OFFICIAL STATEMENT DATED JANUARY 19, 2017

NEW ISSUES - Book-Entry-Only

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

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

TEXAS TRANSPORTATION COMMISSION

$296,020,000
STATE OF TEXAS
GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS,
SERIES 2017-A

$474,135,000
STATE OF TEXAS
GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS,
SERIES 2017-B

Dated: Date of Initial Delivery

Due: October 1, as shown on pages ii and iii

The Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2017-A (the "Series 2017-A Bonds") and the Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2017-B (the "Series 2017-B Bonds" and, together with the Series 2017-A Bonds, 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 (the "Constitutional Provision") and Subchapter M of Chapter 201, Texas Transportation Code, as amended (the "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 pursuant to minute orders adopted by the Commission on September 27, 2007, June 28, 2012 and January 29, 2015 (collectively the "Master Resolution"); and the Twelfth Supplemental Resolution authorizing the Bonds, adopted by minute order of the Commission on January 28, 2016, together with Award Certificates approving the final terms of the Bonds as authorized therein (collectively, the "Twelfth Supplemental Resolution").

Proceeds of the Bonds will be used to refund certain Outstanding Parity Debt (as defined herein), 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 "INTRODUCTION – Purpose" and "PLAN OF FINANCE."

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 U.S. Bank National Association, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of 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 Mobility Fund (as defined herein) created under the Constitutional Provision 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 "MOBILITY FUND FINANCING PROGRAM" and "DESCRIPTION OF THE BONDS – Additional Parity Debt" 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 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."

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 SCHEDULES, INTEREST RATES, INITIAL YIELDS AND CUSIP NUMBERS
See pages ii and iii

The Bonds are offered for delivery when, as, and if issued by the Commission and accepted by the underwriters of the Bonds shown below (the "Underwriters"). The issuance of the Bonds is subject to the approval of the Attorney General of the State and the opinions of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Commission. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Norton Rose Fulbright US LLP, Dallas, Texas, and Mahomes Bolden PC, Dallas, Texas. It is expected that the Bonds will be delivered on or about February 1, 2017 (the "Date of Initial Delivery"), through the facilities of DTC.

Barclays
BofA Merrill Lynch
Goldman, Sachs & Co.

Ramirez & Co., Inc.
Blaylock Beal Van, LLC
Mesirow Financial, Inc.

Frost Bank
RBC Capital Markets

MATURITY SCHEDULE

$296,020,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS,
SERIES 2017-A

CUSIP Prefix 882723[1]

Maturity (October 1)	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP Suffix[1]
2030	$ 29,585,000	5.000%	2.780%	6S3
2031	32,305,000	5.000%	2.840%	6T1
2032	35,120,000	5.000%	2.900%	6U8
2033	123,020,000	5.000%	2.960%	6V6
2034	75,990,000	5.000%	3.020%	6W4

Interest. The Series 2017-A Bonds will bear interest at the respective rates shown above, as applicable, calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2017-A Bonds will mature in the respective principal amounts and on the respective dates shown above. The Series 2017-A Bonds will bear interest from the Date of Initial Delivery, and such interest will be payable semiannually on each April 1 and October 1, commencing April 1, 2017. See "DESCRIPTION OF THE BONDS."

Optional Redemption. The Series 2017-A Bonds are subject to redemption on October 1, 2027 or any date thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS – Redemption Provisions of the Series 2017-A Bonds – Optional Redemption."

---

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the Department, the Commission, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(2) Yield calculated assuming the Series 2017-A Bonds are redeemed on the first optional redemption date of October 1, 2027 at a price of par plus accrued interest to the date of redemption.

MATURITY SCHEDULE

$474,135,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS,
SERIES 2017-B

CUSIP Prefix 882723[1]

Maturity (October 1)	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP Suffix[1]
2029	$35,505,000	5.000%	2.720%	6X2
2030	49,785,000	5.000%	2.780%	6Y0
2031	53,230,000	5.000%	2.840%	6Z7
2032	56,865,000	5.000%	2.900%	7A1
2033	60,695,000	5.000%	2.960%	7B9
2034	65,365,000	5.000%	3.020%	7C7
2035	57,165,000	5.000%	3.070%	7D5
2036	95,525,000	5.000%	3.110%	7E3

Interest. The Series 2017-B Bonds will bear interest at the respective rates shown above, as applicable, calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2017-B Bonds will mature in the respective principal amounts and on the respective dates shown above. The Series 2017-B Bonds will bear interest from the Date of Initial Delivery, and such interest will be payable semiannually on each April 1 and October 1, commencing April 1, 2017. See "DESCRIPTION OF THE BONDS."

Optional Redemption. The Series 2017-B Bonds are subject to redemption on October 1, 2027 or any date thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS – Redemption Provisions of the Series 2017-B Bonds – Optional Redemption."

---

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the Department, the Commission, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(2) Yield calculated assuming the Series 2017-B Bonds are redeemed on the first optional redemption date of October 1, 2027 at a price of par plus accrued interest to the date of redemption.

STATE OF TEXAS OFFICIALS

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

TEXAS TRANSPORTATION COMMISSION

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

TEXAS DEPARTMENT OF TRANSPORTATION-SELECTED PERSONNEL

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

CONSULTANTS AND ADVISORS

Financial Advisor ..... Estrada Hinojosa & Company, Inc.
Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.
Disclosure Counsel ..... Bracewell LLP
Paying Agent/Registrar and Escrow Agent ..... U.S. Bank National Association

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

Mr. Brian D. Ragland
Chief Financial Officer
Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
(512) 305-9512

Mr. Paul Jack
Managing Director
Estrada Hinojosa & Company, Inc.
823 Congress Avenue, Suite 1550
Austin, Texas 78701
(512) 605-2444

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman, or other person has been authorized by the Commission, the Commission's Financial Advisor or the underwriters set forth on the cover page hereof (collectively, the "Underwriters") to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission, the Commission's Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 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 of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the Commission's undertaking and the undertaking of the Texas Comptroller of Public Accounts (the "Comptroller") to provide certain information on a continuing basis.

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 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 State, the Department, the Commission, the Commission's Financial Advisor or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York ("DTC") or its book-entry-only system as provided for in "APPENDIX D – Book-Entry-Only System," as such information was furnished by DTC.

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

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

Marketability

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE 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 UNITED STATES SECURITIES AND EXCHANGE COMMISSION (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, nor have the Bonds been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. Furthermore, the Bonds have not been registered or qualified under the securities laws of any other jurisdiction (domestic or foreign).

The Commission assumes no responsibility for registration or qualification for sale or other disposition of the 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 that are not purely historical, are forward-looking statements, including but not limited to, the revenue projections provided by the Comptroller described herein and any statements regarding a person's or entity's expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available on the date of this Official Statement or such other dates of such forward-looking statements as described herein, as applicable, and none of the Commission, the Department, the Comptroller or the State assume any obligation to update any such forward-looking statements. See "OTHER INFORMATION – Forward-Looking Statements."

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

[The remainder of this page is intentionally left blank.]

TABLE OF CONTENTS

Page

INTRODUCTION 1
General 1
Purpose 1
Security 1
Legal Authority 1
MOBILITY FUND FINANCING PROGRAM 2
General 2
Constitutional Authority for the Program 2
Requirements of the Act 2
House Bill 122 3
Program Capacity 3
PLAN OF FINANCE 3
General 3
Bond Review Board Approval 4
Payment of Refunded Bonds 4
Sources and Uses of Funds 5
DESCRIPTION OF THE BONDS 5
General 5
Payment of the Bonds 5
Record Date for Interest Payment 6
Paying Agent/Registrar 6
Transfer, Exchange, and Registration 6
Redemption Provisions of the Series 2017-A Bonds 7
Redemption Provisions of the Series 2017-B Bonds 7
Notice of Redemption 8
Limitation on Transfer of Bonds Called for Redemption 8
Redemption Through The Depository Trust Company 8
Selection of Bonds for Redemption 9
Purchase in Lieu of Redemption 9
Amendments to Twelfth Supplemental Resolution Without Consent of Owners 9
Amendments to Twelfth Supplemental Resolution With Consent of Owners 10
Use of Certain Terms in Other Sections of this Official Statement 10
Additional Parity Debt 11
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 11
General 11
State General Obligation Pledge 12
Other Sources of Payment 12
Overview of Dedicated Revenues 13
Credit Agreements 22
Enforcement 22
Limitation of Liability of Officials of the Commission 22
Creation of Accounts and Subaccounts Within the Mobility Fund 23
Flow of Funds 24
Application of Certain BAB Subsidy Payments 24
Effects of Federal Sequestration on Certain Bonds 25
FUND ADMINISTRATION AND INVESTMENT 25
Texas Mobility Fund Administration Agreement 26
Certification by the Comptroller 26
Texas Mobility Fund Investment Agreement 27
THE COMMISSION AND THE DEPARTMENT 27
The Commission 27
The Department 29
Sunset Review 31
State Audits 31
Other Financing Programs 32
LEGAL MATTERS 34
Legal Opinions 34
Litigation 34
Eligibility for Investment in Texas 35
Registration and Qualification of Bonds for Sale 35
TAX MATTERS 36
Opinion 36
Federal Income Tax Accounting Treatment of Original Issue Discount 36
Collateral Federal Income Tax Consequences 37
Future and Proposed Legislation 38
Information Reporting and Backup Withholding 38
State, Local, and Foreign Taxes 38
GENERAL INFORMATION REGARDING THE STATE 38
Bond Appendix 38
2015 State CAFR 39
Constitutional Limitation on Debt 39
CONTINUING DISCLOSURE OF INFORMATION 39
Continuing Disclosure Undertaking of the Commission Related to the Program 39
Continuing Disclosure Undertaking of the Comptroller 40
Availability of Information 41
Limitations and Amendments 41
OTHER INFORMATION 42
Ratings 42
Underwriting 42
Financial Advisor 43
Verification of Mathematical Accuracy 43
Forward-Looking Statements 44
Approval of Official Statement 44

TABLE OF CONTENTS
(Continued)

Index of Tables

Table 1: Balance Sheet of the Mobility Fund
Table 2: Statement of Revenues, Expenditures, and Changes in Fund Balances of the Mobility Fund
Table 3: Texas Mobility Fund Historical and Estimated Dedicated Revenues
Table 4: Pro Forma Debt Service Coverage for Parity Debt

Schedule I – Refunded Bonds

APPENDIX A – The State
APPENDIX B – Select Provisions of the Resolution
APPENDIX C – Forms of Opinions of Bond Counsel
APPENDIX D – Book-Entry-Only System
APPENDIX E – Investment Authority and Investment Practices for the Mobility Fund
APPENDIX F – Audited Financial Statements of the Mobility Fund for the Fiscal Year Ended August 31, 2016

OFFICIAL STATEMENT

TEXAS TRANSPORTATION COMMISSION

$296,020,000 **STATE OF TEXAS** **GENERAL OBLIGATION** **MOBILITY FUND REFUNDING BONDS,** **SERIES 2017-A**	**$474,135,000** **STATE OF TEXAS** **GENERAL OBLIGATION** **MOBILITY FUND REFUNDING BONDS,** **SERIES 2017-B**

INTRODUCTION

General

This Official Statement (which includes the cover page, the inside cover pages, the Schedule and the Appendices hereto, and the information incorporated by reference into this Official Statement as described in "GENERAL INFORMATION REGARDING THE STATE") contains information relating to the offering 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"), of its State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2017-A (the "Series 2017-A Bonds) and its State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2017-B (the "Series 2017-B Bonds" and, together with the Series 2017-A Bonds, the "Bonds"). Capitalized terms used in this Official Statement have the meanings assigned to such terms as set forth in APPENDIX B, except as otherwise indicated herein.

Purpose

The Bonds are being issued to refund certain Outstanding Parity Debt, 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."

Security

The Bonds are payable from the Mobility Fund (the "Mobility Fund" or "Fund") created pursuant to Article III, Section 49-k of the Texas Constitution (the "Constitutional Provision") and secured on a first lien basis by the "Security" as "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. Pursuant to the Constitutional Provision, the Texas Legislature (the "Legislature") has dedicated certain revenues to the Mobility Fund and such revenues (referred to herein as the "Dedicated Revenues") must be deposited in the Mobility Fund. Upon their deposit in the Mobility 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources" and "– Substitution of Dedicated Revenues" herein.

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Legal Authority

The Bonds are issued pursuant to the Constitutional Provision, Subchapter M of Chapter 201, Texas Transportation Code, as amended (the "Act"); Chapters 1207 and 1371, Texas Government Code, as amended; the Master Resolution, defined below; the Twelfth Supplemental Resolution adopted by minute order of the Commission on January 28, 2016 together with Award Certificates approving the final terms of the Bonds as authorized therein (collectively, the "Twelfth Supplemental Resolution"). The Master Resolution and the Twelfth Supplemental Resolution are referred to herein collectively as the "Resolution."

MOBILITY FUND FINANCING PROGRAM

General

The Commission created the Mobility Fund Revenue Financing Program (the "Program") by adoption of the "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" by minute order of the Commission on May 4, 2005, as amended pursuant to minute orders adopted by the Commission on September 27, 2007, June 28, 2012 and January 29, 2015 (collectively, the "Master Resolution") to provide a financing structure for the issuance of obligations pursuant to the Constitutional Provision and the Act. The Series 2017-A Bonds and the Series 2017-B Bonds are the fourteenth and fifteenth series, respectively, of obligations issued pursuant to the Program. The Resolution further authorizes the issuance of additional obligations under the Program. See "MOBILITY FUND FINANCING PROGRAM – House Bill 122" and "DESCRIPTION OF THE BONDS – Additional Parity Debt." As of January 1, 2017, $6,244,140,000 in aggregate principal amount of Parity Debt was outstanding. Following the issuance of the Bonds, $6,130,290,000 in aggregate principal amount of Parity Debt will be outstanding.

Constitutional Authority for the Program

The Constitutional Provision establishes the Mobility Fund as a fund in the State treasury to be administered by the Commission to provide a method of financing the construction, reconstruction, acquisition, and expansion of State highways. The Constitutional Provision also authorizes the use of money in the Mobility Fund to provide participation by the State in the payment of all or a portion of the costs of constructing and providing publicly-owned toll roads and other public transportation projects. Under the Constitutional Provision, the Commission is authorized to issue and sell obligations and enter into 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 subject to the Texas Comptroller of Public Accounts (the "Comptroller") certifying the aggregate principal amount of obligations that can be repaid in accordance with State law. See "– Requirements of the Act" below. Proceeds from the sale of obligations must be deposited into the Mobility Fund and used for one or more specific purposes authorized by law, including: (1) refunding obligations and related credit agreements; (2) creating reserves for payment of obligations and related credit agreements; (3) paying the costs of issuance; and (4) paying interest on the obligations and related credit agreements for a period not longer than the maximum period established by law.

