaking, the Commission will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information will be available to investors by the MSRB through its Electronic Municipal Markets Access (“EMMA”) system, free of charge at www.emma.msrb.org.

Annual Reports. The Commission will provide certain updated financial information and operating data to the MSRB, in an electronic format and accompanied by identifying information as prescribed by the MSRB, annually. The information to be updated includes: (i) any revenue forecast performed by the Comptroller (which is required by law to be prepared in connection with the issuance of additional obligations payable from the Fund), substantially in the form of Table 3 herein or in any format as may be provided by the Comptroller; (ii) any revenue forecast performed by the Comptroller upon the substitution by the Legislature of any of the Dedicated Revenues with any other revenue source, substantially in the form of Table 3 herein or in any format as may be provided by the Comptroller; and (iii) for each fiscal year, annual financial statements of the Fund prepared in accordance with generally accepted accounting principles. The Commission will update and provide this information within 195 days after the end of each fiscal year.

The information to be provided may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB’s internet web site or filed with the SEC. Any financial statements to be so provided will be (i) prepared in accordance with generally accepted accounting principles or such other accounting principles as the Commission may be required to employ from time to time pursuant to State law or regulation and (ii) audited, if the Commission commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Commission will provide unaudited financial statements within such period, and audited financial statements for the applicable fiscal year, when and if the audit report on such statements become available.

The Commission’s current fiscal year end is August 31. Accordingly, it must provide the information to be updated annually, as described above, within 195 days thereof unless the Commission changes its fiscal year. If the Commission changes its fiscal year, it will notify the MSRB of the change.

Certain Event Notices. The Commission will also notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material within the meaning of the federal securities laws; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (vii) modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; (viii) Bond calls, if material within the meaning of federal

securities laws, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of an Obligated Person; (xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws. In addition, the Commission will provide the MSRB notice in a timely manner 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.”

For the purposes of the event numbered (xii) in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of such Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such Obligated Person.

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

All documents provided to the MSRB pursuant to this “– Continuing Disclosure Undertaking of the Commission Related to the Program” shall be accompanied by identifying information as prescribed by the Rule.

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller has entered into a Continuing Disclosure Agreement with the Bond Review Board dated as of August 17, 1995 and amended January 25, 2010. The Commission and the legal and beneficial owners of the Bonds are entitled to rely upon the continuing disclosure undertaking of the Comptroller as set forth in the Continuing Disclosure Agreement. The Comptroller is required to observe this agreement for so long as the State remains an “obligated person” within the meaning of the Rule. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares the Bond Appendix quarterly for use in State agency securities offerings. The Comptroller intends to continue to prepare or supplement the Bond Appendix quarterly and to provide each such update or supplement to the MSRB.

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

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

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s EMMA

website or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

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

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

Availability of Information

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

Limitations and Amendments

The Commission and the Comptroller have agreed to update information and to provide notices of certain specified events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Commission's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 may amend its 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 if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the initial offering thereof in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Commission (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 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” 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 may also amend its 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.

The Comptroller may amend its continuing disclosure agreement with the Bond Review Board to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the State if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the Owners of a majority in aggregate principal amount of Outstanding Bonds

consent to such amendment or (b) a person unaffiliated with the State, the Comptroller, the Bond Review Board and the Commission (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Owners and Beneficial Owners of the Outstanding Bonds. If the Comptroller so amends its agreement with the Bond Review Board, the Comptroller must include with the next financial information and operating data provided in accordance with its agreement described above under “Continuing Disclosure Undertaking of the Comptroller – Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data provided.

Compliance With Prior Undertakings

During the last five years, the Commission has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule.

During the last five years, the Comptroller has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule.

OTHER INFORMATION

Ratings

The Bonds have been assigned ratings of “AAA” by Fitch Ratings, “Aaa” by Moody’s Investors Service, Inc., and “AAA” by Standard and Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such companies at the time the ratings are given, and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

Underwriting

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain conditions, to purchase the Bonds from the Commission.

The purchase price of the Bonds is \$1,127,772,293.07 (which represents the par amount of the Bonds, plus an original issue premium of \$157,759,599.95 and less an underwriting discount of \$3,762,306.88).

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.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisor and investment banking services for the Commission and the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt or equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Commission or the State.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire long and/or short positions in such assets, securities and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., one of the Underwriters, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Piper Jaffray & Co. (“Piper”), one of the Underwriters, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA, one of the Underwriters, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Verification of Mathematical Accuracy

The Arbitrage Group, Inc. (the “Verification Agent”) will verify from the information provided to them by the Financial Advisor, the mathematical accuracy as of the date of the closing on the Bonds of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor’s schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest, and call premium payment requirements, if any, of the Refunded Bonds and (ii) the computations of yield on both the securities and the Bonds contained in the schedules used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for federal income tax purposes. The Verification Agent will express no opinion on the assumptions provided to them, or as to the excludability of the interest on the Bonds from gross income for federal income tax purposes.

Financial Advisor

Estrada Hinojosa & Company, Inc. is serving as the Financial Advisor to the Commission (the “Financial Advisor”) in connection with the issuance of the 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.

Forward-Looking Statements

The statements contained in this Official Statement 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 State's actual results, and the actual performance of the Mobility Fund, could differ materially from those in such forward-looking statements.

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

Sources of Information

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 statutes and documents for further information. Reference is made to original documents in all respects.

Approval of Official Statement

The Ninth Supplemental Resolution approved the form and content of this Official Statement, and authorized 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) 305-9507, telecopy (512) 463-0283.

TEXAS TRANSPORTATION COMMISSION

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

SCHEDULE I

REFUNDED BONDS

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, SERIES 2005-A**

<u>Maturity (April 1)</u>	<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
2016	4-1-2015	\$ 21,195,000	5.000%	100%
2017	4-1-2015	22,255,000	3.900%	100%
2018	4-1-2015	23,120,000	4.000%	100%
2019	4-1-2015	24,040,000	4.000%	100%
2020	4-1-2015	25,005,000	4.100%	100%
2021	4-1-2015	26,030,000	5.000%	100%
2022	4-1-2015	27,335,000	5.000%	100%
2023	4-1-2015	28,695,000	5.000%	100%
2024	4-1-2015	30,135,000	5.000%	100%
2025	4-1-2015	31,645,000	5.000%	100%
2026	4-1-2015	33,220,000	5.000%	100%
2027	4-1-2015	34,885,000	5.000%	100%
2028	4-1-2015	36,630,000	5.000%	100%
2029	4-1-2015	38,460,000	5.000%	100%
2030	4-1-2015	40,385,000	5.000%	100%
***	***	***	***	***
2035 ⁽¹⁾	4-1-2015	264,835,000	4.750%	100%

⁽¹⁾ Term bond.

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SCHEDULE I (CONTINUED)

REFUNDED BONDS

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND BONDS, SERIES 2006**

<u>Maturity (April 1)</u>	<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
2017	4-1-2016	\$18,630,000	5.000%	100%
2018	4-1-2016	19,560,000	5.000%	100%
2019	4-1-2016	20,540,000	5.000%	100%
2020	4-1-2016	21,565,000	5.000%	100%
2021	4-1-2016	22,645,000	5.000%	100%
2022	4-1-2016	23,775,000	5.000%	100%
2023	4-1-2016	24,965,000	5.000%	100%
2024	4-1-2016	26,215,000	5.000%	100%
2025	4-1-2016	27,525,000	4.650%	100%
2026	4-1-2016	28,805,000	5.000%	100%
2027	4-1-2016	30,245,000	5.000%	100%
2028	4-1-2016	31,755,000	5.000%	100%
2029	4-1-2016	33,345,000	5.000%	100%
2030	4-1-2016	35,010,000	5.000%	100%

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APPENDIX A

THE STATE

The Bond Appendix dated as of May 2014 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the quick search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at <http://www.window.state.tx.us/treasops/bondapp.html> and will be updated from time to time by the Comptroller.

