

OFFICIAL STATEMENT DATED JULY 15, 2020

NEW ISSUE - Book-Entry-Only

RATINGS: *Fitch*: "AAA"
Kroll: "AAA"
Moody's: "Aaa"

The Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. Interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.



\$1,270,690,000
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS GENERAL OBLIGATION
MOBILITY FUND REFUNDING BONDS,
TAXABLE SERIES 2020



Dated: Date of Initial Delivery

Due: October 1, as shown on page (i)

The Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Taxable Series 2020 (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 as described herein (the "Master Resolution"); and the Thirteenth Supplemental Resolution authorizing the Bonds, adopted by minute order of the Commission on July 25, 2019, together with an Award Certificate approving the final terms of the Bonds as authorized therein (collectively, the "Thirteenth Supplemental Resolution").

Proceeds of the Bonds will be used to advance refund certain Outstanding Parity Debt (as defined herein), as further identified in "SCHEDULE I – REFUNDED BONDS" attached hereto (collectively, 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 – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

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 SCHEDULE, INTEREST RATES, INITIAL YIELDS AND CUSIP NUMBERS

See page (i)

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 opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Commission. Certain legal matters will be passed upon for the Commission by the General Counsel to the Commission and by Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Winstead PC, Austin, Texas, and Bates & Coleman, PC, Houston, Texas. It is expected that the Bonds will be delivered on or about August 5, 2020 (the "Date of Initial Delivery"), through the facilities of DTC.

Morgan Stanley

Barclays

RBC Capital Markets

BofA Securities

Frost Bank

Goldman Sachs & Co. LLC

Jefferies

Loop Capital Markets

MATURITY SCHEDULE

\$1,270,690,000

TEXAS TRANSPORTATION COMMISSION

**STATE OF TEXAS GENERAL OBLIGATION MOBILITY FUND REFUNDING BONDS,
TAXABLE SERIES 2020**

Maturity (October 1)	Principal Amount	Interest Rate	Initial Yield	Initial Price	CUSIP⁽¹⁾	ISIN⁽¹⁾	Common Code⁽²⁾
2021	\$22,830,000	0.255%	0.255%	100%	882830AQ5	US882830AQ56	220932575
2022	22,900,000	0.335%	0.335%	100%	882830AR3	US882830AR30	220932591
2023	22,985,000	0.410%	0.410%	100%	882830AS1	US882830AS13	220932583
2024	23,100,000	0.617%	0.617%	100%	882830AT9	US882830AT95	220932605
2025	23,260,000	0.737%	0.737%	100%	882830AU6	US882830AU68	220932621
***	***	***	***	***	***	***	***
2027	20,270,000	1.123%	1.123%	100%	882830AV4	US882830AV42	220932613
2028	92,495,000	1.383%	1.383%	100%	882830AW2	US882830AW25	220932630
2029	94,575,000	1.533%	1.533%	100%	882830AX0	US882830AX08	220932656
2030	180,565,000	1.583%	1.583%	100%	882830AY8	US882830AY80	220932648
2031	10,115,000	1.713%	1.713%	100%	882830AZ5	US882830AZ55	220932672
2032	10,290,000	1.783%	1.783%	100%	882830BA9	US882830BA95	220932699
2033	66,505,000	1.833%	1.833%	100%	882830BB7	US882830BB78	220932664
2034	67,755,000	1.883%	1.883%	100%	882830BC5	US882830BC51	220932729
2035	30,350,000	1.913%	1.913%	100%	882830BD3	US882830BD35	220932737
2036	7,150,000	1.963%	1.963%	100%	882830BE1	US882830BE18	220932702
2037	7,295,000	2.013%	2.013%	100%	882830BF8	US882830BF82	220932753
2038	7,445,000	2.063%	2.063%	100%	882830BG6	US882830BG65	220932761
***	***	***	***	***	***	***	***
2044	560,805,000	2.472%	2.472%	100%	882830BH4	US882830BH49	220932745

Interest. The 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 Bonds will mature in the respective principal amounts and on the respective dates shown above. The 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 October 1, 2020. See “DESCRIPTION OF THE BONDS.”

Redemption. Certain of the Bonds are subject to redemption prior to their stated maturity as described herein. See “DESCRIPTION OF THE BONDS – Redemption Provisions of the Bonds.”