Pursuant to the Constitutional Provision, the Legislature has dedicated certain Dedicated Revenues to the Mobility Fund and such Dedicated Revenues must be deposited in the Mobility Fund. Upon their deposit in the Mobility 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. For more information on Dedicated Revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources" and "– Substitution of Dedicated Revenues" herein.

The Constitutional Provision also authorizes the Legislature to provide 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. Pursuant to the Act, 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."

Requirements of the Act

The Constitutional Provision authorizes the Legislature to establish standards, procedures and limitations for the issuance of obligations under the Program. These standards, procedures and limitations are set forth in the Act. Before obligations (including Parity Debt such as the Bonds and Subordinated Debt) secured by revenues dedicated to and on deposit in the Mobility Fund may be issued under the Act, the Comptroller must certify that the projected Dedicated Revenues and money on deposit in the Mobility 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 obligations and any already outstanding obligations in each

year. See "FUND ADMINISTRATION AND INVESTMENT – Certification by the Comptroller" herein. 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) anticipated to be received from the United States Treasury (the "U.S. Treasury"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments" and "– Effects of Federal Sequestration on Certain Bonds."

The Act also 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 in September of 2004.

House Bill 122

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

Program Capacity

Pursuant to the Master Resolution, the Program is currently established in the aggregate principal amount of $7.5 billion outstanding at any one time. The Program capacity was increased in 2007 from $4.0 billion to $6.5 billion outstanding at any one time, in 2012 from $6.5 billion to $7.2 billion outstanding at any one time and in January 2015 from $7.2 billion to $7.5 billion outstanding at any one time. Subject to the Constitutional Provision's debt service coverage requirement, which provides that Program obligations shall be repaid when due from money on deposit in the Mobility Fund in accordance with procedures established by law, the Constitutional Provision does not limit the amount of obligations that may be issued under the Program, including Parity Debt such as the Bonds. See "DESCRIPTION OF THE BONDS – Additional Parity Debt" for information concerning the issuance of additional Parity Debt or other obligations pursuant to the Master Resolution. 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 in accordance with State law. With the passage of HB 122, the Commission does not currently anticipate increasing the existing Program capacity. See "– House Bill 122" above.

PLAN OF FINANCE

General

The Bonds are being issued under the Program to refund the Refunded Bonds, to achieve debt service savings, and to pay the costs of issuing the Bonds. The Twelfth Supplemental Resolution authorizes the issuance of one or more series of bonds in an aggregate principal amount not to exceed $1,500,000,000. The Series 2017-A Bonds will be the first series of obligations issued pursuant to the Twelfth Supplemental Resolution and the fourteenth series of obligations issued or executed pursuant to the Program. The Series 2017-B Bonds will be the second series of obligations issued pursuant to the Twelfth Supplemental Resolution and the fifteenth series of obligations issued or executed pursuant to the Program. The Twelfth Supplemental Resolution authorizes the Department Representative, on behalf of the Commission, to establish the pricing terms for the Bonds.

Bond Review Board Approval

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

By letter dated December 8, 2016, the BRB approved the issuance of the Bonds as additional Parity Debt with a maximum par amount of $884,005,000 and a maximum total proceeds amount of $928,772,232.40, including premiums. The Bonds are being issued pursuant to such approval. Prior to the issuance of any additional obligations authorized by the Twelfth 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 U.S. Bank National Association (the "Escrow Agent"), pursuant to an Escrow Agreement (the "Escrow Agreement") between the Commission and the Escrow Agent. The maturing principal of and interest on the Escrowed Securities will be sufficient together with uninvested funds to pay, when due, the principal of and interest on the Refunded Bonds prior to and 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 American Municipal Tax-Exempt Compliance Corporation dba AMTEC, of Avon, Connecticut, and Stephen Miller, C.P.A. (an independent Certified Public Accountant), of Treasure Island, Florida (together, the "Verification Agent"). See "OTHER INFORMATION – Verification of Mathematical Accuracy" herein.

Money or Escrowed Securities on deposit in the escrow fund (the "Escrow Fund") established by the Escrow Agreement and 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.

[The remainder of this page is intentionally left blank.]

Sources and Uses of Funds

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

Sources of Funds	Series 2017-A Bonds	Series 2017-B Bonds	Total
Principal Amount	$296,020,000.00	$474,135,000.00	$770,155,000.00
Original Issue Premium	55,566,864.65	88,213,598.80	143,780,463.45
Cash Transferred from Interest and Sinking Account of the Mobility Fund	5,237,004.17	8,439,900.01	13,676,904.18
Total Sources	$356,823,868.82	$570,788,498.81	$927,612,367.63
Uses of Funds			
Deposit to Escrow Fund	$355,380,514.42	$568,482,378.00	$923,862,892.42
Underwriters' Discount	1,175,852.22	1,883,214.19	3,059,066.41
Costs of Issuance	267,502.18	422,906.62	690,408.80
Total Uses	$356,823,868.82	$570,788,498.81	$927,612,367.63

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of Bonds will not receive physical delivery of Bond certificates. The Bonds will be issued in fully registered form and purchases of Bonds are required to be in the denomination of $5,000 or any integral multiple thereof. The Bonds of each series will be prepared as one fully registered bond certificate for each maturity and will be initially registered in the name of and delivered only to Cede & Co., as nominee for The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. DTC will act as securities depository for the Bonds. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "APPENDIX D – Book-Entry-Only System"). The Bonds will mature in the respective principal amounts, on the respective dates, and will bear interest at the respective rates, all as shown on pages ii and iii of this Official Statement. 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, and such interest will be payable semiannually on each April 1 and October 1 (each an "Interest Payment Date"), commencing April 1, 2017.

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 for such Bonds 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 for such Bonds 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. 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.

Record Date for Interest Payment

The record date ("Record Date") for determining the person to whom interest is payable on any Interest Payment Date means the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date. In the event of a non-payment of interest on the Bonds on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Bonds Special Payment Date," which must be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day immediately preceding the date of mailing of such notice.

Paying Agent/Registrar

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

The Commission expressly reserves the right to appoint one or more successor Paying Agent/Registrars, by filing with the Paying Agent/Registrar a certified copy of a resolution or minute order of the Commission making such appointment. The Commission further expressly reserves the right to terminate the appointment of the Paying Agent/Registrar by filing a certified copy of a resolution or minute order of the Commission giving notice of the Commission's termination of the Commission's agreement with such Paying Agent/Registrar and appointing a successor. The Commission covenants to maintain and provide a Paying Agent/Registrar at all times until the 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 and series 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 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 of the Series 2017-A Bonds

Optional Redemption. The Series 2017-A Bonds are subject to redemption on October 1, 2027 or any date thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Retention of Rights. To the extent that the Commission has defeased any Outstanding Series 2017-A Bonds pursuant to the provisions of the Twelfth Supplemental Resolution (the "Defeased Debt") to their stated maturity, the Commission retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of the Twelfth Supplemental Resolution and the Award Certificate relating to the Defeased Debt. The Commission may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the Twelfth Supplemental Resolution with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Redemption Provisions of the Series 2017-B Bonds

Optional Redemption. The Series 2017-B Bonds are subject to redemption on October 1, 2027 or any date thereafter, in whole or in part, at the option of the Commission, in such manner as the Commission may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

Retention of Rights. To the extent that the Commission has defeased any Outstanding Series 2017-B Bonds pursuant to the provisions of the Twelfth Supplemental Resolution (the "Defeased Debt") to their stated maturity, the Commission retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of the Twelfth Supplemental Resolution and the Award Certificate relating to the Defeased Debt. The Commission may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the Twelfth Supplemental Resolution with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Notice of Redemption

Unless waived by any Owner of the Bonds to be redeemed, the Department Representative 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 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 DTC. Any failure by DTC to advise any Direct Participant (as defined herein), or of any Direct Participant or Indirect Participant (as defined herein) to notify the Beneficial Owner (as 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."

Selection of Bonds for Redemption

If less than all of the applicable series of the Bonds are to be redeemed, the Commission may select the maturities of Bonds of such series to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds of such series are in Book-Entry-Only form) shall determine by lot, or such other random method, the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Purchase in Lieu of Redemption

Notwithstanding anything in the Twelfth Supplemental Resolution to the contrary, all or a portion of the Bonds to be redeemed as specified in the notice of redemption may be purchased by the Paying Agent/Registrar at the direction of a Department Representative on the date which would be the redemption date if such Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date for the account of and at the direction of a Department Representative who shall give the Paying Agent/Registrar notice at least forty-five (45) days prior to the scheduled redemption date for the Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase Bonds in lieu of optional redemption, no notice to the Owners of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Twelfth Supplemental Resolution) shall be required, and the Paying Agent/Registrar shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Bonds if such had been redeemed rather than purchased. Each Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission and such purchase is not intended to extinguish or merge such debt. The Bonds to be purchased pursuant to the foregoing provisions which are not delivered to the Paying Agent/Registrar on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former Owner on the purchase date.

Amendments to Twelfth Supplemental Resolution Without Consent of Owners

Subject to the provisions of the Master Resolution, the Twelfth Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the applicable series of Bonds, the Twelfth Supplemental Resolution may be modified or amended at any time without notice to or the consent of any such Owners or any other owner of 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 or a Credit Agreement;

(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;

(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; or

(vii) to make any changes or amendments that take effect after a mandatory tender of all Outstanding Variable Rate Bonds if there is delivered to the Commission a Favorable Opinion of Bond Counsel.

Amendments to Twelfth Supplemental Resolution With Consent of Owners

Subject to the other provisions of the Twelfth 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 Twelfth 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 Twelfth 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. The issuance of such Parity Debt is subject to the requirements of the Constitutional Provision and the Act, including HB 122's amendments to the Act. See "MOBILITY FUND FINANCING PROGRAM – House Bill 122." Prior to the issuance of 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 anticipated to be received from the U.S. Treasury. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments" and "– 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 Mobility Fund, the Comptroller must project and certify that the amount of money dedicated to and required to be on deposit in the Mobility 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 Act, the Commission must secure payment of Parity Debt with all or part of the revenues dedicated to and on deposit in the Mobility Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the Mobility Fund are insufficient to make payments due on such obligations.

With respect to Parity Debt, 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 Twelfth 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 Mobility 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. Historically, Pledged Revenues and the investment proceeds thereof have been sufficient to pay debt service on previously issued and Outstanding Parity Debt without drawing on the State's General Revenue Fund (as defined herein). The Bonds constitute the fourteenth and fifteenth series of Parity Debt obligations issued or executed by the Commission under the Program and payable from the Mobility Fund.

State General Obligation Pledge

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE AND, AS PROVIDED IN THE 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 MOBILITY 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 Mobility 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 Mobility Fund is not sufficient to pay the principal of or interest on the Bonds, the 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 maximum annual debt service in any State fiscal year on such State debt payable from the General Revenue Fund 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 described 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 Constitutional Provision and the Act provide 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 (defined herein) in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently established and designated as being included within the Security; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any 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 Mobility Fund, and may be used for purposes permitted by State law, including the 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 Mobility 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 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 Mobility Fund. See "– Overview of Dedicated Revenues" below for a general description of the Dedicated Revenues. Regarding the timing of deposits of each revenue source into the Mobility Fund, State law requires that all revenue received by the recipient (as described below) must be remitted to the Comptroller for deposit into the Mobility Fund within three (3) business days after receipt, with the exception of the Court Fines and the Driver's License Points Surcharges 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 Mobility 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 (i) 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 (ii) 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 "– Overview of Dedicated Revenues – Major Sources" and "– Substitution of Dedicated Revenues" below.

Overview of Dedicated Revenues

Major Sources. The Legislature has directed certain portions of the following sources of revenue ("Major Sources") into the Mobility Fund. The Major Sources are expected to be the primary revenue sources for the Mobility 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*: "Driver's License Fees" are comprised of fees collected pursuant to Chapters 521 and 522, Texas Transportation Code, and Sections 524.051 and 724.046, Texas Transportation Code, and Section 501.0165, Texas Government Code, for Texas driver's licenses and personal identification cards.

- *Driver Record Information Fees*: "Driver Record Information Fees" are comprised of fees associated with Texas Department of Public Safety ("DPS") driver's license records collected pursuant to

Chapter 521, Subchapter C, Texas Transportation Code. Such fees include accident and conviction information; disclosure of an abstract driving record; sale of certain information contained in the DPS basic driver's license record file and weekly updates of such information; disclosure of information related to an individual; disclosure of information to a license holder; release of driving records; and disclosure of information from the National Driver Register to an employer.

- *Motor Vehicle Inspection Fees*: "Motor Vehicle Inspection Fees" are comprised of a portion of certain fees collected pursuant to Chapter 548, Subchapter H, Texas Transportation Code ("Chapter 548"). In 2013, the 83rd Legislature (the "83rd Legislature") passed House Bill 2305 ("HB 2305"), which amended Chapter 548 in order to replace the former dual certification system of separate motor vehicle inspection and registration decals with a single, combined certification system known as the "Two Steps, One Sticker" program. Beginning March 1, 2015, vehicles are no longer issued a separate inspection decal, and a single registration decal for each motor vehicle signifies that the vehicle has passed the required inspection and is registered in this State. HB 2305 requires Motor Vehicle Inspection Fees to be collected by the Texas Department of Motor Vehicles, or by a county assessor-collector and forwarded to the Comptroller, at the time of registration and registration renewal for each motor vehicle.

- *Certificate of Title Fees*: "Certificate of Title Fees" are comprised of a portion of the fees collected pursuant to Chapter 501, Texas Transportation Code, to obtain a title for a motor vehicle registered in Texas. The owner of a motor vehicle registered in Texas may not operate or permit the operation of the vehicle on a public highway until the owner obtains a title for the vehicle.