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APPENDIX B

SELECT PROVISIONS OF THE RESOLUTION

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

Select Definitions in the Master Resolution and the Ninth 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, with respect to each Series of the Bonds (i) as Current Interest Bonds, \$5,000 and any integral multiple thereof or (ii) as Capital Appreciation Bonds, \$5,000 in Maturity Amount or any integral multiple thereof.

"Authorized Representative" means the Executive Director of the Department, each Deputy Executive Director of the Department, the Chief Financial Officer or such other individuals so designated by the Commission to perform the duties of an Authorized Representative under the Ninth Supplement.

"Capital Appreciation Bonds" means the Bonds on which no interest is paid prior to maturity, maturing variously in each of the years and in the aggregate principal amount as set forth in an Award Certificate.

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

“*Compounded Amount*” means, with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus initial premium, if any, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with the Ninth Supplement and the Tenth Supplement and the Compounded Amount Table relating to such Bonds.

“*Compounded Amount Table*” means, with respect to the Capital Appreciation Bonds, the table attached as an exhibit to the Award Certificate relating to the Bonds that shows the Compounded Amounts per \$5,000 Maturity Amount on the Compounding Dates for each maturity to its Maturity.

“*Current Interest Bonds*” means the Bonds paying current interest and maturity in each of the years and in the aggregate principal amounts set forth in an Award Certificate.

“*Debt*” means all indebtedness of the Commission payable from the Security that is also:

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

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

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

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

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

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

(2) Beginning September 1, 2008, \$15 of the 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

* 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.”

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;

(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.

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

"Department Representative" means the Executive Director or the Chief Financial Officer of the Department.

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

“*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.

“*Maturity Amount*” means the Compounded Amount of a Capital Appreciation Bond due on its 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 the Master Resolution or any Supplement, except:

- (1) Parity Debt theretofore cancelled and delivered to the Commission or delivered to the Paying Agent or the Registrar for cancellation;
- (2) Parity Debt deemed to be Defeased Debt;
- (3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to the Master Resolution or any Supplement; and
- (4) Parity Debt under which the obligations of the Commission have been released, discharged, or extinguished in accordance with the terms thereof;

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

“*Outstanding Parity Debt*” means 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,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds),” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2008,” and “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds - Direct Payment).”

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

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

“*Pledged Revenues*” means (i) all Dedicated Revenues, (ii) all Repayments included in Pledged Revenues pursuant to a Supplement, (iii) all other amounts received by the Commission under any Collateral Documents, (iv) all Sale Proceeds, and (v) all amounts received by the Commission as income, profits, or gain on investments of

money held in the Mobility Fund; provided, however, amounts in the Bond Proceeds Account and any other accounts or subaccounts so excluded pursuant to any Supplement shall not constitute Pledged Revenues.

“*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.

“*Taxable Bonds*” means each Series of Bonds bearing interest at a taxable interest rate.

“*Tax-Exempt Bonds*” means each Series of Bonds bearing interest which is excludable from gross income for federal taxation purposes pursuant to Section 103 of the Internal Revenue Code of 1986.

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

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

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. The Master Resolution is intended to establish a master financing program under which Parity Debt of the Financing Program can be incurred. The Financing Program is initially established in the aggregate principal amount outstanding at any time of not to exceed \$7.2 billion, subject to the limitations and requirements of the Constitutional Provision, the Enabling Act and other applicable provisions of

State law, the Master Resolution, and each Supplement (the “Controlling Provisions”). Each issue or series of Parity Debt shall be issued pursuant to a Supplement and no Parity Debt shall be issued unless the Commission has complied with the Controlling Provisions. (As amended by (i) the “First Amendment to Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program,” approved by the Commission by adoption of Minute Order No. 111083 on September 27, 2007 and (ii) the “Second Amendment to Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program,” approved by the Commission by adoption of Minute Order No. 113164 on June 28, 2012.)

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

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

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

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

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

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

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

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

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

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

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

(e) Bond Proceeds Account. Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

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

(g) Other Accounts. The Commission reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts within the Mobility Fund for such other purposes as the Commission may determine from time to time. The Commission may, at its option,

declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

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

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

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

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

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

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

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

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

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

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

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

(d) Determination of Annual Debt Service Requirements. For all purposes of the Master Resolution, the judgment of the Chief Financial Officer shall be deemed final in the determination of the Annual Debt Service Requirements of the Financing Program.

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

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

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

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

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

(j) Records; Annual Audit. The Commission will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Mobility Fund. Each year while any Parity Debt is Outstanding, the Commission covenants that as soon as practicable, but in no event more than one hundred twenty (120) days after the last day of each Fiscal Year, beginning with the end of the first Fiscal Year in which Parity Debt is issued, it will prepare or cause to be prepared a financial report of the Mobility Fund for such Fiscal Year in accordance with generally accepted accounting principles, certified by a Certified Public Accountant. The Commission shall promptly furnish such audited financial report to the municipal bond rating agencies then maintaining a rating on Parity Debt and to any owner of Parity Debt who shall request the same, and shall file or make available such audited financial report as required by each Supplement. In addition, a copy of each such audited financial report shall be retained on file in the Department's administrative offices and open to the inspection of the owners of Parity Debt, and their respective agents and representatives, at all reasonable times during regular business hours, for at least 365 days following the preparation thereof.

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

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

Supplements to be hereafter authorized. The Commission hereby covenants and agrees to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Parity Debt.

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

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

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

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

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

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

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

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

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

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

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

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

including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State.

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

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

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

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

(iii) To supplement the Security for the Outstanding Parity Debt or to change the definition of Dedicated Revenues as may be altered by the State Legislature from time to time in accordance with the Constitutional Provision and State law;

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

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

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

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

(b) Amendments With Consent. Subject to the provisions of Section 13(g) of the Master Resolution, the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to the Master Resolution which may be deemed necessary or desirable by the Commission; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Debt (unless such amendment shall be determined by the Commission to affect only the owners of certain Parity Debt, in which case such amendment shall not be made without the approval of the owners so affected), the amendment of the terms and conditions in the Master Resolution so as to:

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

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

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

- (iv) Make any change in the maturity of any Outstanding Parity Debt; or
- (v) Reduce the rate of interest borne by any Outstanding Parity Debt; or
- (vi) Reduce the amount of the principal payable on any Outstanding Parity Debt; or
- (vii) Modify the terms of payment of the amounts required to meet any financial obligations of the Commission relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or
- (viii) Amend this subsection (b) of this Section.

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

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

(e) Effect of Amendments. Upon the adoption by the Commission of any resolution to amend the Master Resolution pursuant to the provisions of this Section, the Master Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Commission and all the owners of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under the Master Resolution, as amended.

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

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

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

Select Provisions of the Ninth 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 Ninth 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 Ninth 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 Ninth Supplement.

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

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 Ninth Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Ninth 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 4.03. ESCROW FUND. An Escrow Fund shall be created for each Series of the Bonds and shall be governed by the terms of each Escrow Agreement.

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 Ninth Supplement on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the purposes for which the Tax-Exempt Bonds are issued have been accomplished. The foregoing notwithstanding, the Commission shall

* The Ninth Supplemental Resolution authorizes the issuance of one or more series of Bonds in an aggregate principal amount not to exceed \$2.6 billion. See "PLAN OF FINANCE – General."

not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Tax-Exempt Bonds, or (ii) the date the Tax-Exempt Bonds are retired, unless the Commission obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Tax-Exempt Bonds. For purposes hereof, the Commission shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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

Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS OF BONDS. Subject to the provisions of the Master Resolution, this Ninth Supplement and the rights and obligations of the Commission and of the Owners of the Outstanding Bonds, this Ninth 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 Ninth 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 Ninth Supplement;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Ninth 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 Ninth 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 Ninth 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 Ninth 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 Ninth 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 Ninth 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 shall, promptly upon receipt thereof, be applied by the Department Representative as follows:

- (i) any underwriting discount or fees and any Credit Agreement fees for each Series of Bonds may be retained by and/or wired directly to such parties;
- (ii) any accrued interest, if any, shall be deposited as provided in Section 4.01; and

(iii) an amount sufficient to pay costs of issuance of a Series of the Bonds shall be deposited in the Bond Proceeds Account; and

(iv) an amount sufficient to pay the Refunded Bonds shall be deposited in one or more Escrow Funds pursuant to each Escrow Agreement.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be deposited into the Interest and Sinking Account and applied to the payment of principal of and interest on the Current Interest Bonds and Maturity Amounts in the case of Capital Appreciation Bonds.