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP and ISIN 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. The CUSIP and/or ISIN number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. None of the Department, the Commission, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP and ISIN numbers shown herein.

(2) The Common Code is provided herein by Euroclear Bank S.A./N.V. and is provided for convenience of reference only. None of the Department, the Commission, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the Common Code shown herein.

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 General Land Office
Sid Miller	Commissioner of Agriculture

TEXAS TRANSPORTATION COMMISSION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
J. Bruce Bugg, Jr.	Chairman	February 1, 2021
Alvin New	Commissioner	February 1, 2021
Laura Ryan	Commissioner	February 1, 2023
Victor Vandergriff ⁽¹⁾	Commissioner	February 1, 2019
Robert C. Vaughn	Commissioner	February 1, 2025

TEXAS DEPARTMENT OF TRANSPORTATION SELECTED PERSONNEL

<u>Name</u>	<u>Position</u>	<u>Total Years of Service with the Department</u>
James M. Bass	Executive Director	35 years
Marc D. Williams, P.E.	Deputy Executive Director	8 years
Brian D. Ragland, CPA	Chief Financial Officer	14 years
Benjamin H. Asher	Director, Project Finance, Debt and Strategic Contracts Division	8 years
Stephen Stewart, CPA	Director, Financial Management Division	8 years
Jeff Graham	General Counsel	8 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, CPA
 Chief Financial Officer
 Texas Department of Transportation
 125 E. 11th Street
 Austin, Texas 78701-2483
 (512) 305-9512

Mr. Paul Jack
 Senior Managing Director
 Estrada Hinojosa & Company, Inc.
 3103 Bee Caves Road, Suite 133
 Austin, Texas 78746
 (512) 605-2444

⁽¹⁾ Mr. Vandergriff resigned as Commissioner on February 9, 2018. Pursuant to State law, Mr. Vandergriff continues to perform the duties of Commissioner until the earlier of (i) the date such Commissioner’s successor shall be duly appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of such Commissioner’s term (which date is May 31, 2021).

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 COMMISSION, THE DEPARTMENT, THE COMMISSION'S FINANCIAL ADVISOR OR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT UNDER THE CAPTION "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES" OR IN "APPENDIX D – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

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 Thirteenth 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 in the Comptroller’s certification 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 or the Comptroller 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 SEC.

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

ANY REFERENCES HEREIN TO THE “ISSUER” MEAN THE COMMISSION AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“EEA”) WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION) OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF FMSA (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF FMSA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO INVESTORS IN SWITZERLAND

This Official Statement is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Official Statement nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Official Statement nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

NOTICE TO INVESTORS IN SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL USED IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR AS DEFINED IN THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE “SFA”) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY OTHER PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE

CONDITIONS SPECIFIED IN SECTION 275, OF THE SFA WHERE EACH SUCH PERSON IS (1) AN EXPERT INVESTOR (AS DEFINED THE SFA) OR (2) NOT AN INDIVIDUAL.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON THAT IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR.

SECURITIES OR SECURITIES-BASED DERIVATIVES CONTRACTS (EACH AS DEFINED IN THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON AS DEFINED IN THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW;

(4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

(5) AS SPECIFIED IN REGULATION 37A OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SECURITIES AND SECURITIES-BASED DERIVATIVES CONTRACTS) REGULATIONS 2018 OF SINGAPORE.

IN CONNECTION WITH SECTION 309B OF THE SFA AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE "CMP REGULATIONS 2018"), ALL RELEVANT PERSONS (AS DEFINED IN SECTION 309A(1) OF THE SFA) ARE HEREBY NOTIFIED THAT THE BONDS ARE "PRESCRIBED CAPITAL MARKETS PRODUCTS" (AS DEFINED IN THE CMP REGULATIONS 2018) AND ARE EXCLUDED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE") OR (II) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) ("SECURITIES AND FUTURES ORDINANCE") AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY

BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

NOTICE TO INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE “FIEA”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY “RESIDENT” OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE G OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”). A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