Miscellaneous Sources. In addition to the Major Sources, the Legislature has allocated certain other revenue, the "Miscellaneous Sources," to the Mobility Fund. The Miscellaneous Sources are not expected to be a major source of revenue for the Mobility Fund, and the amount and timing of receipts for the Miscellaneous Sources are expected to be less predictable than the Major Sources. Under current law, such Miscellaneous Sources include the following: (i) certain administrative penalties imposed pursuant to Chapter 644, Texas Transportation Code, for the violation of commercial motor vehicle safety standards ("Motor Carrier Act Penalties"); (ii) fees collected pursuant to Chapter 504, Texas Transportation Code, for the issuance of specialty license plates that include the words "United We Stand," ("United We Stand License Fees"); (iii) portions of State traffic fines assessed ("Court Fines") and portions of surcharges assessed for certain moving violations ("Driver's License Points Surcharges"); and (iv) certain surplus revenues of regional mobility authorities allocated to the Fund ("Surplus RMA Revenues"). Annual deposits of Motor Carrier Act Penalties described in clause (i) above are not projected to exceed 1% of total revenues deposited in the Fund in any year, and amounts deposited in the Fund pursuant to the other Miscellaneous Sources (if any) are expected to be immaterial. See "Table 3: Texas Mobility Fund Historical and Estimated Dedicated Revenues."

The Commission may invest the assets in the Mobility 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 "APPENDIX E – Investment Authority and Investment Practices for the Mobility Fund" and "FUND ADMINISTRATION AND INVESTMENT" herein. From 2005 to present, investment earnings on the proceeds of Parity Debt held in the Mobility Fund have contributed to the Mobility Fund's interest earnings. As such Parity Debt proceeds have been and continue to be expended over time, the Mobility Fund's interest earnings attributable to the investment of such Parity Debt proceeds have decreased and are expected to continue to decrease in the near term.

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 sources of revenues or the strength of the revenue stream deposited to the Mobility Fund. 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 can be no assurance that the Legislature will not replace any part of the Dedicated Revenues outlined herein, or otherwise alter the revenues deposited to the Mobility Fund.

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.

Repayments, Prepayments, and Sale Proceeds of Transportation Assistance Bonds. The Master Resolution provides that, to the extent authorized by State law, including Section 222.103, Texas Transportation Code, the Commission may use money in the Mobility Fund to provide participation by the State, by loan, in the payment of part of the costs of constructing and providing public transportation projects. 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 Mobility Fund. The repayments and prepayments made on such pledged Transportation Assistance Bonds, along with Sale Proceeds from the sale of such Transportation Assistance Bonds, will be deposited into the Interest and Sinking Account and used to make payments due on Parity Debt, including the Bonds. The Commission has not acquired any Transportation Assistance Bonds.

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 Mobility 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 created 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 created in such pledge to occur.

Mobility Fund Financial Statements. The Mobility Fund was created on November 6, 2001 and the initial revenue sources and investment earnings began to be deposited into the Mobility Fund in March 2004. See "– Other Sources of Payment – Dedicated Revenues."

As of August 31, 2015, the Mobility Fund had total assets of approximately $1,212,942,000. Of the $517,891,000 total fund balance for amounts reported as "Debt Service Funds," approximately $387,482,000 was held in the General Account for use in accordance with State law and the Master Resolution, approximately $130,139,000 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately $270,000 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." Financial information in Tables 1 and 2 for the Fiscal Year ended August 31, 2015 was obtained from the audited Annual Financial Statements of the Mobility Fund for the Fiscal Year ended August 31, 2015 (the "FY 2015 Report").

As of August 31, 2016, the Mobility Fund had total assets of approximately $1,215,015,000. Of the $577,475,000 total fund balance for amounts reported as "Debt Service Funds," approximately $410,071,000 was held in the General Account for use in accordance with State law and the Master Resolution, approximately $167,131,000 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately $273,000 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." Financial information in Tables 1 and 2 for the Fiscal Year ended August 31, 2016 was obtained from the audited Annual Financial Statements of the Mobility Fund for the Fiscal Year ended August 31, 2016 (the "FY 2016 Report"). The FY 2016 Report is attached to this Official Statement as Appendix F. See "THE COMMISSION AND THE DEPARTMENT – State Audits."

[The remainder of this page is intentionally left blank.]

Table 1: Balance Sheet of the Mobility Fund
(In Thousands)

	As of August 31, 2015			As of August 31, 2016		
	Debt Service Funds	Capital Projects Funds	Total Mobility Fund	Debt Service Funds	Capital Projects Funds	Total Mobility Fund
Assets						
Cash in State Treasury	$ 519,973	$ 692,969	$ 1,212,942	$ 471,443	$ 637,509	$ 1,108,952
Federal Receivables	-	-	-	9,063	-	9,063
Due from Other Funds	-	-	-	97,000	-	97,000
Total Assets	**519,973**	**692,969**	**1,212,942**	**577,506**	**637,509**	**1,215,015**
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	282	9,610	9,892	31	36,705	36,736
Due to Other Funds	-	10,662[2]	10,662	-	97,000	97,000
Unearned Revenues	1,800	-	1,800	-	-	-
Total Liabilities	**2,082**	**20,272**	**22,354**	**31**	**133,705**	**133,736**
Fund Balances:						
Restricted	517,891[1]	672,697	1,190,588	577,475[3]	503,804	1,081,279
Total Fund Balances	**517,891**	**672,697**	**1,190,588**	**577,475**	**503,804**	**1,081,279**
Total Liabilities and Fund Balances	**$ 519,973**	**$ 692,969**	**$ 1,212,942**	**$ 577,506**	**$ 637,509**	**$ 1,215,015**

Source: The FY 2015 Report and the FY 2016 Report of the Mobility Fund.

---

(1) Of the $517,891,000 total fund balance for amounts reported as "Debt Service Funds" as of August 31, 2015, approximately $387,482,000 was held in the General Account for use in accordance with State law and the Master Resolution, approximately $130,139,000 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately $270,000 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."

(2) Due to State Highway Fund.

(3) Of the $577,475,000 total fund balance for amounts reported as "Debt Service Funds" as of August 31, 2016, approximately $410,071,000 was held in the General Account for use in accordance with State law and the Master Resolution, approximately $167,131,000 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately $273,000 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."

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

	For the Fiscal Year Ended August 31, 2015			For the Fiscal Year Ended August 31, 2016		
	Debt Service Funds	Capital Project Funds	Total Mobility Fund	Debt Service Funds	Capital Project Funds	Total Mobility Fund
Revenues:						
Licenses, Fees and Permits	$ 367,548	$ -	$ 367,548	$ 424,306	$ -	$ 424,306
Federal Revenues	21,638	-	21,638	21,722	-	21,722
Interest and Investment Income	1,929	1,494	3,423	3,174	4,464	7,638
Settlement of Claims	-	-	-	179	-	179
Total Revenues	**391,115**	**1,494**	**392,609**	**449,381**	**4,464**	**453,845**
Expenditures:						
Transportation	-	147,483	147,483	-	9,534	9,534
Debt Service:						
Principal	62,355	-	62,355	48,730	-	48,730
Interest	258,358	-	258,358	296,447	-	296,447
Other Financing Fees	-	8,199	8,199	4,117	785	4,902
Capital Outlay	-	59,631	59,631	-	207,830	207,830
Total Expenditures	**320,713**	**215,313**	**536,026**	**349,294**	**218,149**	**567,443**
Excess (Deficiency) of Revenues Over (Under) Expenditures	70,402	(213,819)	(143,417)	100,087	(213,685)	(113,598)
Other Financing Sources (Uses)						
Transfers In	84,578	-	84,578	-	44,792	44,792
Transfers Out	-	(84,578)	(84,578)	(44,792)	-	(44,792)
Bonds & Note Issued	-	900,000	900,000	-	-	-
Bonds Issued for Refunding	-	930,160	930,160	1,165,465	-	1,165,465
Premium on Bonds Issued	-	259,555	259,555	173,977	-	173,977
Payment to Escrow for Refunding	(9,982)	(1,099,525)	(1,109,507)	(1,335,153)	-	(1,335,153)
Total Other Financing Sources (Uses)	**74,596**	**905,612**	**980,208**	**(40,503)**	**44,792**	**4,289**
Net Change in Fund Balances	144,998	691,793	836,791	59,584	(168,893)	(109,309)
Fund Balances, September 1	372,893	(19,096)	353,797	517,891	672,697	1,190,588
Fund Balances, August 31	**$ 517,891 (1)**	**$ 672,697**	**$ 1,190,588**	**$ 577,475(2)**	**$ 503,804**	**$ 1,081,279**

Source: The FY 2015 Report and the FY 2016 Report of the Mobility Fund.

(1) Of the $517,891,000 total fund balance for amounts reported as "Debt Service Funds" as of August 31, 2015, approximately $387,482,000 was held in the General Account for use in accordance with State law and the Master Resolution, approximately $130,139,000 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately $270,000 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."

(2) Of the $577,475,000 total fund balance for amounts reported as "Debt Service Funds" as of August 31, 2016, approximately $410,071,000 was held in the General Account for use in accordance with State law and the Master Resolution, approximately $167,131,000 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately $273,000 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."

Mobility Fund Revenue Forecasts. As required by Section 201.943(e) and (f), Texas Transportation Code, before Program obligations are issued payable from and secured by a pledge of and lien on all or part of the money in the Mobility Fund, the Comptroller must certify that the projected Dedicated Revenues and money on deposit in the Mobility 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 November 28, 2016, 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 $7.5 billion. See "MOBILITY FUND FINANCING PROGRAM – Program Capacity" herein. See also, "FUND ADMINISTRATION AND INVESTMENT – Certification by the Comptroller."

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

[The remainder of this page is intentionally left blank.]

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

Fiscal Year	Motor Vehicle Inspection Fees	Driver's License Fees[2]	Driver Record Information Fees	United We Stand License Fees	Certificate of Title Fees[2][3]	Motor Carrier Act Penalties	Depository Interest	Total Dedicated Revenues[4]
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]
2014	101,145	137,870	63,382	3	93,293	3,707	4,326	403,727
2015	60,473	135,901	65,668	3	102,623	2,879	3,423	370,971[6]
2016	76,116	135,910	68,484	3	141,118	2,675	7,638	431,944
---	---	---	---	---	---	---	---	---
2017	83,445	141,337	67,654	4	121,584	2,975	935	417,934
2018	85,113	144,164	68,669	4	124,016	3,020	801	425,787
2019	86,817	147,047	69,699	4	126,496	3,065	978	434,106
2020	88,553	149,998	70,744	4	129,046	3,111	1,118	442,574
2021	90,260	152,988	71,805	4	131,627	3,158	1,035	450,877
2022	92,065	155,283	72,882	4	134,259	3,205	1,056	458,754
2023	93,907	157,612	73,975	4	136,945	3,253	1,077	466,772
2024	95,785	159,976	75,085	4	139,684	3,302	1,098	474,934
2025	97,700	162,376	76,211	4	142,477	3,351	1,120	483,240
2026	99,654	164,812	77,354	4	145,327	3,402	1,143	491,695
2027	101,647	167,284	78,515	4	148,233	3,453	1,166	500,301
2028	103,680	169,793	79,692	4	151,198	3,505	1,189	509,061
2029	105,754	172,340	80,888	4	154,222	3,557	1,213	517,977
2030	107,869	174,925	82,101	4	157,306	3,610	1,237	527,053
2031	110,026	177,549	83,333	4	160,452	3,665	1,262	536,291
2032	112,227	180,212	84,583	4	163,662	3,720	1,287	545,694
2033	114,472	182,915	85,851	4	166,935	3,775	1,313	555,265
2034	116,761	185,659	87,139	4	170,273	3,832	1,339	565,007
2035	119,096	188,444	88,446	4	173,679	3,889	1,366	574,924
2036	121,478	191,271	89,773	4	177,153	3,948	1,393	585,019
2037	123,908	194,140	91,120	4	180,696	4,007	1,421	595,294
2038	126,386	197,052	92,486	4	184,309	4,067	1,449	605,754
2039	128,914	200,007	93,874	4	187,996	4,128	1,478	616,401
2040	131,492	203,008	95,282	4	191,756	4,190	1,508	627,238
2041	134,122	206,053	96,711	4	195,591	4,253	1,538	638,271
2042	136,804	209,143	98,162	4	199,502	4,317	1,569	649,501
2043	139,540	212,281	99,634	4	203,493	4,381	1,600	660,933
2044	142,331	215,465	101,129	4	207,562	4,447	1,632	672,570
2045	145,178	218,697	102,645	4	211,714	4,514	1,665	684,416
2046	148,081	221,977	104,185	4	215,948	4,582	1,698	696,475
2047	151,043	225,307	105,748	4	220,267	4,650	1,732	708,751

Source: Amounts for Fiscal Years 2012 through 2016 represent unaudited actual revenues of the Mobility Fund as reported in the Annual Financial Statements of the Mobility Fund for the Fiscal Years 2012 through 2016. See "– Mobility Fund Financial Statements" above. Amounts for Fiscal Years 2017 through 2047 are revenue projections provided by the Comptroller certification dated November 28, 2016 and prepared prior to the issuance of the Bonds as required by Section 201.943(e), Texas Transportation Code. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Mobility Fund Revenue Forecasts" and "FUND ADMINISTRATION AND INVESTMENT – Certification by the Comptroller" herein. All amounts for these years exclude federal subsidies for Build America Bonds.

(1) These revenue projections assume no revenues are received from Court Fines, Driver's License Points Surcharges, or Surplus RMA Revenues. See "– Miscellaneous Sources" above.

(2) The fee shown is the portion of such fee collections that is deposited to the Mobility Fund.

(3) The amount of revenues deposited into the Mobility Fund from this source increased in Fiscal Year 2016 as a result of the diversion to the Mobility Fund of the portion of Certificate of Title Fees that was previously dedicated to the Texas Emissions Reduction Plan fund.

(4) Numbers may not compute due to rounding.

(5) Dedicated revenues for Fiscal Year 2013 do not include payments of approximately $22.5 million received in connection with the Department's termination of certain interest rate swap agreements.

(6) Dedicated revenues, specifically the motor vehicle inspection fee, experienced a decline for Fiscal Year 2015 as a result of HB 2305 passed by the 83rd State Legislature in 2013. HB 2305 required all motor vehicle inspection certifications and vehicle registration certifications to switch over to a single, combined certification system (known as the "Two Steps, One Sticker" program) created pursuant to HB 2305. This transition began on March 1, 2015 and was fully implemented during Fiscal Year 2016. Motor vehicle inspection fees increased in Fiscal Year 2016 due to the expiration of the grace period for motor vehicle inspections in connection with the implementation of the Two Steps, One Sticker program. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources – Motor Vehicle Inspection Fees."