Section 7.03. **DEFEASANCE OF BONDS.** (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased 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 Ninth Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter, the Commission will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other eligible institution) for the payment of said Defeased Debt, including any insufficiency therein caused by the failure of such Paying Agent/Registrar or other eligible institution to receive payment when due on the 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 Ninth 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 Ninth 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 Ninth Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Ninth 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 Ninth 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. ESCROW AGREEMENT AND RELATED PROVISIONS. (a) Escrow Agreement. The discharge and defeasance of Refunded Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement, in the form and containing the terms and provisions as shall be approved by a Department Representative, including any insertions, additions, deletions, and modifications as may be necessary (a) to carry out the program designed for the Commission by the underwriters or purchasers, (b) to maximize the Commission's present value savings and/or to minimize the Commission's costs of refunding, (c) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds and (d) to carry out the other intents and purposes of this Ninth Supplement; and, the Department Representative is hereby authorized to execute and deliver such Escrow Agreement, on behalf of the Commission, in multiple counterparts.

(b) Redemption Prior to Maturity of Refunded Bonds. To maximize the Commission's present value savings and to minimize the Commission's costs of refunding, the Commission hereby authorizes and directs that certain of the Refunded Bonds shall be called for redemption prior to maturity in the amounts, at the dates and at the redemption prices set forth in each Award Certificate, and the Department Representative is hereby authorized and directed to take all necessary and appropriate action to give or cause to be given a notice of redemption to the holders or paying agent/registrars, as appropriate, of such Refunded Bonds, in the manner required by the documents authorizing the issuance of such Refunded Bonds.

(c) Purchase of Defeasance Securities. A Department Representative and the Escrow Agent are each hereby authorized (a) to subscribe for, agree to purchase, and purchase Defeasance Securities that are permitted investments for a defeasance escrow established to defease Refunded Bonds, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved, and (b) to authorize such contributions to the escrow fund as are provided in each Escrow Agreement.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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LAW OFFICES

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

**TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS, SERIES 2014
\$973,775,000**

AS BOND COUNSEL for the Texas Transportation Commission (the "Commission") the governing body of the Texas Department of Transportation (the "Department"), we have examined into the legality of and validity of the issue of bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates specified, all in accordance with the "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" as amended by the "First Amendment to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" and the "Second 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 Ninth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Ninth Supplement") adopted by minute order of the Commission on January 30, 2013 and the Award Certificate of the Department Representative (the "Award Certificate" which together with the Master Resolution and the Ninth Supplement 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 Ninth 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 Chapters 1207 and 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 sovereign immunity, 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 sovereign immunity, 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 and (ii) 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 Resolution, 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 Ninth Supplement. The Master Resolution and Ninth 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 Ninth Supplement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of all Parity Debt.

IT IS FURTHER OUR OPINION, that except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preferred item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Commission with certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Commission to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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

Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Commission as to the current outstanding indebtedness of the Commission and the Comptroller of Public Accounts of the State of Texas with respect to the projected revenues of the Texas Mobility Fund. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Respectfully,

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APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

This appendix describes how ownership of the 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 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, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the Commission, the Financial Advisor nor the Underwriters take any responsibility for the accuracy or completeness thereof and such information is not to be construed as a representation by any of the Commission, the Financial Advisor or the Underwriters.

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 DTC Participants, (ii) DTC 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 (3) DTC will serve and act in the manner described in the 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 DTC Participants are on file with DTC. Termination of the DTC book-entry-only system by the Commission may require consent of the Participants under DTC Operational Arrangements.

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 will be issued for each maturity of the Bonds, as set forth on the inside of the cover page hereof, 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 a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the 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 shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Commission or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

APPENDIX E

AUDITED FINANCIAL STATEMENTS OF THE FUND

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TEXAS DEPARTMENT OF TRANSPORTATION

Texas Mobility Fund

(A Governmental Fund of the Texas Department of Transportation)



Financial Statements - For the Fiscal Year Ended August 31, 2013

Back of Cover

Texas Mobility Fund
A Governmental Fund of the Texas Department of Transportation

FINANCIAL STATEMENTS
For the Fiscal Year Ended
August 31, 2013

Prepared by:
Finance Division of the Texas Department of Transportation

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Texas Mobility Fund
FINANCIAL STATEMENTS
For the Fiscal Year Ended
August 31, 2013

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Texas Mobility Fund
INTRODUCTORY SECTION

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125 EAST 11TH STREET | AUSTIN, TEXAS 78701-2483 | (512) 463-8580 | WWW.TXDOT.GOV

December 16, 2013

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

The audited financial statements of the Texas Mobility Fund (Mobility Fund) for the year ended August 31, 2013, are submitted herewith. The Master Resolution, dated as of May 4, 2005, as amended and supplemented by the first through tenth Supplemental Master Resolutions (Resolution) requires the preparation and submission of audited annual financial statements. This report was prepared by the Accounting section of the Finance division of the Texas Department of Transportation (TxDOT).

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of the presentation. Consequently, management assumes full responsibility for the completeness and fairness of all of the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Mobility Fund and provide disclosures that enable the reader to understand the Mobility Fund's financial condition.

TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

The Texas State Auditor's Office performed an independent audit, in accordance with generally accepted auditing standards, of the Mobility Fund's basic financial statements for the year ended August 31, 2013. The audit opinion is presented in this report preceding the financial statements.

Profile of the Government

This report includes financial statements for the Mobility Fund. The Mobility Fund is part of TxDOT's reporting entity. TxDOT is an agency of the state of Texas. The functions of TxDOT have evolved over time due to statutory changes, with the most recent being the creation of the Texas Department of Motor Vehicles in 2009. Headquartered in Austin, TxDOT is organized by administration, districts, divisions, and offices.

TxDOT also maintains a comprehensive public interest website that outlines the agency's policies, plans, projects status and major initiatives at www.txdot.gov.

TxDOT is managed by an executive director and is governed by the five-member Texas Transportation Commission. All members of the Commission are appointed by the governor.

In 2001, voters approved a Texas constitutional amendment that authorized the creation of the Mobility Fund. In particular, Article III, Section 49-k of the Texas Constitution (Constitutional Provision) created the Mobility Fund within the treasury of the state of Texas.

OUR GOALS
MAINTAIN A SAFE SYSTEM • ADDRESS CONGESTION • CONNECT TEXAS COMMUNITIES • BEST IN CLASS STATE AGENCY
An Equal Opportunity Employer

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 August 31, 2013, the Commission had issued a par amount of \$6.26 billion in Mobility Fund bonds.

The Mobility Fund is administered by the Commission as a revolving fund to provide a method of financing for the construction, reconstruction, acquisition and expansion of state highways, including costs of any necessary design and costs of acquisition of rights of way, as determined by the Commission in accordance with standards and procedures established by law. Monies in the Mobility Fund may also be used to provide state participation in the payment of a portion of the costs of constructing and providing publicly-owned toll roads and other public transportation projects in accordance with procedures, standards and limitations established by law.

By expediting the delivery of transportation infrastructure, the Mobility Fund is an important tool in meeting TxDOT's goals to maintain a safe system, address congestion, connect Texas communities and become a best-in-class state agency.

Information Useful in Assessing the Mobility Fund's Financial Condition

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

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

The Commission established the following sub-accounts of the Mobility Fund:

- Mobility Fund General Account – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used.
- Mobility Fund Portfolio Account – any Transportation Assistance Bonds acquired for the Mobility Fund are to be promptly deposited into this account and held therein until paid. As of August 31, 2013, no Transportation Assistance Bonds were held by the Mobility Fund.
- Mobility Fund Interest and Sinking Account – monies in this account are used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as they become due and payable. This account is required as long as Parity Debt is outstanding.
- Mobility Fund Bond Proceeds Account – proceeds from the issuance of Parity Debt are deposited into this account upon the issuance of such Parity Debt. Such proceeds and the interest thereon remain in the bond proceeds account until expended to accomplish the purposes for which such Parity Debt was issued.

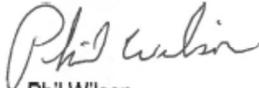
- Rebate Account – the fifth Supplemental Resolution established the rebate account. Money on deposit in the rebate account, if any, is paid to the federal government in compliance with arbitrage earnings requirements. Money in the rebate account, if any, does not constitute security.
- Purchase Account – monies obtained from the remarketing of the bonds and from draws under a liquidity facility are deposited to the purchase account. Money on deposit in the purchase account is used solely to pay the purchase price of the bonds or to reimburse a liquidity facility issuer for a drawing on the liquidity facility to pay the purchase price of the bonds.
- Reserve Accounts or Subaccounts – these accounts are established as required by any supplements to the Resolution.

TxDOT is responsible for ensuring that accounts maintain the proper minimum balances as set forth in the Resolution and for investing in securities required to meet liquidity requirements.

Acknowledgements

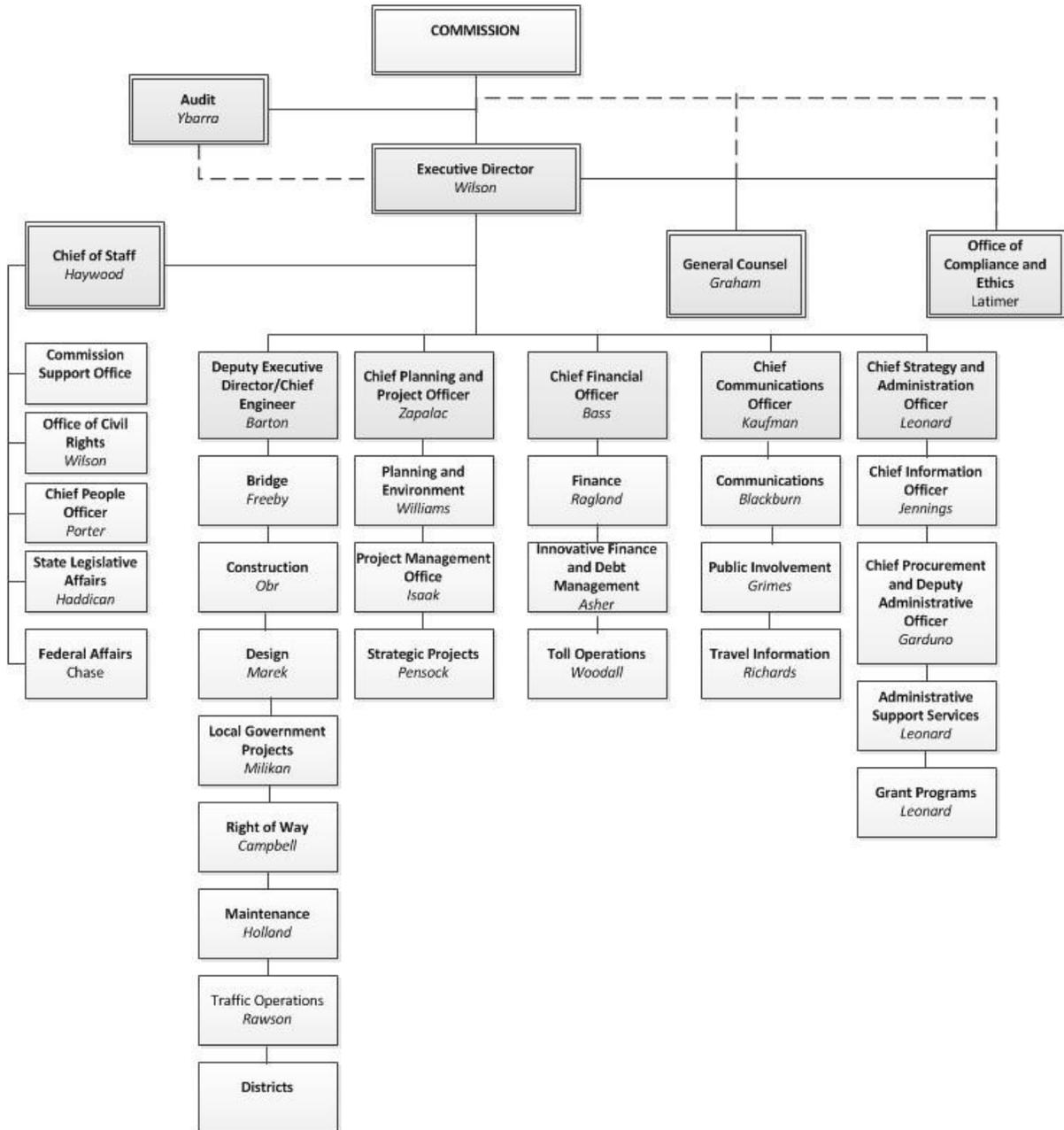
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Finance Division, and the management and staff of the State Auditor's Office. I sincerely appreciate the efforts of all these individuals who continue to strive for improvements that will make TxDOT a national leader in quality financial reporting.

Sincerely,



Phil Wilson
Executive Director

**Texas Department of Transportation
Organization Chart as of August 31, 2013**



**Commission and Key Personnel
As of August 31, 2013**

TEXAS TRANSPORTATION COMMISSION

TED HOUGHTONChair
El Paso

JEFF AUSTIN IIICommissioner
Tyler

JEFF MOSELEYCommissioner
Houston

FRED UNDERWOODCommissioner
Lubbock

VICTOR VANDERGRIFF.....Commissioner
Fort Worth

TEXAS DEPARTMENT OF TRANSPORTATION

PHIL WILSON.....Executive Director

JOHN A. BARTON, P.E.Deputy Executive Director and Chief Engineer

SCOTT HAYWOOD.....Chief of Staff

BOB KAUFMAN.....Chief Communications Officer

JAMES M. BASS Chief Financial Officer

TIM JENNINGS..... Chief Information Officer

DEE PORTER.....Chief People Officer

RUSSELL ZAPALAC.....Chief Planning and Project Officer

SCOTT LEONARD.....Chief Strategy and Administration Officer

LAUREN GARDUNO, P.E.....Chief Procurement and Deputy Administrative Officer

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**Texas Mobility Fund
FINANCIAL SECTION**



Independent Auditor's Report

Members of the Texas Transportation Commission

Mr. Ted Houghton, Chair
Mr. Jeff Austin III
Mr. Jeff Moseley
Mr. Fred Underwood
Mr. Victor Vandergriff

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Texas Mobility Fund (Fund) of the Department of Transportation (Department), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

SAO Report No. 14-309

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Texas Mobility Fund, as of August 31, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Financial Statements

As discussed in Note 1, the Department elected to modify its presentation of the financial statements in fiscal year 2013. The financial statements no longer present entitywide financial statements and, as a result, its \$6.0 billion long-term liability is now presented in Note 10.

As discussed in Note 1, the financial statements present only the Fund, a debt service and capital project fund of the Department and the State of Texas, and do not purport to, and do not, present fairly the financial position of the Department or the State of Texas as of August 31, 2013, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

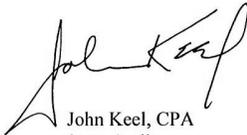
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's financial statements. The introductory section and supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



John Keel, CPA
State Auditor

December 16, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

As management of the Texas Department of Transportation (TxDOT), we offer readers of the Texas Mobility Fund's (Mobility Fund) financial statements this narrative overview and analysis of its financial activities for the fiscal years ended Aug. 31, 2013 and 2012. The information presented should be read in conjunction with our letter of transmittal, the financial statements and the accompanying notes to the financial statements.