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, but excluding the Refunded Bonds.

Fiscal Year	Fiscal Year Parity Debt Service[1]	Build America Bond Direct Subsidy[2]	Less: Refunded Bonds	Plus: The Series 2017-A Bonds			Plus: The Series 2017-B Bonds			Total Parity Debt Service (Net of BAB Subsidy)	Comptroller's Revenue Estimate[3]	Revenue as a % of Total Parity Debt Service (Net of BAB Subsidy)
				Principal	Interest	Total	Principal	Interest	Total			
2017	$ 365,187,073	$ (21,723,141)	$ (20,515,356)	-	$ 2,466,833	$ 2,466,833	-	$ 3,951,125	$ 3,951,125	$329,366,533	$ 417,934,000	127%
2018	367,341,031	(21,695,963)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	343,122,106	425,787,000	124%
2019	377,177,757	(21,695,963)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	352,958,831	434,106,000	123%
2020	385,253,822	(21,695,963)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	361,034,897	442,574,000	123%
2021	391,923,556	(21,688,618)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	367,711,976	450,876,585	123%
2022	399,505,786	(21,675,851)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	375,306,973	458,754,283	122%
2023	407,182,098	(21,639,213)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	383,019,922	466,772,439	122%
2024	414,241,215	(21,577,042)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	390,141,210	474,933,606	122%
2025	422,875,325	(22,295,551)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	398,056,812	483,240,383	121%
2026	431,659,909	(22,977,647)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	406,159,299	491,695,418	121%
2027	439,053,394	(22,829,907)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	413,700,524	500,301,408	121%
2028	447,322,877	(22,646,665)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	422,153,250	509,061,100	121%
2029	454,926,176	(22,425,383)	(41,030,713)	-	14,801,000	14,801,000	-	23,706,750	23,706,750	429,977,830	517,977,293	120%
2030	463,571,807	(22,176,864)	(91,125,713)	-	14,801,000	14,801,000	$ 35,505,000	22,819,125	58,324,125	423,394,355	527,052,835	124%
2031	477,682,223	(21,877,760)	(132,115,963)	$ 29,585,000	14,061,375	43,646,375	49,785,000	20,686,875	70,471,875	437,806,751	536,290,629	122%
2032	478,908,582	(21,532,217)	(134,159,413)	32,305,000	12,514,125	44,819,125	53,230,000	18,111,500	71,341,500	439,377,577	545,693,632	124%
2033	485,566,466	(21,136,855)	(136,171,388)	35,120,000	10,828,500	45,948,500	56,865,000	15,359,125	72,224,125	446,430,849	555,264,853	124%
2034	493,083,061	(20,689,357)	(221,010,188)	123,020,000	6,875,000	129,895,000	60,695,000	12,420,125	73,115,125	454,393,641	565,007,360	124%
2035	499,456,832	(20,186,248)	(170,524,500)	75,990,000	1,899,750	77,889,750	65,365,000	9,268,625	74,633,625	461,269,459	574,924,277	125%
2036	506,878,456	(19,637,182)	(81,367,463)	-	-	-	57,165,000	6,205,375	63,370,375	469,244,186	585,018,785	125%
2037	510,722,668	(19,025,264)	(115,911,113)	-	-	-	95,525,000	2,388,125	97,913,125	473,699,417	595,294,125	126%
2038	554,101,262	(18,314,192)	-	-	-	-	-	-	-	535,787,071	605,753,597	113%
2039	554,043,928	(9,402,375)	-	-	-	-	-	-	-	544,641,553	616,400,563	113%
2040	170,227,401	-	-	-	-	-	-	-	-	170,227,401	627,238,448	368%
2041	170,987,502	-	-	-	-	-	-	-	-	170,987,502	638,270,741	373%
2042	170,993,962	-	-	-	-	-	-	-	-	170,993,962	649,500,993	380%
2043	170,979,625	-	-	-	-	-	-	-	-	170,979,625	660,932,824	387%
2044	170,982,750	-	-	-	-	-	-	-	-	170,982,750	672,569,921	393%
2045	170,979,375	-	-	-	-	-	-	-	-	170,979,375	684,416,036	400%
Total	**$11,352,815,920**	**$(480,545,219)**	**$(1,595,269,644)**	**$296,020,000**	**$241,058,583**	**$537,078,583**	**$474,135,000**	**$395,691,000**	**$869,826,000**	**$10,683,905,641**	**$15,713,643,134**	

* Numbers may not compute due to rounding.

(1) Includes debt service on the Refunded Bonds; excludes debt service on the Bonds. Debt service on the Commission's State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds) and the Commission's State of Texas General Obligation Mobility Fund Bonds, Series 2014-B (SIFMA Index Floating Rate Bonds) is calculated at a rate of 3.5%, which is inclusive of remarketing and liquidity fees, as applicable. Includes the full interest payment amounts on the Series 2009A Bonds (defined herein) issued as taxable Build America Bonds.

(2) Represents BAB Subsidy Payments expected to be received with respect to the Series 2009A Bonds. Amounts reflect a reduction in BAB Subsidy Payments due to the federal Sequester Cuts (as defined herein). The BAB Subsidy Payment for October 1, 2016 was reduced by approximately $776,807. A 6.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2017 and, in Table 4 above, is assumed to apply to the BAB Subsidy Payments beginning with the April 1, 2017 payment and continuing through the federal fiscal year ending September 30, 2024 (October 1, 2024 payment). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments" and "– Effects of Federal Sequestration on Certain Bonds."

(3) Revenue projections and certification thereof provided by the Comptroller dated November 28, 2016 and 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 Dedicated Revenues."

Credit Agreements

The Constitutional Provision, the 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 fifth supplemental resolution to the Master Resolution, the Commission entered into a "Liquidity Agreement" dated as of December 7, 2016 (the "Series 2006-B Liquidity Facility") with the Texas Comptroller of Public Accounts (the "Series 2006-B Liquidity Facility Issuer"), to provide a liquidity facility for the Commission's State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (the "Series 2006-B Variable Rate Bonds"). The Series 2006-B Liquidity Facility constitutes a Credit Agreement and provides for the purchase, in accordance with the terms thereof, of the Series 2006-B Variable Rate Bonds which bear interest at a weekly rate and that are tendered for purchase as provided in the fifth supplemental resolution but not remarketed by the remarketing agent. Unless extended, the Series 2006-B Liquidity Facility expires on August 31, 2017 or if such day is not a business day, the next business day. The Commission's obligations to make payments to the Series 2006-B Liquidity Facility Issuer under the Series 2006-B Liquidity Facility are Parity Debt, and are additionally secured by the full faith and credit of the State.

The Commission currently is not a party to any other Credit Agreements for any previously issued Outstanding Parity Debt, including the Bonds, and the Commission does not currently intend to enter into any other Credit Agreements. However, the Commission has the ability to enter into Credit Agreements at any time for the Bonds or other issues of Parity Debt. See "MOBILITY FUND FINANCING PROGRAM" and "DESCRIPTION OF THE BONDS – General."

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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to sovereign immunity (except as provided in the Constitutional Provision), the customary rights of debtors relative to their creditors and with respect to certain other matters as referenced therein. See "APPENDIX C – Forms of Opinions 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 Twelfth 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 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 (defined herein), 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 "– 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 new money 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 Mobility Fund for the purpose of paying or securing Parity Debt or any particular series or issue of Parity Debt, and any such reserve account so established may be funded with a surety bond, insurance policy, or other Credit Agreement, to the extent permitted by law. The Commission has not established a reserve account for Parity Debt, including the Bonds.

Other Accounts. The Commission may establish other accounts or subaccounts for other purposes. Pursuant to the Twelfth Supplemental Resolution, the Commission has authorized the establishment of the Escrow Fund pursuant to the Escrow Agreement as described in PLAN OF FINANCE – Payment of Refunded Bonds."

Flow of Funds

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

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 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 "MOBILITY FUND FINANCING PROGRAM" and "DESCRIPTION OF THE BONDS – Additional Parity Debt." The BAB Subsidy Payments have been appropriated to the Department by the State for the Mobility Fund for the 2016-2017 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 U.S.

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 "PLEDGED 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. 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, 2014, 2015 and 2016 for the Series 2009A Bonds were reduced by approximately $1 million, $1.9 million, $1.7 million and $1.6 million, respectively. The BAB Subsidy Payment in respect of the October 1, 2016 debt service payment on the Series 2009A Bonds was reduced by approximately $776,807, which amount is net of interest received from the Internal Revenue Service due to a clerical error acknowledged by the Internal Revenue Service. A 6.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2017, and will apply to the BAB Subsidy Payments to be received by the Commission in respect of the April 1, 2017 and October 1, 2017 debt service payments on the Series 2009A Bonds. If the Sequester Cuts continue, the Commission will 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 or the Bonds when and in the amounts due in Fiscal Year 2017.

On February 15, 2014, the Bipartisan Budget Act of 2013 was amended to, among other things, extend the planned Sequester Cuts to 2024. The debt service projections contained in "Table 4 – Pro Forma Debt Service Coverage for Parity Debt" reflect actual and anticipated reductions in BAB Subsidy Payments, based on information provided by the federal government; 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 receipts of federal funds or BAB Subsidy Payments for any future year. See "– Table 4 – Pro Forma Debt Service Coverage for Parity Debt."

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 Mobility 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 Mobility Fund to the extent that the Department requests the assistance of the Texas Treasury Safekeeping Trust Company (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 Commission is required to establish and maintain accounts and funds within the Mobility 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 Mobility 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 Mobility 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 Mobility Fund, to pay such Parity Debt, at such time as will permit such Parity Debt to be timely paid.

Investments. Money held in the Mobility Fund will be invested in accordance with State law. See "APPENDIX E – Investment Authority and Investment Practices for the Mobility Fund." 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 Mobility Fund pursuant to the Investment Agreement. See "– Texas Mobility Fund Investment Agreement" below.

Certification by the Comptroller

Under current State law, additional Parity Debt obligations (including the Bonds) may not be issued unless the Comptroller projects that the amount of money dedicated to and required to be on deposit in the Mobility Fund pursuant to the Constitutional Provision, and the investment earnings on that money, during each year of the period during which such additional Parity Debt obligations 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 "– Effects of Federal Sequestration on Certain Bonds."

Under current State law, short-term obligations (obligations with a final stated maturity of five years or less) 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 Mobility Fund pursuant to Article III, Section 49 k(e), Texas Constitution, and required to be on deposit in the Mobility 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. Neither the Bonds nor any outstanding Parity Debt obligations constitute short-term obligations pursuant to the Act.

In the Administration Agreement, the Comptroller has agreed to prepare the certification required by the Act in connection with the issuance of long-term obligations (including Parity Debt) and short-term obligations within a reasonable time after the Comptroller's receipt of a written request for such certification from the Commission.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Sources of Payment – Dedicated Revenues" for information concerning projections that must be provided by the Comptroller in connection with a dedication of substitute or different source(s) of Dedicated Revenues.

Texas Mobility Fund Investment Agreement

Investment of Mobility Fund Balances. Money held in the Mobility 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 Mobility 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 Mobility 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 staggered six year terms. One member is designated by the Governor as the Chair and serves as the presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person's spouse is employed by or manages a business that is regulated by or receives funds from the Department; directly or indirectly owns or controls more than a 10% interest in a business that is regulated by or receives funds from the Department; uses or receives a substantial amount of goods, services, or funds from the Department; or is registered, certified, or licensed by the Department.

The 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. Their terms end on the dates specified on page iv of this Official Statement.

Tryon D. Lewis, Chairman

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

Lewis & Lyon Law Firm. Mr. Lewis has previously served on the boards of local organizations including Meals on Wheels, ECISD Education Foundation, the Permian Playhouse, the Odessa Cultural Council, the state board of the Texas Young Lawyers Association and has served as president of the Ector County Bar Association. Mr. Lewis attended Odessa College, The University of Texas at Austin and Baylor Law School.

Jeff Austin III, Commissioner

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

J. Bruce Bugg, Jr., Commissioner

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

Laura Ryan, Commissioner

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

Victor Vandergriff, Commissioner

Mr. Vandergriff was appointed to the Commission by Governor Perry in March of 2013. Mr. Vandergriff is an attorney and private businessman specializing in business development and legislative issues. From 2009 to 2013, Mr. Vandergriff served as the chairman of the Texas Department of Motor Vehicles Board. He was also a board member for the North Texas Tollway Authority from 2007 to 2013 and served as chairman from 2010 to 2011. He formerly served as Vice President of V.T., Inc. and Automotive Investment Group, the largest private retail automotive group in the United States. He was involved as an owner, dealer and executive manager in the automobile industry for more than 25 years. Mr. Vandergriff and his family have owned and operated automobile dealerships for more than 80 years in the Dallas-Fort Worth region. Mr. Vandergriff attended The University of Southern California, where he received a degree from the School of Public Administration in Public Affairs. He received his law degree from Southern Methodist University in Dallas.

The Department

The Department is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the 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, through collaboration and leadership, to deliver a safe, reliable and integrated transportation system that enables the movement of people and goods throughout the State. The Department's core goals and objectives are: to implement effective planning and forecasting processes that deliver the right projects on time and on budget; to focus on the customer because people are at the center of everything the Department does; to foster stewardship by ensuring efficient use of State resources; to optimize system performance by developing and operating an integrated transportation system that provides reliable and accessible mobility and enables economic growth; to preserve its assets by delivering preventative maintenance for the Department's system and capital assets to protect its investments; to champion a culture of safety; and to value its employees by respecting and caring for their well-being and development.

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

James M. Bass, Executive Director

Effective January 1, 2016, James M. Bass was appointed Executive Director by the Commission on December 17, 2015. Under the direction of the Commission, Mr. Bass manages, directs and implements Department policies, programs and operating strategies. Mr. Bass also represents the Department before the Legislature and other entities. Prior to his appointment as Executive Director, Mr. Bass served as the Department's Chief Financial Officer. Mr. Bass began his career with the Department in 1985 in the Fort Worth District where he maintained records and audited field measurements. He also worked part-time as an engineering aide for the Austin District while earning his bachelor's degree in accounting from The University of Texas at Austin. After graduation in 1991, Mr. Bass served as an accounting clerk in the Department's financial planning operations division (the "Finance Division"). In 1997, Mr. Bass became a manager in the Budget and Forecasting Branch, and in that position was responsible for preparation of the Department's Legislative Appropriations Request and Operating Budget, and working with the Texas Legislative Budget Board, State Auditor's Office, and the Comptroller of Public Accounts. He also worked on the Department's Cash Forecasting System for the State Highway Fund. Mr. Bass was named Finance Division Director in 1999 and his title was changed to Chief Financial Officer in 2005. Mr. Bass also served as Interim Executive Director of the Department from January 17, 2014 to April 23, 2014.

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

As Deputy Executive Director, Mr. Williams is responsible for assisting the Executive Director in all phases of directing, managing, and implementing the Department's policies, programs, and operating strategies. He assists in oversight of the management and operation of all transportation systems for which the agency is responsible to ensure that systems are adequate, safe, and constructed and maintained for the traveling public in the most cost-effective manner. Mr. Williams started with the Department in February 2012 as the Director of Planning within the Department's Planning and Projects Office. His career experience in transportation planning and program efforts includes public and private-sector organizations involving state, county and local jurisdictions. Mr. Williams has served in leadership positions with two state departments of transportation as well as worked with national private-sector transportation engineering organizations. His professional assignments have included directing statewide transportation planning and programming efforts as well as managing project specific highway and multimodal transportation plans and programs. Mr. Williams has worked extensively with public and agency outreach, transportation plans of various modes, regional and corridor-level plans and programs, environmental planning and approval, economics and finance, project design and development, along with work in the areas of construction management, operations and maintenance. Mr. Williams received both a Master's degree in Civil Engineering and a Bachelor's degree in Civil Engineering from Texas A&M University.

Brian D. Ragland, Chief Financial Officer

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

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

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

Stephen Stewart, Director, Financial Management Division

As the Department's Director of the Financial Management Division, Mr. Stewart is responsible for the management and control of budget, revenue, disbursements, and accounting for the Department as well as letting management of all transportation projects. Mr. Stewart has over 16 years of state governmental experience and has

been involved with many key initiatives since he began with the Department in March of 2012. Mr. Stewart has held previous roles as Manager of Financial Reporting and Director of Accounting positions within the Financial Management Division. Within each of those roles, he has worked to collaborate with other districts, divisions, and other State agencies to produce required audited financial statements and statutory reports needed for the Department as well as assisting with the implementation of the PeopleSoft Financial Supply Chain Management (FSCM) system. Prior to joining the Department, Mr. Stewart worked for the Comptroller assisting in the production of the State's Comprehensive Annual Financial Report where he gained insight and experience working with various agencies across the State. Aside from governmental accounting, Mr. Stewart has also gained business and management experience from owning his own CPA firm which focused on bookkeeping and tax services. Prior to his accounting experiences, Mr. Stewart worked at Texas State University in the information technology division as a network administrator and systems programmer where he was responsible for administration of Active Directory domains consisting of over 70,000 users and various SAP, e-mail, and database servers. Mr. Stewart received a Bachelor's degree in Computer Science from Southwest Texas State University in 2003 and a Master's degree in Accounting from Texas State University in 2007. He is a licensed Certified Public Accountant and a member of the American Institute of CPAs (AICPA).

Jeff Graham, General Counsel

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

Sunset Review

The Texas Sunset Act (Chapter 325, Texas Government Code) (the "Sunset Act") provides that virtually all agencies of the State, including the Department, are subject to periodic review by the 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 during the next legislative session, which commenced on January 10, 2017. 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 that would continue to carry out all covenants contained in the Bonds (and in all other obligations) and the performance of all other obligations to complete the construction of projects or the performance of other obligations of the Department, including lease, contract and other written obligations. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, debt service for all of the Commission's outstanding indebtedness relating to the Mobility Fund and the Program, including the Bonds, would be automatically appropriated pursuant to the Texas Constitution and the general obligation pledge securing the payment of principal of and interest on the Bonds would remain in full force and effect. See "MOBILITY FUND FINANCING PROGRAM – Constitutional Authority for the Program."

State Audits

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

The SAO is authorized, by Chapter 321, Texas Government Code, to perform financial audits, compliance audits, investigations and other special audits of any entity receiving State funds, including State agencies and higher education institutions. Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants, Governmental Accounting Standards Board, United States General Accounting Office or other professionally recognized entities that prescribe auditing standards.

Pursuant to the terms of the Master Resolution, the Commission has covenanted to prepare or cause to be prepared a financial report of the Mobility Fund each year while any Parity Debt is Outstanding in accordance with generally accepted accounting principles, certified by a certified public accountant. See "APPENDIX B – SELECT PROVISIONS OF THE RESOLUTION." Under current State law the SAO has the first right to perform audits requested by the Department and if it declines, the Department can select an external auditor. The FY 2016 Report is attached to this Official Statement as Appendix F, which has been audited by Crowe Horwath, LLP.

Other Financing Programs

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

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

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 January 1, 2017, an aggregate principal amount of approximately $4.563 billion of State Highway Fund Revenue Obligations was outstanding, and no additional State Highway Fund Revenue Obligations may be issued under current law for new money purposes.

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

The Commission has authorized the Department to obtain financing pursuant to Section 201.115 and to enter into short-term lending facilities to facilitate efficient cash management operations in the State Highway Fund in response to fluctuations in the cash balance of the State Highway Fund as a result of the cyclical nature and uncertain timing of deposits into and payments out of the State Highway Fund. Pursuant to such authorization, the Department entered into separate Note Purchase Agreements, dated as of August 15, 2013 (each, a "Note Purchase Agreement" and, collectively, the "Note Purchase Agreements"), with Wells Fargo Bank, National Association, and

Citibank, N.A. ("Wells Fargo" and "Citibank" and, collectively, the "Lending Banks"), to obtain direct loans from the Lending Banks through the issuance of the Department's State Highway Fund Revenue Flexible Rate Revolving Notes in the combined aggregate principal amount of not to exceed $500 million. The Note Purchase Agreements are comprised of one agreement with Wells Fargo and one agreement with Citibank (each authorizing direct loans in an aggregate principal amount not to exceed $250,000,000). The Note Purchase Agreements are scheduled to expire on August 11, 2017 (Wells Fargo) and November 29, 2018 (Citibank), subject to any extensions or renewals. The Department's direct lending program is subject to the requirements and limitations set forth in Section 201.115 and may be utilized from time to time for cash management purposes. As of the date of this Official Statement, the Department had no outstanding loan balances pursuant to Section 201.115.

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

Other Obligations and Commitments. In addition to the State Highway Fund financing programs described above, there are a number of obligations and commitments that the Commission and the Department have incurred and expect to incur in the future and that are to be paid or are expected to be paid from the State Highway Fund, including toll equity obligations and pass-through toll agreements. Toll equity obligations and pass-through toll agreement commitments are not part of the Program and are not secured by the Security.

Turnpike Financings.

The Commission, using the resources of the Department, has the statutory authority to study, plan, design, construct, finance, operate, and maintain turnpikes in all 254 counties in the State. Any such turnpike projects are part of the state highway system. The Commission has the authority to issue turnpike revenue bonds to pay all or a part of the costs of a turnpike project, to enter into certain comprehensive development agreements for projects, and to acquire right-of-way. Obligations issued by the Commission or its instrumentalities to finance turnpike projects are not part of the Program and are not secured by the Security.

State Infrastructure Bank.

Under Subchapter D of Chapter 222, Texas Transportation Code, the Commission may issue revenue bonds for the purpose of providing money for the "State Infrastructure Bank" as an account in the State Highway Fund which is used to provide financial assistance and loans to public or private entities for qualified projects. Such revenue bonds are special obligations of the Commission payable only from income and receipts of the State Infrastructure Bank. State Infrastructure Bank revenue bonds are not part of the Program and are not secured by the Security. No State Infrastructure Bank revenue bonds have been issued to date.

Private Activity Bonds.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), amended section 142 of the Code to permit the use of up to $15 billion of tax-exempt private activity bonds ("PABs") to finance facilities for qualified highway or surface freight transfer projects. The Commission created the Texas Private Activity Bond Surface Transportation Corporation (the "Corporation") as a transportation corporation under Chapter 431, Texas Transportation Code, for the purpose of issuing PABs for transportation projects developed or to be developed under comprehensive development agreements entered into by the Department. As of January 1, 2017, the Corporation had approximately $1.56 billion in aggregate principal amount of PABs outstanding. PABs are not part of the Program and are not secured by the Security.

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 January 1, 2017, approximately $4.111 billion in aggregate principal amount of Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds was outstanding. The Commission is not authorized to issue any additional State general obligation bonds pursuant to such program for new money purposes under current State law. These bonds (and other such bonds that may be issued in the future) are not part of the Program and are not secured by the Security, but they are (or 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 opinions of the Attorney General of the State 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 opinions of McCall, Parkhurst & Horton L.L.P, Bond Counsel to the Commission. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "INTRODUCTION – Security," "INTRODUCTION – Legal Authority," "MOBILITY FUND FINANCING PROGRAM," "PLAN OF FINANCE" (except for the information under the heading "– Sources and Uses of Funds," as to which no opinion will be expressed), "DESCRIPTION OF THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" (except for the information under the headings "– Overview of 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", Appendix B, Appendix C, and Appendix E, 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. 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 are contingent on the sale and delivery thereof. The legal opinions 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 Bracewell LLP, Austin, Texas, Disclosure Counsel, and the General Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Norton Rose Fulbright US LLP, Dallas, Texas, and Mahomes Bolden PC, Dallas, Texas.

Bond Counsel and Disclosure Counsel each represent the Commission or the Underwriters of the Bonds from time to time on matters not related to the Bonds.

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 Commission or the Department that (i) would affect the existence of the

Department or the Commission or the right of the present commissioners and officers of the Commission or the Department to hold their offices, (ii) would affect the validity or enforceability of the provisions pursuant to which the 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 the Bond Appendix, as of its date, in the opinion of the Comptroller, based on information provided by the State Attorney General as to the existence and legal status of such legal proceedings, none of such proceedings, except for those specifically disclosed in the Bond Appendix, if finally decided adversely to the State, could possibly have a materially adverse effect on the long term financial condition of the State. For information concerning litigation affecting the State, see the caption "Litigation" within the Bond Appendix, which is incorporated by reference into and made a part of this Official Statement as if set forth herein. See "GENERAL INFORMATION REGARDING THE STATE" and "APPENDIX A – The State."

Eligibility for Investment in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities 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 "OTHER INFORMATION – 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 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 of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated or otherwise transferred. It is the obligation of the purchaser to register or qualify sale of the 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 to the Commission, will render its opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") for federal income tax purposes, (i) interest on the Bonds 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 – Forms of Opinions of Bond Counsel."

In rendering its opinions, Bond Counsel will rely upon (i) the Verification Report of the Verification Agent, (ii) certain information and representations of the Commission, including information and representations contained in the Commission's federal tax certificate and (iii) 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. 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 opinions of Bond Counsel are 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 opinions 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.

Information Reporting and Backup Withholding

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

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 Comptroller prepares a quarterly disclosure appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated November 2016 and is incorporated by reference into and made a part of this Official Statement as if set forth herein, as described in "APPENDIX A – The State." See "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance. The Bond Appendix speaks only as of its date of issue except as otherwise expressly noted therein.

2015 State CAFR

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

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of $250,000, if the resulting maximum annual debt service in any State fiscal year on such State debt payable from general revenues exceeds 5% of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. 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 Twelfth Supplemental Resolution and the related Award Certificate, 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 Mobility 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 Mobility 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, the Commission 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 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 SEC Rule 15c2-12 (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 "Agreement"). The Commission and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Agreement. The Comptroller is required to observe this Agreement in respect to any issue of Securities (as defined in the Agreement) for so long as the State remains an "obligated person" with respect to the Bonds within the meaning of the Rule. Under the Agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares a quarterly disclosure appendix (defined herein as the Bond Appendix) for use in

State agency securities offerings. The Comptroller intends to continue to prepare or supplement the Bond Appendix quarterly and to provide annual information in accordance with the Agreement.

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

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

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

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

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

Availability of Information

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

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 the holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the Commission and the Comptroller to comply with their agreements.

The Commission may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Commission if (i) 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 (ii) either (a) the Owners of a majority in aggregate principal amount of the outstanding Bonds consent or (b) a person unaffiliated with the Commission (such

as nationally-recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. If the Commission so amends a continuing disclosure agreement, the Commission must include with the next financial information and operating data provided in accordance with the Commission'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 or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Commission so amends its agreement, the Commission must provide an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Commission will provide such information to the MSRB within 195 days after the end of each Fiscal Year.

The Comptroller may amend the Agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the State if (i) the Agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of outstanding Bonds consent to such amendment or (b) a person unaffiliated with the State, the Comptroller, the Bond Review Board and the Commission (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Bonds. The Comptroller may also amend or repeal the provisions of the Agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Comptroller so amends the Agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "– Continuing Disclosure Undertaking of the Comptroller – Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

OTHER INFORMATION

Ratings

The Bonds have been assigned ratings of "AAA" by Fitch Ratings, Inc., "Aaa" by Moody's Investors Service, Inc., and "AAA" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC. 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. A securities rating is not a recommendation to buy, sell or hold securities.

Underwriting

Barclays Capital Inc., as representative of the Underwriters set forth on the cover of this Official Statement, has agreed, subject to certain conditions set forth in a bond purchase agreement with the Commission, to purchase the Bonds at a price of $910,876,397.04 (which represents the aggregate par amount of each series of the Bonds, plus an original issue premium related to the Series 2017-A Bonds of $55,566,864.65 and an original issue premium related to the Series 2017-B Bonds of $88,213,598.80, and less an underwriting discount related to the Series 2017-A Bonds of $1,175,852.22 and an underwriting discount related to the Series 2017-B Bonds of $1,883,214.19). The bond purchase agreement pertaining to the Bonds provides that the Underwriters will purchase all of the Bonds if any 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 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.

The Commission intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the Commission.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, financial advisory, commercial and investment banking, 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 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.

Blaylock Beal Van, LLC ("Blaylock Beal Van" or "BBV") has entered into a distribution agreement (the "BBV/TD Agreement") with TD Ameritrade, Inc. ("TD") for the retail distribution of certain municipal securities offerings underwritten by or allocated to Blaylock Beal Van, including the Bonds. Under the BBV/TD Agreement, Blaylock Beal Van will share with TD a portion of the underwriting compensation paid to BBV.

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.