Highlights

Change in Presentation of Financial Statements

The presentation of the accompanying financial statements was revisited in 2013 and changed to more clearly report the dual purpose of activities taking place within the Mobility Fund. The Mobility Fund bonds issued are used for transportation projects, while the revenues dedicated to the fund are restricted for payment of debt service on the outstanding debt. To aid in the distinction of these different activities, the Mobility Fund activity are now split into two fund types. There is no longer a presentation of entity-wide financial statements because the Mobility Fund is not a separate entity. Finally, these financial statements report the expenditures funded by the Mobility Fund within these statements. Reimbursement activity between the state highway fund and the Mobility Fund is no longer reported as interfund activity. Please see Note 7 for additional information on these changes.

Reimbursement from Grand Parkway Transportation Corporation (GPTC)

In August 2013 the GPTC, a blended component unit of TxDOT, issued bonds to fund several segments of the Grand Parkway (State Highway 99) project. Per project agreement with TxDOT, the GPTC reimbursed the Mobility Fund Capital Projects fund for \$306.5 million of costs incurred by the Mobility Fund prior to the date of the GPTC bond issuance. Of this amount, \$145.2 million was for costs incurred in periods prior to fiscal 2013. Please see Note 7 for additional detail of this activity.

Function of Mobility Fund Bonds Issued

The Mobility Fund bonds issued are used to accelerate transportation projects across the state of Texas. The Mobility Fund has no ownership interest in the highway or other transportation projects that it is helping to fund and does not fund the maintenance of any such completed projects. The following page on TxDOT's website provides detailed reports on the Mobility Fund including a listing of projects that received funding from the Mobility Fund:

<http://www.txdot.gov/inside-txdot/forms-publications/publications/finance/mobility-fund-reports.html>

Governmental Fund

As of Aug. 31, 2013, the Mobility Fund's combined governmental fund balance was approximately \$1.2 billion, an increase of \$87.6 million from fiscal 2012. Expenditures in the capital projects fund for fiscal 2013 totaled \$149 million, a decrease of \$91 million, or 38 percent, when compared to fiscal 2012 expenditures of this type. Expenditures of the capital projects fund continue to decrease for most projects as their allocated funds are exhausted. The overall decrease is primarily attributable to the conversion of the funding for the Grand Parkway segments now funded by the GPTC bonds issued.

Overview of the Financial Statements

The annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements with the notes to the financial statements and supplementary information.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TxDOT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Mobility Fund is reported in two governmental fund types: capital projects fund and a debt service fund. See Note 1 for more information.

Financial reports of governmental funds focus on how money flows into and out of the funds and amounts remaining at year end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The fund financial statements provide a detailed short-term view of the Mobility Fund’s operations.

Impact of Mobility Fund Activity on TxDOT’s Entity-Wide Financial Statements

The assets, liabilities, revenues and expenditures not recognizable on the Mobility Fund’s governmental fund financial statements are included within the governmental activities section of the TxDOT entity-wide financial statements. These statements consist of the statement of net position and statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. The activity of the Mobility Fund is considered a governmental activity for the purpose of the TxDOT statement of net position and statement of activities.

Financial Analysis

The Mobility Fund’s overall financial position and operations for the past two years is summarized as follows:

Condensed Balance Sheet				
August 31, 2013 and 2012				
(Amounts in Thousands)				
	2013	2012	Amount of Increase (Decrease)	Percent Change
Assets	\$1,208,093	\$1,128,793	\$79,300	7%
Total Assets	1,208,093	1,128,793	79,300	7%
Liabilities	11,636	19,967	(8,331)	(42)%
Total Liabilities	11,636	19,967	(8,331)	(42)%
Fund Balance:				
Restricted – Debt Service	562,353	472,643	89,710	19%
Restricted – Capital Projects	634,104	636,183	(2,079)	(0.3)%
Total Fund Balance	\$1,196,457	\$1,108,826	\$87,631	8%

Liabilities decreased primarily due to the return of collateral to previous counterparty on the CMS Basis Swaps.

Condensed Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended August 31, 2013 and 2012

(Amounts in Thousands)

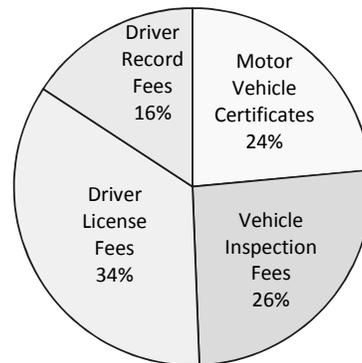
	<u>2013</u>	<u>2012</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
Revenues				
Licenses, Fees and Permits	\$383,423	\$372,942	\$10,481	3%
Federal Revenue	21,445	23,304	(1,859)	(8)%
Interest and Investment Income	27,983	7,131	20,852	292%
Total Revenues	432,851	403,377	29,474	7%
Expenditures				
Debt Service Function	341,429	334,792	6,638	2%
Transportation	93,607	17,003	76,603	451%
Capital Outlay	55,356	222,978	(167,622)	(75)%
Total Expenditures	490,392	574,773	(84,381)	(15)%
Deficiency of Revenues over Expenditures	(57,541)	(171,396)	113,855	66%
Change in Fund Balance	(57,541)	(171,396)	113,855	66%
Fund Balance – beginning	1,108,826	1,280,222	(171,396)	(13)%
Restatement	145,172		145,172	
Fund Balance – Ending	\$1,196,457	\$1,108,826	\$87,631	8%

The increase in total revenues is largely due to receipt of termination payments on the CMS basis swaps of \$22.5 million. The Commission exited the CMS basis swap agreements in fiscal 2013. See Note 4 for more information. Federal revenue decreased due to the impact of the federal government sequester on the Build America Bond Program. See Note 10 for details.

The major dedicated revenue sources of the Mobility Fund for the year ended Aug. 31, 2013, are summarized in the adjacent chart. A detailed listing of all dedicated revenue sources can be found in the supplementary information section of this report.

Expenditures for transportation increased due to award and distribution of \$92 million grant to VIA Metropolitan Transit Authority in fiscal 2013.

**Major Dedicated Revenue Sources
For the Fiscal Year Ended August 31, 2013**



Debt Administration

The Mobility Fund bonds are considered to be self-supporting general obligation debt. The issuance of Mobility Fund bonds is limited by debt service coverage requirements as prescribed in Article III, Section 49-k (d) of the Texas Constitution. Prior to a mobility fund debt issuance, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the mobility fund to meet the debt service coverage requirements. As of Aug. 31, 2013, the approved amount of aggregate principal outstanding at any time is \$7.2 billion. As of Aug. 31, 2013, the principal amount of debt outstanding is \$5.96 billion. All Mobility Fund debt issuances must be approved by the Texas Bond Review Board prior to issuance. Bonds payable balances are not reported in the accompanying financial statements as long-term liabilities are not reported in governmental fund financial statements. See Note 10 for additional information.