Verification of Mathematical Accuracy

American Municipal Tax-Exempt Compliance Corporation dba AMTEC, of Avon, Connecticut, and Stephen Miller, C.P.A. (an independent Certified Public Accountant), of Treasure Island, Florida (together, 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.

Forward-Looking Statements

The statements contained in this Official Statement (which includes the cover page, the inside cover pages, the Schedule and the Appendices hereto, and the information incorporated by reference into this Official Statement as described in "GENERAL INFORMATION REGARDING THE STATE") that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including but not limited to, the revenue projections provided by the Comptroller described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Mobility Fund Revenue Forecasts," and any statements regarding a person's or entity'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 on the date of this Official Statement or such other dates of such forward-looking statements as described herein, as applicable, and none of the Commission, the Comptroller or the State assume any obligation to update any such forward-looking statements. 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, the Department, the State 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.

Approval of Official Statement

The Twelfth 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. Brian D. Ragland, Chief Financial Officer, Texas Department of Transportation, 125 East 11th Street, Austin, Texas 78701, (512) 305-9512, telecopy (512) 463-0283.

TEXAS TRANSPORTATION COMMISSION

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

SCHEDULE I

REFUNDED BONDS

Texas Transportation Commission
State of Texas General Obligation Mobility Fund Bonds, Series 2006-A

Maturity Date	Interest Rate	Principal Amount	Call Date	Call Price
April 1, 2035	4.50%	$194,300,000	April 1, 2017	100%

Texas Transportation Commission
State of Texas General Obligation Mobility Fund Bonds, Series 2007

Maturity Date	Interest Rate	Principal Amount	Call Date	Call Price
April 1, 2033	4.50%	$129,400,000	April 1, 2017	100%
April 1, 2034	4.75%	24,095,000	April 1, 2017	100%

Texas Transportation Commission
State of Texas General Obligation Mobility Fund Bonds, Series 2008

Maturity Date	Interest Rate	Principal Amount	Call Date	Call Price
April 1, 2030	5.00%	$ 50,095,000	April 1, 2018	100%
April 1, 2032	4.50%	110,205,000	April 1, 2018	100%
April 1, 2037	4.75%	375,910,000	April 1, 2018	100%

[This page is intentionally left blank.]

APPENDIX A

THE STATE

The Bond Appendix dated November 2016 (the "Bond Appendix") is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may be obtained (i) using the MSRB's EMMA website, www.emma.msrb.org, by using the Quick Search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at http://www.comptroller.texas.gov/programs/systems/treasury-ops/index.php#appendix, until the Comptroller files a later version of such Bond Appendix.

[This page is intentionally left blank.]

APPENDIX B

SELECT PROVISIONS OF THE RESOLUTION

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

Select Definitions in the Master Resolution and the Twelfth 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 this Twelfth 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 or such other individual so designated by the Commission to perform the duties of Chief Financial Officer under this Twelfth 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 this Twelfth 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 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, and (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.

"*Department Representative*" means the Executive Director, the Chief Financial Officer or the Director, Project Finance, Debt and Strategic Contracts Division 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.

"*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 2006," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-A," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2008," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds - Direct Payment)," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2015-A" and "Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2015-B.

"*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.

"*Variable Rate Bonds*" means Bonds in the Daily Mode, the Flexible Mode, the Weekly Mode, the Monthly Mode, the Quarterly Mode, the Semiannual Mode, the Multiannual Mode, the Index Floating Rate Mode or such other mode or provisions as set forth in each Award Certificate.

****

Select Provisions of the Master Resolution

****

Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Constitutional Provision, the 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 $7.5 billion, subject to the limitations and requirements of the Constitutional Provision, the 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, (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 and (iii) the "Third Amendment to Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program," approved by the Commission by adoption of Minute Order No. 114187 on January 29, 2015).

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 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 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 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 Twelfth 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 7.18 of this Twelfth Supplement by pledging the full faith and credit of the State to the payment of the Bonds and any Credit Agreements executed under Section 7.18 of this Twelfth 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 7.18 of this Twelfth 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 Twelfth Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Twelfth 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 Twelfth Supplement on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the purposes for which the Tax-Exempt Bonds are issued have been accomplished. The foregoing notwithstanding, the Commission shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Tax-Exempt Bonds, or (ii) the date the Tax-Exempt Bonds are retired, unless the Commission obtains an opinion of 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 Twelfth Supplement and the rights and obligations of the Commission and of the Owners of the Outstanding Bonds, this Twelfth 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 Twelfth 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 Twelfth Supplement;

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

(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; or

(vii) To make any changes or amendments that take effect after a mandatory tender of all Outstanding Variable Rate Bonds if there is delivered to the Commission a Favorable Opinion of Bond Counsel.

Section 6.02. AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS OF BONDS. (a) Amendments. Subject to the other provisions of this Twelfth 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 Twelfth 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 Twelfth 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 Twelfth 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 Twelfth 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 Twelfth 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 Twelfth 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 Twelfth Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Twelfth 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 Twelfth Supplement and an 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 Twelfth 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.

****

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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

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

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

[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Series 2017-A Bonds, assuming no material changes in facts or law*.]

TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS, SERIES 2017-A
$296,020,000

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," the "Second Amendment to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" and the "Third Amendment to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (collectively, the "Master Resolution") as supplemented by the "Twelfth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Twelfth Supplement") adopted by minute order of the Commission on January 28, 2016 and the Award Certificate of the Department Representative (the "Award Certificate" which together with the Master Resolution and the Twelfth 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 Twelfth 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 Twelfth Supplement. The Master Resolution and Twelfth 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 Twelfth 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,

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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

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

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

[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Series 2017-B Bonds, assuming no material changes in facts or law*.]

TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS, SERIES 2017-B
$474,135,000

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," the "Second Amendment to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" and the "Third Amendment to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (collectively, the "Master Resolution") as supplemented by the "Twelfth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Twelfth Supplement") adopted by minute order of the Commission on January 28, 2016 and the Award Certificate of the Department Representative (the "Award Certificate" which together with the Master Resolution and the Twelfth 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 Twelfth 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 Twelfth Supplement. The Master Resolution and Twelfth 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 Twelfth 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,

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 ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Commission and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

Book-Entry Only System

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

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

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

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

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

APPENDIX E

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE MOBILITY FUND

Pursuant to Section 201.946, Texas Transportation Code, the Mobility 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 Mobility 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 Mobility Fund. See "FUND ADMINISTRATION AND INVESTMENT" herein. The Commission has adopted an investment policy which includes the Mobility 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 Mobility 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 Mobility 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 Appendix; (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 Appendix; (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 Appendix, 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 Appendix, 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 Appendix 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.

[This page is intentionally left blank.]

APPENDIX F

AUDITED FINANCIAL STATEMENTS OF THE MOBILITY FUND FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

[This page is intentionally left blank.]

ANNUAL FINANCIAL REPORT

Texas Mobility Fund

A Governmental Fund of the Texas Department of Transportation

(With Independent Auditor's Report)

Texas Department of Transportation

For the Fiscal Year Ended August 31, 2016

Texas Mobility Fund

A Governmental Fund of the Texas Department of Transportation

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
August 31, 2016

Prepared by:
Texas Department of Transportation's Financial Management Division

This page is intentionally blank

Texas Mobility Fund
Annual Financial Report
For the Fiscal Year Ended August 31, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION (unaudited)

Letter of Transmittal 1

Organization Chart 3

Commission and Key Personnel 4

FINANCIAL SECTION

Independent Auditor's Report 6

Management's Discussion and Analysis (unaudited) 10

Basic Financial Statements

Governmental Fund Financial Statements

Balance Sheet 16

Statement of Revenues, Expenditures and Changes in Fund Balances 17

Notes to the Financial Statements 19

SUPPLEMENTARY INFORMATION (unaudited)

Texas Mobility Fund Dedicated Revenues 37

This page is intentionally blank

Section One

Introductory Section

This page is intentionally blank

Texas Department of Transportation

125 EAST 11TH STREET, AUSTIN, TEXAS 78701-2483 | 512.463.8588 | WWW.TXDOT.GOV

December 16, 2016

To: The Citizens of the State of Texas and the Creditors of the Texas Mobility Fund Bonds

The audited financial statements of the Texas Mobility Fund (Mobility Fund) for the year ended August 31, 2016, are submitted in conformity with the Master Resolution, dated as of May 4, 2005, as amended and supplemented by the first through eleventh Supplemental Resolutions (Resolution).

An external audit firm, Crowe Horwath LLP, 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, 2016. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff in the Financial Management Division of the Texas Department of Transportation (TxDOT). 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.

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.

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.

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. TxDOT is managed by an executive director and is governed by the five-member Texas Transportation Commission (Commission). All members of the Commission are appointed by the Governor with the advice and consent of the Texas Senate.

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.

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

OUR VALUES: *People • Accountability • Trust • Honesty*

OUR MISSION: *Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods.*

An Equal Opportunity Employer

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 goal to develop and operate an integrated transportation system that provides reliable and accessible mobility and enables economic growth.

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. Subsequent legislation eliminated the ability of the department to issue debt secured by future Mobility Fund revenues not needed for existing obligations.

Budgetary Controls

Budgetary control is exercised through appropriated budgets. These budgets are entered in the statewide accounting system after the General Appropriations Act becomes law. The General Appropriations Act becomes law after passage by the Texas Legislature, certification by the Texas Comptroller of Public Accounts that the amounts appropriated are within the estimated collections and upon the signing of the bill by the governor. Controls are maintained at the agency level, with additional control at the fund and appropriation level to ensure expenditures do not exceed authorized limits. State budgets are established on a biennial cycle.

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 Financial Management Division. I sincerely appreciate the efforts of all these individuals who continue to help make TxDOT a leader in quality financial reporting.

Sincerely,

James M. Bass
Executive Director

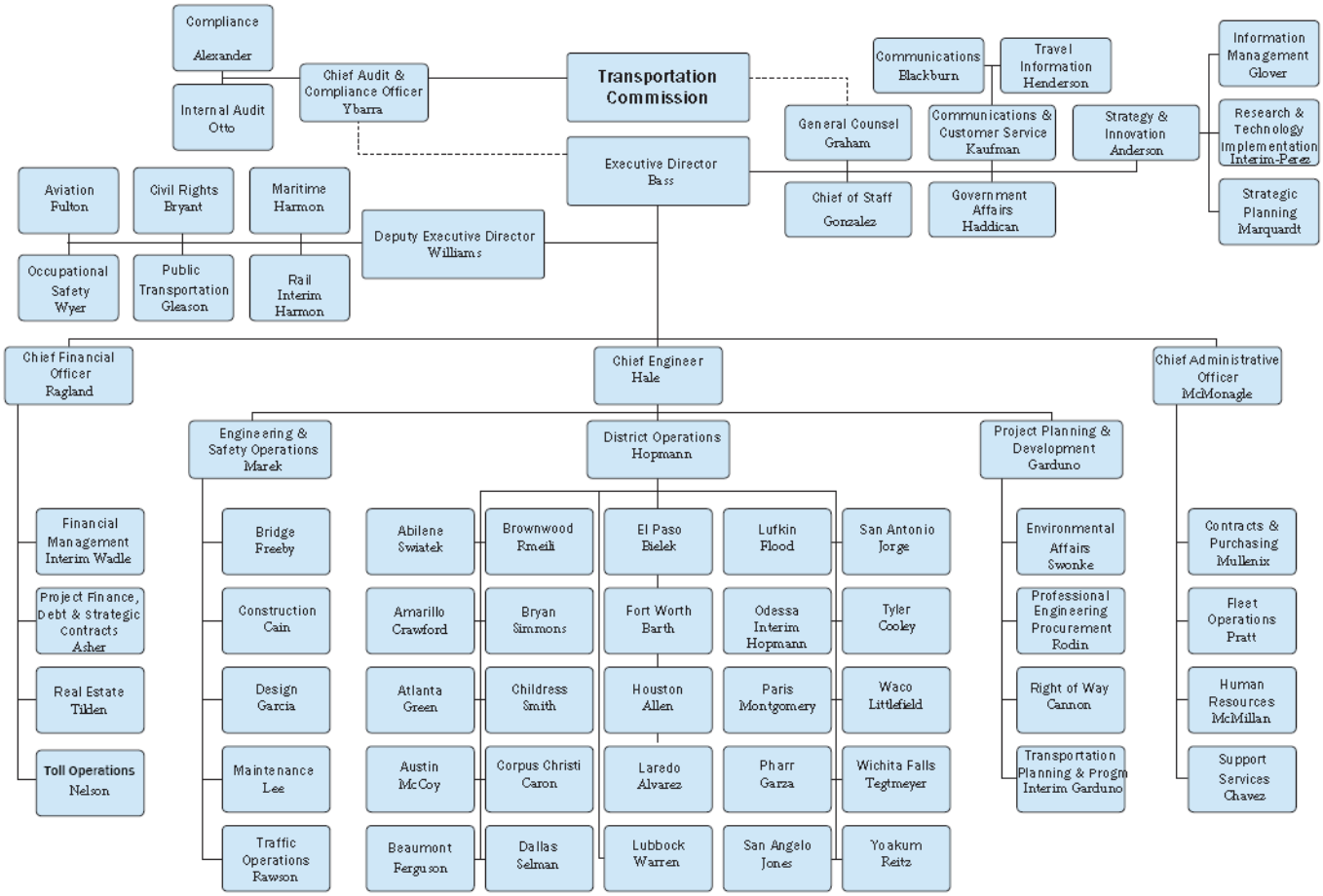
OUR VALUES: *People • Accountability • Trust • Honesty*

OUR MISSION: *Through collaboration and leadership, we deliver a safe, reliable, and integrated transportation system that enables the movement of people and goods.*

An Equal Opportunity Employer

Texas Department of Transportation

Organization Chart as of August 31, 2016



Commission and Key Personnel
As of August 31, 2016

TEXAS TRANSPORTATION COMMISSION

TRYON D. LEWIS.....Chair
Odessa

JEFF AUSTIN III .....Commissioner
Tyler

J. BRUCE BUGG, JR. .....Commissioner
San Antonio

LAURA RYAN .....Commissioner
Houston

VICTOR VANDERGRIFF.....Commissioner
Arlington

TEXAS DEPARTMENT OF TRANSPORTATION

JAMES M. BASS ..... Executive Director
MARC D. WILLIAMS..... Deputy Executive Director
JESUS GONZALEZ.....Chief of Staff
BRIAN RAGLAND..... Chief Financial Officer
BENITO YBARRA .....Chief Audit and Compliance Officer
BILL HALE ..... Chief Engineer
RICHARD MCMONAGLE .....Chief Administrative Officer
BOB KAUFMAN ..... Director of Communications and Customer Service
JEFF GRAHAM .....General Counsel
JERRY HADDICAN.....Director of Government Affairs
DARRAN ANDERSON..... Director of Strategy and Innovation

Section Two

Financial Section

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Texas Mobility Fund (Fund), a fund of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Texas Mobility Fund, as of August 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Fund, a debt service and capital project fund of the Texas Department of Transportation, an agency of the State of Texas and do not purport to, and do not, present fairly the financial position of TxDOT or the State of Texas as of August 31, 2016, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the Fund does not report entity-wide financial statements and as a result, the long-term liabilities are presented in Note 4. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 10-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The introductory section and the Texas Mobility Fund Dedicated Revenues schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and the Texas Mobility Fund Dedicated Revenues schedule 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, 2016 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
December 16, 2016

This page is intentionally blank

Section Two (Continued)

Management's Discussion and Analysis (Unaudited)

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, 2016 and 2015 for comparative purposes. 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

Bonds Issuance

In fiscal year 2016, the Texas Transportation Commission issued Mobility Fund bonds totaling $1.2 billion to refinance $1.3 billion of outstanding parity debt for the purpose of achieving debt service savings and to pay the cost of issuing the bonds.