Requests for Information

This financial report is designed to provide a general overview of the Mobility Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the TxDOT Finance Division at the following address:

Texas Department of Transportation
Finance Division - Accounting Section
125 East 11th Street
Austin, Texas 78701-2483

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BASIC FINANCIAL STATEMENTS

**Texas Mobility Fund
Balance Sheet**

August, 31, 2013

	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Texas Mobility Fund</u>
ASSETS			
Cash in State Treasury (Note 3)	\$ 552,997,425	\$ 645,320,840	\$ 1,198,318,265
Federal Receivable	8,865,205		8,865,205
Due From Other Funds (Note 9)	890,388	19,037	909,425
Total Assets	<u>562,753,018</u>	<u>645,339,877</u>	<u>1,208,092,895</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable		10,345,176	10,345,176
Due to Other Funds (Note 9)	400,000	890,388	1,290,388
Total Liabilities	<u>400,000</u>	<u>11,235,564</u>	<u>11,635,564</u>
Fund Balances:			
Restricted - Debt Service	562,353,018		562,353,018
Restricted - Capital Projects		634,104,313	634,104,313
Total Fund Balances	<u>562,353,018</u>	<u>634,104,313</u>	<u>1,196,457,331</u>
Total Liabilities and Fund Balances	<u>\$ 562,753,018</u>	<u>\$ 645,339,877</u>	<u>\$ 1,208,092,895</u>

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

Texas Mobility Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended August, 31, 2013

	Debt Service Funds	Capital Projects Funds	Total Texas Mobility Fund
REVENUES			
Licenses, Fees and Permits	\$ 383,422,457	\$	\$ 383,422,457
Federal Revenues	21,445,445		21,445,445
Interest and Investment Income	25,790,908	2,192,091	27,982,999
Total Revenues	<u>430,658,810</u>	<u>2,192,091</u>	<u>432,850,901</u>
EXPENDITURES			
Transportation	315	93,606,621	93,606,936
Debt Service:			
Principal	53,190,000		53,190,000
Interest	287,770,649		287,770,649
Other Financing Fees		468,456	468,456
Capital Outlay		55,356,085	55,356,085
Total Expenditures	<u>340,960,964</u>	<u>149,431,162</u>	<u>490,392,126</u>
Excess (Deficiency) of Revenues over Expenditures	<u>89,697,846</u>	<u>(147,239,071)</u>	<u>(57,541,225)</u>
Net Change in Fund Balances	<u>89,697,846</u>	<u>(147,239,071)</u>	<u>(57,541,225)</u>
Fund Balances, September 1, 2012	1,108,826,725		1,108,826,725
Restatements (Note 7)	(636,171,553)	781,343,384	145,171,831
Fund Balances, September 1, 2012 as restated	<u>472,655,172</u>	<u>781,343,384</u>	<u>1,253,998,556</u>
Fund Balances, August 31, 2013	<u>\$ 562,353,018</u>	<u>\$ 634,104,313</u>	<u>\$ 1,196,457,331</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

These financial statements reflect the financial position of the Texas Mobility Fund (Mobility Fund). The Mobility Fund is an appropriated fund of the state of Texas that is managed and reported by the Texas Department of Transportation (TxDOT). The Texas Transportation Commission (Commission), the governing body of TxDOT, has the authority to commit the Mobility Fund to various legal agreements.

The Texas Legislature (Legislature) established the Mobility Fund to provide a method of financing the construction, reconstruction, acquisition and expansion of state highways, including costs of any necessary design and costs of acquisition of rights of way. The Mobility Fund may also be used to provide participation by TxDOT in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects.

The Commission may sell obligations of the state that are payable from and secured by a pledge of and a lien on all or part of the money dedicated to and on deposit in the Mobility Fund. As of Aug. 31, 2013, a total of \$6,255,100,000 par value of general obligation bonds had been issued. The proceeds of the Mobility Fund bonds are used to pay for eligible expenditures on transportation projects across the state of Texas.

The Legislature dedicated certain statutory fee revenues of the state to the Mobility Fund for purposes of providing funds for the debt service on the outstanding Mobility Fund obligations. The Commission may also elect to pledge the general obligation of the state as additional repayment security for the bonds. To date, the dedicated revenues of the Mobility Fund have been sufficient to meet the debt service requirements of the bonds without the necessity of calling on the general obligation pledge.

The Commission is subject to various covenants imposed by the bond resolutions. As of Aug. 31, 2013, the Commission and management believe that they were in compliance with all significant covenants.

The Mobility Fund does not have any employees or equipment. TxDOT employees provide all accounting, debt management and administrative services. In addition, TXDOT's risk financing and insurance programs apply to the Mobility Fund. TxDOT is exposed to a wide range of risks due to the size, scope and nature of its activities. Some of these risks include, but not limited to, property and casualty losses, workers' compensation and health benefit claims, thefts, damage of assets, etc. The state highway fund retains these risks and manages them through self-insurance and safety programs, which are the responsibility of TxDOT's occupational safety division.

Basis of Presentation and Basis of Accounting

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, has been implemented by the Mobility Fund in this fiscal 2013 report. Implementation of GASB 62 was a codification of pre-November 30, 1989 FASB and AICPA Pronouncements did not have an impact on the presentation of the financial statement.

The data in this report is combined and consolidated by TxDOT and included in the TxDOT Annual Financial Report submitted to the Texas Comptroller's office.

The records of the Mobility Fund are maintained in accordance with the practices set forth in the provisions of the bond resolutions. The accompanying financial statements present only the financial position and changes in financial position of the Mobility Fund, and are not intended to and do not present fairly the financial position or changes in financial position of TxDOT.

The presentation of the accompanying financial statements was modified in fiscal 2013 to provide a clearer presentation of the Mobility Fund's financial balances and report in a format in greater alignment with the principles for governmental fund financial statements. This includes eliminating the presentation of entity wide financial statements. The long term liabilities of the Mobility Fund are reported in the governmental activities section of the TxDOT Annual Financial Report. Details on outstanding Mobility Fund Bonds are provided in Note 10.

While the Mobility Fund is established as a single appropriated fund, it is reported in the following governmental fund types:

- Debt Service fund – Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest. Dedicated revenues received and debt service related expenditures paid are recorded in these funds.
- Capital Projects fund – Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays. Bond proceeds associated with Mobility Fund bond issuances as well as the related expenditure of the bond proceeds for eligible transportation projects are recorded in these funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured and relates to the types of transactions or events reported in the statement of revenues, expenditures, and changes in fund balances. Basis of accounting refers to the timing of the recognition of transactions or events. Under the modified accrual basis of accounting, amounts are recognized as revenues as they become susceptible to accrual (measurable and available). The Mobility Fund considers revenues available if they are collected within 60 days of the end of the fiscal year. Accruals whose receipt is due after the 60 day period are classified as deferred revenue. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds is recorded at the earlier of its due date or its payment date. Proceeds of long-term debt are reported as other financing sources.

Budgets and Budgetary Accounting

The Mobility Fund budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the governor (the General Appropriations Act). The Mobility Fund has committed revenue budgets for debt service and for in-house design, contracted design, construction and right of way. After mobility-related expenditures are incurred in the state highway fund, the Mobility Fund reimburses cash and committed budget to the state highway fund.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets and Liabilities

Cash and Cash Equivalents in State Treasury

Cash and cash equivalents in the state treasury is the balance of funds held in the state Treasury Pool. See Note 3 for more information.

Federal Receivable

The Federal Receivable represents the portion of the Build America Bonds (BABs) federal interest rate subsidy payment that is owed from the federal government. The federal subsidy due is 35 percent of the interest expense accrued in fiscal 2013 for the Series 2009-A bonds. Further details are provided in Note 10.

Accounts Payable

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

Due To/Due From Other Funds

Please see Note 9 for additional information on these line items.

Revenues and Expenditures

Licenses, Fees and Permits

The major sources of dedicated revenue to the Mobility Fund for fiscal 2013 were driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees. A list of all fiscal 2013 dedicated revenues can be found in the supplementary information section of this report.

Federal Revenue

Federal revenue relates to the federal interest rate subsidy provided in relation to the Mobility Fund's Build America Bond issuance. Although the amount is recognized as revenue on the financial statements, the subsidy is specifically restricted to use as an offset of debt service costs. Refer to Note 10 for more details on the Mobility Fund's involvement with the Build America Bond program.

Interest and Investment Income

Cash in the state treasury earns interest income at stated rates established by the Texas Comptroller of Public Accounts. Investment income reported is related to activity of CMS Basis Swaps. The swap contracts were terminated in January 2013. See Note 4 for more information.

Expenditures

Expenditures include payments for debt service, professional fees, other financing fees and the funding of eligible transportation projects. Capital outlay represents Mobility Fund contributions to projects on the state highway system and owned by the state of Texas.