Function of Mobility Fund Bonds Issued

The Mobility Fund bonds 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.

Governmental Fund

As of Aug. 31, 2016, the Mobility Fund's combined governmental fund balance was $1.1 billion, a decrease of $109.3 million, or 9.2 percent, from fiscal 2015. The decrease in fund balance is largely attributed to the increase in expenditures in fiscal 2016. The fiscal 2016 expenditures totaled $567.4 million, which increased $31.4 million, or 5.9 percent, as compared to fiscal 2015 expenditures. No new money bonds were issued in fiscal 2016 while $900 million new money bonds were issued in fiscal 2015.

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 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:

Balance Sheet

August 31, 2016 and 2015

(Amounts in Thousands)

	2016	2015	Amount of Increase (Decrease)	Percent Change
Assets	$ 1,215,015	$ 1,212,942	$ 2,073	0.2 %
Total Assets	1,215,015	1,212,942	2,073	0.2 %
Liabilities	133,736	22,354	111,382	498.3 %
Total Liabilities	133,736	22,354	111,382	498.3 %
Fund Balance:				
Restricted – Debt Service	1,081,279	1,190,588	(109,309)	(9.2) %
Total Fund Balance	**$** 1,081,279	$ 1,190,588	$ (109,309)	(9.2) %

Total Liabilities increased by $111.4 million, primarily due to an increase of $86.3 million in due to other funds. This is related to an intent to reimburse between the Texas Mobility Debt Service Fund and Capital Projects Fund.

Statement of Revenues, Expenditures and Changes in Fund Balances

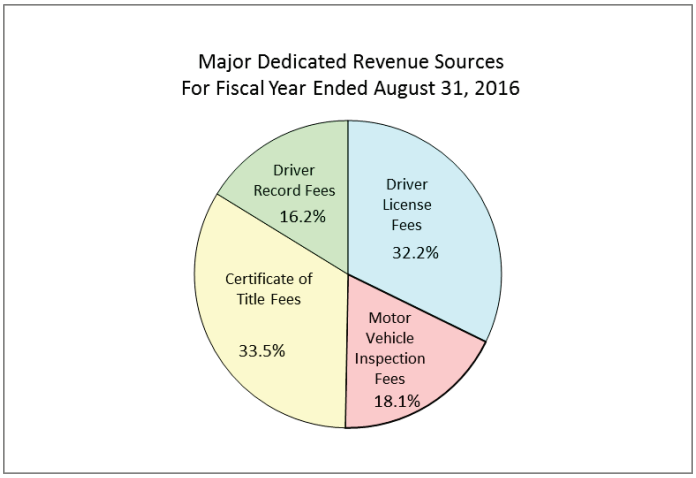
For the Fiscal Years Ended August 31, 2016 and 2015

(Amounts in Thousands)

	2016	2015	Amount of Increase (Decrease)	Percent Change
Revenues				
Federal Revenue	$ 21,722	$ 21,638	$ 84	0.4 %
Licenses, Fees and Permits	424,306	367,548	56,758	15.4 %
Interest and Investment Income	7,638	3,423	4,215	123.1 %
Settlement of Claims	179		179	n/a
Total Revenues	453,845	392,609	61,236	0.2 %
Expenditures				
Transportation	9,534	147,483	($137,949)	(93.5) %
Capital Outlay	207,830	59,631	148,199	248.5 %
Debt Service Function	350,079	328,912	$21,167	6.4 %
Total Expenditures	567,443	536,026	31,417	5.9 %
Excess (Deficiency) of Revenues over Expenditures	(113,598)	(143,417)	29,819	(20.8) %
Other Financing Sources (Uses)				
Bonds & Notes Issued		900,000	(900,000)	n/a
Bonds Issued for Refunding	1,165,465	930,160	235,305	25.3 %
Premiums on Bonds Issued	173,977	259,555	(85,578)	(33.0) %
Payment to Escrow for Refunding	(1,335,153)	(1,109,507)	(225,646)	20.3 %
Total Other Financing Sources (Uses)	4,289	980,208	(975,919)	(99.6) %
Change in Fund Balance	(109,309)	836,791	(946,100)	(113.1) %
Fund Balance – Beginning	1,190,588	353,797	836,791	236.5 %
Fund Balance – Ending	$ 1,081,279	$ 1,190,588	$ (109,309)	(9.2) %

Capital Outlay expenditures increased by $148.2 million, or 248.5 percent. The increase is largely due to the increase in construction project expenditures in fiscal 2016.

The major dedicated revenue sources of the Mobility Fund for the year ended Aug. 31, 2016, 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.



Dedicated revenues, specifically the vehicle inspection fees, had an increase pursuant to House Bill 2305 passed in 2013, which amended Chapter 548, Subchapter H, Texas Transportation Code. Beginning Mar. 1, 2015, vehicles are no longer issued a separate inspection decal. Only a single registration decal is required for each motor vehicle that has passed inspection and is registered in the State. The implementation of the new dual certification system resulted in a decrease in the motor vehicle inspection fees for 2015. In 2016, the increase in vehicle inspection fees was due to the expiration of the grace period for motor vehicle inspections.

Debt Administration

The Mobility Fund bonds are considered to be self-supporting general obligation debt. The issuance of Mobility Fund bonds is subject to debt service coverage requirements as prescribed in Section 201.943(e) of the Texas Transportation Code. Prior to a Mobility Fund debt issuance, the Texas Comptroller of Public Accounts (Comptroller) must certify that the projected dedicated revenues and money on deposit in the Mobility Fund will be equal to at least 110 percent of the annual debt service requirements.

All Mobility Fund debt issuances must be approved by the Texas Bond Review Board prior to issuance.

The Mobility Fund program is currently established in the aggregate principal amount of $7.5 billion outstanding at any one time. As of Aug. 31, 2016, the principal amount of debt outstanding is $6.8 billion.

House Bill 122, which was enacted during the regular session of the 84th Legislature and became effective on Jun. 10, 2015, amends the authority to provide that no additional program obligations may be issued or incurred after Jan. 1, 2015, except for obligations issued to refund 1) outstanding obligations to provide savings to the state and 2) outstanding variable rate obligations and to renew or replace credit agreements relating to outstanding variable rate obligations. Additionally, HB 122 provides that money in the Mobility Fund, in excess of the amounts required by the proceedings authorizing obligations and credit agreements to be retained in deposit may not be used for toll roads.

Bonds payable balances are not reported in the accompanying governmental fund balance sheet which is presented on a current financial resources measurement focus and modified accrual basis of accounting. Governmental fund financial statements do not include long-term liabilities. Long-term liabilities are reported in the governmental activities of the TxDOT entity-wide financial statements. See Note 5 for additional information.

Bond Credit Ratings

The Mobility Fund bonds are rated by the major Nationally Recognized Statistical Rating Organizations.

As of Aug. 31, 2016, the bonds carried a long term rating of AAA, Aaa and AAA from Fitch Ratings (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's, respectively. The short term rating of variable rate demand bonds are usually reliant upon the supporting liquidity facility and its credit strength.

Long Term Credit Ratings as of August 31, 2016			
	Fitch	**Moody's**	**Standard & Poor's**
General Obligation Bonds	AAA	Aaa	AAA
Short Term Credit Ratings as of August 31, 2016			
Series 2006-B Variable Rate Demand Bonds	F1+	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.

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 Financial Management Division at the following address:

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

Section Two (Continued)

Basic Financial Statements

Texas Mobility Fund
Balance Sheet
August 31, 2016 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	$ 471,443	$ 637,509	$ 1,108,952
Federal Receivables	9,063		9,063
Due from Other Funds	97,000		97,000
Total Assets	$ 577,506	$ 637,509	$ 1,215,015
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables:			
Accounts Payable	$ 31	$ 36,705	$ 36,736
Due to Other Funds		97,000	97,000
Total Liabilities	31	133,705	133,736
Fund Balances (Deficits):			
Restricted	577,475	503,804	1,081,279
Total Fund Balances	577,475	503,804	1,081,279
Total Liabilities and Fund Balances	$ 577,506	$ 637,509	$ 1,215,015

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, 2016 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
REVENUES			
Federal Revenues	$ 21,722	$	$ 21,722
Licenses, Fees and Permits	424,306		424,306
Interest Income	3,174	4,464	7,638
Settlement of Claims	179		179
Total Revenues	449,381	4,464	453,845
EXPENDITURES			
Transportation		9,534	9,534
Capital Outlay		207,830	207,830
Principal on State Bonds	48,730		48,730
Interest on State Bonds	296,447		296,447
Other Financing Fees	4,117	785	4,902
Total Expenditures	349,294	218,149	567,443
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,087	(213,685)	(113,598)
OTHER FINANCING SOURCES (USES)			
Transfers In		44,792	44,792
Transfers Out	(44,792)		(44,792)
Bonds Issued for Refunding	1,165,465		1,165,465
Premiums on Bonds Issued	173,977		173,977
Payment to Escrow Refunding	(1,335,153)		(1,335,153)
Total Other Financing Sources (Uses)	(40,503)	44,792	4,289
Net Change in Fund Balances	59,584	(168,893)	(109,309)
Fund Balances, September 1, 2015	517,891	672,697	1,190,588
Fund Balances, August 31, 2016	$ 577,475	$ 503,804	$ 1,081,279

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

This page is intentionally blank

Texas Mobility Fund
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies 21
Note 2 – Capital Assets 25
Note 3 – Deposits and Investments 25
Note 4 – Long Term Liabilities 26
Note 5 – Bonded Indebtedness 26
Note 6 – Employee's Retirement Plans 31
Note 7 – Interfund Activity 32
Note 8 – Continuance Subject to Review 33
Note 9 – Commitments & Contingencies 33
Note 10 – Subsequent Events 33
Note 11 – Risk Management 34

This page is intentionally blank

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements reflect the financial position of the Texas Mobility Fund (Mobility Fund). The Mobility Fund, an appropriated fund of the state of Texas, is managed by the Texas Department of Transportation (TxDOT). The Mobility Fund is part of the TxDOT reporting entity. 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.

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 has also elected to pledge the general obligation of the state as additional repayment security for the currently outstanding 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, 2016, the Commission and management believe that they were in compliance with all covenants.

Basis of Presentation

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

The Mobility Fund implemented the following new GASB pronouncements for fiscal 2016:

- *GASB Statement No. 72, Fair Value Measurement and Application*- clarifies fair value for financial reporting and establishes general principles of fair value reporting for measurement, recognition and disclosure.
- *GASB Statement No 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

The data in this report is combined and consolidated by TxDOT and included in the TxDOT Annual Financial Report submitted to the Texas Comptroller of Public Accounts' office. 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 records of the Mobility Fund are maintained in accordance with the practices set forth in the provisions of the bond resolutions. Details on outstanding Mobility Fund Bonds are provided in Note 5.

Fund Structure

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

Debt Service Fund:

- Mobility Fund General Account (0365) – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used.

- Mobility Fund Portfolio Account (0366) – any Transportation Assistance Bonds acquired for the Mobility Fund are to be promptly deposited into this account and held therein until paid. As of Aug. 31, 2016, no Transportation Assistance Bonds were held by the Mobility Fund.

- Mobility Fund Interest and Sinking Account (0367) – 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.

- Rebate Account (0373) – 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.

- Reserve Accounts or Subaccounts (0376) – these accounts are established as required by any supplements to the Resolution.

- Mobility Fund Refunding Bond Account (0379) – used to pay costs of issuance related to refunding bonds issued.

Capital Projects Fund:

- Mobility Fund Bond Proceeds Accounts (0375, 0377) - 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 accounts until expended to accomplish the purposes for which such Parity Debt was issued.

Basis of Accounting

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 inflows of resources. 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. The issuance of long-term debt is reported as other financing sources. Debt issuance costs are recognized as an expense in the year incurred.

Budgetary Information

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, Liabilities and Fund Balance

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.

Accounts Payable

Accounts payable represents the liability for the value of assets or services received during the

reporting period for which payment is pending.

Unearned Revenue

The Unearned Revenue represents cash received prior to being earned.

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, 2016. 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 Commission'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 Commission's policy to use committed resources first, then, assigned resources, and lastly unassigned resources.

Revenues and Expenditures

Licenses, Fees and Permits

The major sources of dedicated revenue to the Mobility Fund for fiscal 2016 were driver license fees, motor vehicle inspection fees, certificate of title fees, and driver record information fees. A list of all fiscal 2016 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 5 for more details on the Mobility Fund's involvement with the Build America Bond program.

Interest Income

Cash in the state treasury earns interest income at stated rates established by the Comptroller.

Settlement of Claims

Receipts of money resulting from settlement claims.

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.

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 2016. 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, 2016 the Mobility Fund's pro rata share of participation in the Treasury Pool was $1.1 billion. No further detail of this balance is available due to the management policies of the Treasury.

NOTE 4 –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, 2016, the following changes occurred in the long-term liabilities.