Fund Balance

Fund balance classifications depict the nature of constraints on the use of net resources in a governmental fund. The Mobility Fund's fund balance is classified as restricted as of Aug. 31, 2013. Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

The Mobility Fund's fund balance is restricted due to bond covenants and constitutional provisions. The majority of current year revenues relate to fees pledged for debt service on outstanding bonds. Proceeds from the sale of bonds and interest earned on the bond proceeds account are constitutionally restricted for the purpose of funding eligible transportation projects.

When both restricted and unrestricted resources are available for use, it is the Mobility Fund's policy to use restricted resources first and then unrestricted resources as they are needed. When only unrestricted resources are available for use, it is the Mobility Fund's policy to use committed resources first, then assigned resources, and lastly unassigned resources.

NOTE 2 – CAPITAL ASSETS

The Mobility Fund does not own the capital assets it finances. The state highway system infrastructure built using Mobility Fund resources becomes a capital asset of the governmental activities of the state of Texas. The capital assets of the state highway system are reported in the TxDOT Annual Financial Report.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments – Treasury Pool

The Mobility Fund is established in the state Treasury, thus all monies are pooled with other state funds and invested under the direction of the Comptroller of Public Accounts' Treasury Operations Division (Treasury). The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires the Trust Company to maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2013. The Comptroller has delegated

investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; banker's acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options. Funds held in the treasury pool have not been categorized as to credit risk because TxDOT does not own individual securities. Detail on the nature of these deposits and investments are available within the state of Texas Comprehensive Annual Financial Report.

As of Aug. 31, 2013 the Mobility Fund's pro rata share of participation in the Treasury Pool was \$1,198,318,264.60. No further detail of this balance is available due to the management policies of the Treasury Pool.

NOTE 4 – DERIVATIVE INSTRUMENTS

Derivative instruments are financial instruments which derive their value, in whole or part, from the value of any one or more underlying assets or an index of asset values. In October 2006, the Commission entered into constant maturity basis swap transactions (CMS basis swaps) with the expectation of reducing the interest to be paid to the Commission over the term of the Texas Mobility Fund 2006-A fixed-rate bonds.

The Commission terminated the CMS basis swap contracts in January 2013. Prior to termination of the swaps, \$1.4 million of investment income was recognized in fiscal 2013. Termination payments from the swap counterparties totaled \$22.5 million. These payments served to offset the interest payments on the related bonds. There are no outstanding derivatives related to the Mobility Fund as of Aug. 31, 2013.

NOTE 5 – CONTINUANCE SUBJECT TO REVIEW

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2017, unless continued in existence by the 85th Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2018, to close out its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Rebatable arbitrage defined by Internal Revenue Code (IRC), Section 148, is earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the applicable bond resolution or Indenture of Trust, a Rebate Fund will be

established under the Indenture to which deposits will be made upon the determination by a verification agent that a rebate payment may be due. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. TxDOT estimates that rebatable arbitrage liability, if any, will be immaterial to the agency's overall financial condition.

NOTE 7 – ADJUSTMENTS AND RESTATEMENTS

Restatement of Fund Balances

During fiscal 2013, certain accounting changes and adjustments were made that required the restatement of fund balances. The impact of these adjustments is summarized below.

Restatements to Fund Balances			
Texas Mobility Fund	September 1, 2012 As Previously Reported	Restatements	September 1, 2012 As Restated
Debt Service Fund	\$1,108,826,725	\$(636,171,553)	\$472,655,172
Capital Projects Fund		\$781,343,384	\$781,343,384
	<u>\$1,108,826,725</u>	<u>\$145,171,831</u>	<u>\$1,253,998,556</u>

Restatements are grouped into the following two categories:

Restatements By Type			
Restatements	Debt Service Fund	Capital Project Fund	Total Restatements
(A) Establish Beginning Balance	\$(636,171,553)	\$636,171,553	\$0
(B) Grand Parkway Project		145,171,831	145,171,831
	<u>\$(636,171,553)</u>	<u>\$781,343,384</u>	<u>\$145,171,831</u>

(A) In fiscal 2013 the overall financial statement presentation of the Mobility Fund was reassessed resulting in the decision to separately report on the Mobility Fund's debt service and capital project funds. This restatement does not change the overall beginning fund balance of the Mobility Fund.

(B) On Aug. 1, 2013, the Grand Parkway Transportation Corporation (GPTC), a blended component unit of TxDOT, issued bonds to fund the design, construction, operation and maintenance of a portion of segment D, and segments E, F1, F2 and G of the Grand Parkway (State Highway 99) project in the Houston area. As directed by the project agreement between GPTC and TxDOT, GPTC reimbursed the Mobility Fund for its prior costs incurred on these projects.

The Mobility Fund did not accrue a due from GPTC in prior periods because the reimbursement

was contingent upon the successful issuance of the GPTC bonds and the timing and amount of such issuance was not estimable at prior reporting dates. The impact of the reimbursement related to prior fiscal year costs resulted in a restatement of beginning fund balance of \$145.2 million.

Adjustments to Presentation of Financial Statements

The presentation of the financial statements was changed to reflect the fact that the Mobility Fund is a governmental fund of the TxDOT and not a separate entity or special purpose government. As such the financial statements no longer combine the presentation of fund financial and government-wide financial statements.

The Mobility Fund was split into two fund types to clearly align its activity with the definitions established in generally accepted accounting principles. In addition, the separation of the debt service and capital projects activities is consistent with how other TxDOT bond funds are reported. Transfers are no longer reported between the Mobility Fund and the state highway fund because the nature of the activity was one of reimbursement and reimbursements should not be displayed in the financial statements per generally accepted accounting principles for governments.

NOTE 8 – SUBSEQUENT EVENTS

On Sept. 27, 2013, Standard & Poor's upgraded the financial strength of the State of Texas to "AAA" from "AA+". As a result, on Sept. 30, 2013, Standard & Poor's also issued an upgrade to "AAA" from "AA+" for the Commission's outstanding General Obligation Mobility Fund Bonds that are rated by Standard & Poor.

The federal subsidy payments will be reduced by the fiscal year 2014 sequestration rate of 7.2 percent, effective Oct. 1, 2013 through Sept. 30, 2014. The sequestration reduction rate will be applied until a law is enacted that cancels or impacts the budget sequester, at which time the reduction rate is subject to change.

The termination date of the liquidity agreement on the Series 2006-B bond has been extended to Dec. 13, 2016.

NOTE 9 – INTERFUND ACTIVITY

Interfund activity refers to financial interactions between funds and is restricted to internal events. Certain transactions processed during fiscal 2013 were paid out of the incorrect fund and require accrual of due to and due from other funds so the activity is correctly presented on the financial statements of each fund. The Mobility Fund interfund activity detail is as follows.

Interfund Activity			
As of August 31, 2013			
	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Due From Other Funds			
Mobility Fund Capital Projects Funds	\$ 890,388	\$	\$ 890,388
Central Texas Turnpike System Fund		19,037	19,037
	<u>890,388</u>	<u>19,037</u>	<u>909,425</u>
Due to Other Funds			
Mobility Fund Debt Service Funds		890,388	890,388
State Highway Fund	400,000		400,000
	<u>\$ 400,000</u>	<u>\$ 890,388</u>	<u>\$ 1,290,388</u>

NOTE 10 – MOBILITY FUND BOND INFORMATION

Texas Constitution, Article III, Section 49-k and Transportation Code Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds from a pledge of and lien on all or part of the money in the Mobility Fund. The Mobility Fund bonds are designed to be self-supporting from the revenues pledged to and deposited in the Mobility Fund, but the full faith and credit of the state is pledged in the event the revenues and money in the Mobility Fund is insufficient to pay debt service on the bonds.

The Mobility Fund bond resolutions may be amended by the Commission without bondholder consent, as long as pledged revenues are sufficient to pay debt service as required by Article III, Section 49-k (d) of the Texas Constitution. As of Aug. 31, 2013, up to \$7.2 billion of outstanding principal on Mobility Fund debt was authorized. Prior to issuance of Parity debt, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the Mobility Fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. The Texas Bond Review Board (BRB) must approve proposed debt issuances before new Mobility Fund debt can be issued. As of Aug. 31, 2013, the following general obligation Mobility Fund bonds were issued and outstanding.