Long-Term Liabilities Activity

For the Fiscal Year Ended August 31, 2016 (Amounts in Thousands)

Governmental Activities	Beginning Balance 9/1/15	Adjustments*	Additions	Deductions	Ending Balance 8/31/16	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds	$6,842,409	$107,299	$1,165,465	($1,296,965)	$6,818,208	$98,833	$6,719,375

*Includes amortization of premiums and discounts

NOTE 5 – BONDED INDEBTEDNESS

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable 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, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the mobility fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2016, major sources of dedicated revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees, and driver record information fees.

The Resolution currently allows for $7.5 billion of principal amount outstanding at any time. 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 ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. House Bill 122 (HB 122), which was enacted during the regular session of the 84th Legislature and became effective on June 10, 2015, amends the authority to provide that no additional program obligations may be issued or incurred after Jan. 1, 2015, except for obligations issued to refund outstanding obligations to provide savings or to renew or replace credit agreements relating to outstanding variable rate obligations. Additionally, HB 122 provides that money in the Mobility Fund, in excess of amounts required by the proceedings authorizing obligations and credit agreements to be retained on deposit, and may not be used for toll roads.

Bond proceeds are to be used for the purpose of refunding existing bonds and related credit agreements, creating reserves for payment of bonds and related credit agreements, paying bond issuance costs and paying interest on the bonds and related credit agreements.

Mobility Fund Bond Information
As of August 31, 2016 (Amounts in Thousands)

Description of Issue	Bonds Issued to Date (Par)	Date Issued	Range of Interest Rates		Maturities First Year	Maturities Last Year	First Call Date
GOVERNMENTAL ACTIVITIES							
General Obligation Bonds							
Series 2006 Fixed Rate Bonds*	$ 750,000	6/8/2006	3.6250%	5.0000%	2007	2036	4/1/2016
Series 2006-A Fixed Rate Bonds	1,040,275	10/31/2006	4.0000%	5.0000%	2007	2035	4/1/2017
Series 2006-B Variable Rate Bonds	150,000	12/13/2006	variable**		2036	2036	***
Series 2007 Fixed Rate Bonds	1,006,330	6/21/2007	4.0000%	5.0000%	2008	2037	4/1/2017
Series 2008 Fixed Rate Bonds	1,100,000	2/28/2008	4.0000%	5.0000%	2009	2037	4/1/2018
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	8/26/2009	5.3670%	5.5170%	2029	2039	***
Series 2014 Fixed Rate Refunding Bonds	973,775	7/2/2014	4.0000%	5.0000%	2016	2034	4/1/2024
Series 2014-A Fixed Rate and Refunding Bonds	1,580,160	12/18/2014	4.0000%	5.0000%	2017	2044	10/1/2024
Series 2014-B SIFMA Bonds	250,000	12/18/2014	variable**		2040	2041	4/1/2018
Series 2015-A Fixed Rate and Refunding Bonds	911,360	9/30/2015	3.2000%	5.0000%	2018	2036	10/1/2025
Series 2015-B Fixed Rate and Refunding Bonds	254,105	10/7/2015	5.0000%	5.0000%	2031	2036	10/1/2025
Total	$ 9,224,500						

*These bonds are not outstanding as of 08/31/2016.

**Average interest rates on the Series 2006-B and Series 2014-B variable rates bond are 0.50 percent and 0.52 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 2006-B and Series 2014-B variable rate bonds resets every seven days. The potential volatility for related debt service increases with these interest rate reset provisions.

The debt service of the bonds is paid out of the Mobility Fund debt service fund. As of Aug. 31, 2016, the debt service requirements are as follows.

Debt Service Requirements (Amounts in Thousands)
Mobility Fund Bonds

Year	Principal	Interest*	Total
2017	$61,960	$292,565	$354,525
2018	68,410	288,999	357,409
2019	81,635	284,868	366,503
2020	93,315	280,507	373,822
2021	105,730	275,532	381,262
2022-2026	742,445	1,279,644	2,022,089
2027-2031	1,180,170	1,049,755	2,229,925
2032-2036	1,682,895	729,964	2,412,859
2037-2041	1,628,060	302,957	1,931,017
2042-2045	624,365	59,020	683,385
Total	6,268,985	4,843,811	11,112,796
Unamortized Premium	549,223		549,223
Total Requirements	$6,818,208	$4,843,811	$11,662,019

* The interest rate in effect as of Aug. 31, 2016, for the Series 2006-B and the 2014-B variable rate bonds used to calculate the interest debt service requirements were 0.65 and 0.94 percent, respectively .

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 self-supporting general obligation bonds.

Pledged Future Revenues (Amounts in Thousands)	
	Mobility Fund Bonds
Pledged Revenue Required for Future Principal and Interest on Existing General Obligation Bonds	$11,112,796
Term of Commitment, Ending	10/1/2044
Percentage of Revenue Pledged	100%
Current Year Pledged Revenue	$449,381
Current Year Principal and Interest Paid	$321,493

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 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. Direct Payment BABs provide for a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the BABs.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 6.8 percent effective Oct. 1, 2015 through Sept. 30, 2016 for BABs subsidy payments paid in federal fiscal year 2015. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2016.

Direct Payment Build America Bonds As of August 31, 2016 (Amounts in Thousands)			
	Issue Date	**Par Amount Issued**	**Amount Outstanding**
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	8/26/2009	$1,208,495	$1,208,495
Total		$1,208,495	$1,208,495

Variable Rate Bonds

The Mobility Fund has two variable rate bond issues outstanding at Aug. 31, 2016. The interest rates in effect as of Aug. 31, 2016 for the Series 2006-B and Series 2014-B used to calculate the debt service requirements were 0.65 and 0.94 percent, respectively. These rates reset every seven days.

Put Bonds

The Series 2014-B bonds were issued in an initial index floating rate mode, which terminates on a mandatory tender date. At the termination of the initial period, the bonds are subject to mandatory tender and purchase. Upon such mandatory tender and purchase, the bonds are expected to be remarketed unless otherwise redeemed. The Commission has not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date. The principal portion of the purchase price for the bonds is expected to be obtained from the remarketing proceeds. The obligation of the Commission to purchase the bonds on the mandatory tender date is subject to the successful remarketing of such bonds. The Commission has no obligation to purchase bonds except from remarketing proceeds. If the bonds are not remarketed or otherwise redeemed, the interest rate on the bond will be increased to the stepped coupon rate.

Put Bonds (Amount in Thousands)

Governmental Activities	Mandatory Tender Date	Initial Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest**
General Obligation Bonds					
Series 2014-B	10/1/2018	SIFMA + 0.38%	Variable*	8.00% per annum	$ 20,000

* Index Floating Rate Mode/resets weekly

**Assumes a full year of interest

Demand Bonds

The Series 2006-B variable rate bonds are demand bonds. A bondholder may tender any of the 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 agreement. The following tables provide details for outstanding demand bonds and the related standby bond purchase agreement as of Aug. 31, 2016.

Demand Bonds

As of August 31, 2016 (Amount in Thousands)

Governmental Activities	Bonds Held by Liquidity Providers	Principal Balance Outstanding
General Obligation Bonds		
Series 2006-B	None	$150,000
Total		$150,000

Demand Bonds – Standby Bond Purchase Agreement Provisions As of August 31, 2016			
Governmental Activities	**Counterparties**	**Annual Liquidity Fee**	**Agreement Termination Date**
General Obligation Bonds			
Series 2006-B	State Street Bank and Trust Company & California Public Employees' Retirement System	0.30%	12/13/2016

The standby bond purchase agreement provides liquidity in the event demand bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The standby bond purchase agreement contains takeout provisions, which provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. Outstanding principal balances on variable rate demand bonds that have standby bond purchase agreements in place may be classified as non-current liabilities. The table shown below provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions As of August 31, 2016 (Amount in Thousands)				
Governmental Activities	**Estimated Debt Service**	**Rate**	**Basis**	**Replacement Debt Terms**
General Obligation Bonds				
Series 2006-B	$170,085	8.50%	1% + greater of: 3% + Daily Fed Fds Rate, Bank Prime Rate plus 2% or 7.5%	Quarterly payments over three years (or sooner under certain termination events) starting on the first day of the first month of that period.
Total	$170,085			

Refunding

On Jan. 29, 2015, the Commission approved the Texas Mobility Fund Eleventh Supplemental Resolution which authorized, among other things, issuance of general obligation refunding bonds to refund outstanding bonds. The Commission issued General Obligation Mobility Fund and Refunding Bonds, Series 2015-A and General Obligation Mobility Fund Refunding Bonds, Series 2015-B, with a total par amounts of $911.4 million and 254.1 million, respectively. The premium associated with the refunding portion of the Series 2015-A bonds was $133.2 million and the refunding portion of the underwriter's discount amounted to $3.6 million resulting in a net proceeds amount of $1.0 billion. The premium associated with the refunding portion of the Series 2015-B bonds was $40.8 million resulting in a net proceeds amount of $294.9 million. The issuances closed on Sept. 30, 2015 and Oct. 7, 2015, respectively.

Refunding Issue (Amounts in Thousands)

Governmental Activities	Type of Refunding	Redemption Date	Par Value Refunded	Par Value of Refunding Issue		Cash Flow Increase/(Decrease)	Economic Gain/(Loss)
				Series 2015-A	Series 2015-B		
Series 2006-A	Advanced	9/30/2015	$269,410	$248,465		$36,504	$22,602
Series 2006-A	Current	10/7/2015	59,155		53,000	12,710	7,217
Series 2007	Advanced	9/30/2015	333,540	319,180		51,398	30,734
Series 2007	Current	10/7/2015	221,870		201,105	47,355	24,778
Series 2008	Advanced	9/30/2015	364,260	343,715		40,646	30,106
TOTAL			$1,248,235	$911,360	$254,105	$188,613	$115,437

Defeased Bonds

The Commission defeased various existing issues by placing funds and securities in irrevocable trusts to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. The trust account assets and the liability for the defeased bonds are not included in these financial statements. As of Aug. 31, 2016, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding
(Amounts in Thousands)

Governmental Activities	Par Value
Series 2006-A	$748,240
Series 2007	602,470
Series 2008	456,400
Total	$1,807,110

NOTE 6 - EMPLOYEE'S RETIREMENT PLAN

The Mobility Fund, a debt service and capital project fund of the Texas Department of Transportation (TxDOT), is part of the TxDOT's reporting entity. The Mobility Fund does not have any employees and does not make contributions to any retirement plans. TxDOT employees provide all accounting and administrative services for The Mobility Fund. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan). The Mobility Fund is not obligated in any form for the funding of the pension benefits provided by the ERS Plan. Allocation of the pension liabilities and expense for The Mobility Fund is deemed unnecessary and not required.

The ERS Plan is considered a single employer defined benefit plan under GASB Statement 68. The defined benefit provisions of the ERS Plan are authorized by state law and may be amended by the Texas Legislature. The details of the pension plans are disclosed in TxDOT's Note 8, Employees' Retirement Plan.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity refers to financial interactions between funds and is restricted to internal events. Certain transactions processed during fiscal 2016 were paid with intent to reimburse and require accrual of due to other funds 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.

Due to/Due From Other Funds
As of August 31, 2016 (Amounts in Thousands)

	Debt Service Funds	Capital Projects Funds
Due from Other Funds		
Mobility Fund Capital Projects Funds	$97,000	
Due to Other Funds		
Mobility Fund Debt Service Funds		$97,000
	$97,000	$97,000

Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment.

Transfer In/Transfer Out Other Fund
As of August 31, 2016 (Amounts in Thousands)

	Debt Service Funds	Capital Projects Funds
Transfer In Other Funds		
Mobility Fund Capital Projects Funds		$44,792
Transfer Out Other Funds		
Mobility Fund Debt Service Funds	($44,792)	
	($44,792)	$44,792

The General Account (FD 0365) of the Debt Service Fund reported $97 million due from the Bonds Issue Account (FD 0377) of the Capital Projects Fund to reimburse capital project costs. A corresponding amount was reported as due to in the Bond Issue Account (FD 0377) of the Capital Projects Fund.

A total of $44.8 million was transferred from the General Account (FD 0365) of the Debt Service Fund to the Bond Issue Account (FD 0377) of the Capital Projects Fund for capital outlay expenditures.

NOTE 8 – 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 9 –COMMITMENTS AND CONTINGENCIES

Rebatable arbitrages 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, a Rebate Fund will be established under the resolution 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 Mobility Fund's overall financial condition.

NOTE 10 – SUBSEQUENT EVENTS

On Dec. 13, 2016, the standby bond purchase agreement with State Street Bank and Trust Company and California Public Employees' Retirement System for the TMF Series 2006-B bond expired. TxDOT entered into a new agreement with the Texas Comptroller of Public Accounts (Comptroller) to provide a replacement of the liquidity agreement on Dec. 7, 2016.

NOTE 11 - RISK MANAGEMENT

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

TxDOT is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. TxDOT and its employees are covered by various immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against TxDOT or its employees. Remaining exposures are managed by self-insurance arrangements.

Property and Liability

TxDOT administers a self-insured workers compensation program. Due to the nature of worker compensation claims, amounts are not reasonably estimable. Claims are paid as they become due.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All TxDOT employees are included in the Texas Employees Group Benefit Program (GBP) administered by the Employees Retirement System of Texas (ERS).

Claims for health, life, accident death and dismemberment, disability and dental insurance coverages are established under GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, health maintenance organization contracts and dental health maintenance organizations contracts.

Commitments

TxDOT incurs commitments related to outstanding construction contracts and comprehensive development agreements.

Section Two (Continued)

Other Supplementary Information

This page is intentionally blank

Texas Mobility Fund Dedicated Revenues
For the Fiscal Year Ended August 31, 2016

Major Sources of Funds		
Driver License Fees	$	135,910,163
Motor Vehicle Inspection Fees		76,116,063
Certificate of Title Fees		141,118,004
Driver Record Information Fees		68,483,999
		421,628,229
Miscellaneous Sources		
Motor Carrier Act Penalties		2,674,613
Motor Vehicle Registration Fees		2,966
Depository Interest		7,638,449
		10,316,028
Total Dedicated Revenues	$	431,944,257

Note:

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

This page is intentionally blank

125 East 11th Street, Austin Texas 78701

www.txdot.gov

Produced by the **Texas Department of Transportation's Financial Management Division.**
Copies of this publication have been deposited with the Texas State Library in compliance with the State Depository Law

TEXAS TRANSPORTATION COMMISSION • STATE OF TEXAS GENERAL OBLIGATION MOBILITY FUND REFUNDING BONDS, SERIES 2017-A AND SERIES 2017-B

Texas Department of Transportation

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com