Mobility Fund Bond Information								
As of August 31, 2013								
Description of Issue	Bonds Issued to Date (Par)	Date Issued	Range of Interest Rates		Maturities			
					First Year	Last Year	First Call Date	Final Maturity Date
GOVERNMENTAL ACTIVITIES								
General Obligation Bonds								
Series 2005-A Fixed Rate Bonds	\$900,000,000	6/08/2005	3.90%	5.00%	2006	2035	4/1/2015	4/1/2035
Series 2005-B Variable Rate Bonds	100,000,000	6/08/2005	variable*		2030	2030	**	4/1/2030
Series 2006 Fixed Rate Bonds	750,000,000	6/08/2006	3.63%	5.00%	2007	2036	4/1/2016	4/1/2036
Series 2006-A Fixed Rate Bonds	1,040,275,000	10/31/2006	4.00%	5.00%	2007	2035	4/1/2017	4/1/2035
Series 2006-B Variable Rate Bonds	150,000,000	12/13/2006	variable*		2036	2036	**	4/1/2036
Series 2007 Fixed Rate Bonds	1,006,330,000	6/21/2007	4.00%	5.00%	2008	2037	4/1/2017	4/1/2037
Series 2008 Fixed Rate Bonds	1,100,000,000	2/28/2008	4.00%	5.00%	2009	2037	4/1/2018	4/1/2037
Series 2009-A Fixed Rate Bonds	1,208,495,000	8/26/2009	5.37%	5.52%	2029	2039	**	4/1/2039
Total	<u>\$6,255,100,000</u>							
* Average interest rates on the Series 2005-B and Series 2006-B variable rate bonds are 2.33 percent and 0.69 percent, respectively.								
** The variable rate bonds and the Series 2009-A fixed rate bonds are subject to redemption prior to their respective maturities at the option of the Commission.								

The interest rates on the Series 2005-B and Series 2006-B variable rate bonds reset every seven days. The potential volatility for related debt service increases with these interest rate reset provisions.

Information on Long-Term Liabilities

The Mobility Fund bonds are recorded as long term liabilities within the governmental activities balances in the TxDOT Annual Financial Report. During the fiscal year ended Aug. 31, 2013, the following changes occurred in the long-term liabilities for the Mobility Fund bonds.

TxDOT Governmental Activities	Beginning Balance 09/01/12	Reductions*	Ending Balance 08/31/13	Amounts Due Within One	Amounts Due Thereafter
Mobility Fund General Obligation Bonds	\$6,141,868,628	\$(61,664,585)	\$6,080,204,043	\$68,734,534	\$6,011,469,509

*Reductions include principal payments and \$8,474,585 of amortization of premiums and discounts.

The debt service of the Mobility Fund bonds is paid out of the mobility fund debt service fund. As of Aug. 31, 2013, the Mobility Fund bonds debt service requirements are as follows.

Debt Service Requirements Mobility Fund Bonds			
Year	Principal	Interest*	Total
2014	60,385,000	285,736,860	346,121,860
2015	67,925,000	283,060,605	350,985,605
2016	75,930,000	279,963,148	355,893,148
2017	84,400,000	276,526,785	360,926,785
2018	93,935,000	272,741,939	366,676,939
2019-2023	629,375,000	1,289,023,680	1,918,398,680
2024-2028	981,450,000	1,105,835,680	2,087,285,680
2029-2033	1,442,000,000	828,809,387	2,270,809,387
2034-2038	2,035,390,000	440,781,290	2,476,171,290
2039-2043	486,930,000	26,863,928	513,793,928
Total Requirements	5,957,720,000	5,089,343,302	11,047,063,302

* The interest rate in effect as of Aug. 31, 2013, for the Series 2005-B and Series 2006-B variable rate bonds used to calculate the interest debt service requirements were 0.07 percent and 0.06 percent, respectively.

Build America Bonds

The interest payments shown above do not reflect the federal interest rate subsidy payment related to the Mobility Fund Build America Bonds Series 2009-A, which will be used to offset debt service cost. The American Recovery and Reinvestment Act of 2009 (ARRA) granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. ARRA provides federal reimbursements to the Mobility Fund equal to 35 percent of the interest paid on the Direct Payment BABs. As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 8.7 percent effective Mar. 1, 2013 through Sept. 30, 2013. See Note 8 for further details.

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the Mobility Fund's general obligation bonds.

	Mobility Fund Bonds
	Pledged Revenue Required for Future Principal and Interest on Existing General Obligation Bonds
Term of Commitment	Fiscal Year Ending Aug. 31, 2039
Percentage of Revenue Pledged	100%
Current Year Pledged Revenue	\$430,658,810
Current Year Principal and Interest Paid	\$340,960,964

Demand Bonds

The Mobility Fund Series 2005-B and Series 2006-B variable rate bonds are demand bonds. A bondholder may tender any of these bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and related standby bond purchase agreements as of Aug. 31, 2013.

Demand Bonds		
Governmental Activities	Bonds Held by Liquidity Providers	Principal Balance Outstanding
General Obligation Bonds		
Series 2005-B	None	\$ 75,840,000
Series 2006-B	None	<u>150,000,000</u>
Total		\$ 225,840,000

Demand Bonds – Standby Bond Purchase Agreement Provisions			
Governmental Activities	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds			
Series 2005-B	Royal Bank of Canada	0.30%	03/01/15
Series 2006-B	State Street Bank and Trust Company & California Public Employees' Retirement System	0.10%	12/13/13

Liquidity facilities provide liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase agreements contain takeout provisions that provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. The table shown below provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions				
Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
General Obligation Bonds				
Series 2005-B	\$ 87,203,571	10.0%	2% + greater of: bank prime rate + 1.5%, daily fed funds rate + 2%, or 8%	Quarterly payments over three years starting on the first day of the third month following commencement
Series 2006-B	<u>160,008,810</u>	4.25%	1% + greater of: 0.5% + daily fed funds rate, or bank prime rate	Semi-annual payments over three years starting the first day of the month following commencement
Total	\$247,212,381			

Bond Credit Ratings

The Mobility Fund bonds were rated by the major Nationally Recognized Statistical Rating Organizations. Long term ratings do not normally change unless the credit or insurance enhancement deteriorates or improves substantially.

As of Aug. 31, 2013, the Mobility Fund bonds carried a long term rating of AAA, Aaa and AA+ from Fitch Ratings (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's, respectively. Effective Sept. 27, 2013, Standard & Poor's upgraded their long term rating. See Note 8 for more information.

Short term ratings are usually reliant upon the supporting liquidity facility and its strength. The Mobility Fund variable rate demand bonds carried the following short term credit ratings as of Aug. 31, 2013.

	Fitch	Moody's	Standard & Poor's
Series 2005-B Variable Rate Interest Bonds	AAA/F1+	Aaa/VMIG 1	AA+/A-1+
Series 2006-B Variable Rate Interest Bonds	AAA/F1+	Aaa/VMIG 1	n/a

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

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Texas Mobility Fund
SUPPLEMENTARY INFORMATION

Texas Mobility Fund Dedicated Revenues
For the Fiscal Year Ended August 31, 2013
(UNAUDITED)

<i>Major Sources of Funds</i>	
Driver License Fees	\$ 131,490,444
Motor Vehicle Inspection Fees	98,020,097
Certificate of Title Fees	89,923,812
Driver Record Information Fees	61,126,711
	\$ 380,561,064
 <i>Miscellaneous Sources</i>	
Motor Carrier Act Penalties	\$2,857,470
Motor Vehicle Registration Fees	3,922
Depository Interest	4,063,331
	\$6,924,723
 <i>Total Dedicated Revenues</i>	 \$ 387,485,787

Note:

The total above does not include the Build America Bonds federal interest rate subsidy.

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