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TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
INTRODUCTION.....1	Impact of COVID-1926
General1	FUND ADMINISTRATION AND
Purpose.....1	INVESTMENT29
Security1	Texas Mobility Fund Administration
Legal Authority1	Agreement29
MOBILITY FUND FINANCING PROGRAM.....2	Certification by the Comptroller29
General2	Texas Mobility Fund Investment Agreement ...30
Constitutional Authority for the Program2	THE COMMISSION AND THE
Requirements of the Act2	DEPARTMENT30
House Bill 1223	The Commission30
Program Capacity.....3	The Department.....32
PLAN OF FINANCE3	Sunset Review34
General3	State Audits35
Bond Review Board Approval4	Other Financing Programs35
Payment of Refunded Bonds.....4	Gubernatorial Budget Reduction Request.....37
Sources and Uses of Funds5	Cybersecurity Incident38
DESCRIPTION OF THE BONDS5	LEGAL MATTERS38
General5	Legal Opinions38
Payment of the Bonds5	Litigation39
Record Date for Interest Payment6	Eligibility for Investment in Texas39
Paying Agent/Registrar6	Registration and Qualification of Bonds for
Transfer, Exchange, and Registration6	Sale40
Redemption Provisions of the Bonds7	TAX MATTERS40
Notice of Redemption8	General40
Limitation on Transfer of Bonds Called for	Certain U.S. Federal Income Tax
Redemption9	Consequences to U.S. Holders41
Redemption Through The Depository Trust	Certain U.S. Federal Income Tax
Company9	Consequences to Non-U.S. Holders41
Selection of Bonds for Redemption9	Information Reporting and Backup
Purchase in Lieu of Redemption10	Withholding42
Amendments to Thirteenth Supplemental	GENERAL INFORMATION REGARDING
Resolution Without Consent of Owners.....10	THE STATE.....42
Amendments to Thirteenth Supplemental	Available Information42
Resolution With Consent of Owners.....11	Constitutional Limitation on Debt42
Use of Certain Terms in Other Sections of	Infectious Disease Outlook (COVID-19)42
this Official Statement.....11	CONTINUING DISCLOSURE OF
Additional Parity Debt11	INFORMATION43
SECURITY AND SOURCES OF PAYMENT	Continuing Disclosure Undertaking of the
FOR THE BONDS12	Commission Related to the Program.....43
General12	Continuing Disclosure Undertaking of the
State General Obligation Pledge12	Comptroller44
Other Sources of Payment.....13	Availability of Information45
Overview of Dedicated Revenues14	Limitations and Amendments45
Credit Agreements23	Compliance with Prior Undertakings of the
Enforcement23	Commission.....46
Limitation of Liability of Officials of the	OTHER INFORMATION.....47
Commission.....23	Ratings47
Creation of Accounts and Subaccounts	Underwriting47
Within the Mobility Fund.....24	Financial Advisor48
Flow of Funds25	Verification of Mathematical Accuracy48
Application of Certain BAB Subsidy	Forward-Looking Statements.....49
Payments25	Approval of Official Statement.....49
Effects of Federal Sequestration on Series	
2009A Bonds26	

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 – FORM OF OPINION OF BOND COUNSEL

APPENDIX D – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

APPENDIX E – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE MOBILITY FUND

APPENDIX F – AUDITED ANNUAL FINANCIAL REPORT OF THE TEXAS MOBILITY FUND FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

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OFFICIAL STATEMENT

\$1,270,690,000

TEXAS TRANSPORTATION COMMISSION STATE OF TEXAS GENERAL OBLIGATION MOBILITY FUND REFUNDING BONDS, TAXABLE SERIES 2020

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, Taxable Series 2020 (the “Bonds”). Capitalized terms used in this Official Statement have the meanings assigned to such terms as set forth in “APPENDIX B – SELECT PROVISIONS OF THE RESOLUTION,” except as otherwise indicated herein.

Purpose

The Bonds are being issued to refund certain Outstanding Parity Debt, as further identified in “SCHEDULE I – REFUNDED BONDS” attached hereto (collectively, 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 “State 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 Thirteenth Supplemental Resolution adopted by minute order of the Commission on July 25, 2019, together with an Award Certificate approving the final terms of the Bonds as authorized therein (collectively, the “Thirteenth Supplemental Resolution”). The Master Resolution and the Thirteenth 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 Bonds are the sixteenth series 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 July 1, 2020, \$5,849,815,000 in aggregate principal amount of Parity Debt was outstanding. Following the issuance of the Bonds and the application of the proceeds thereof on the Date of Initial Delivery, \$6,048,930,000 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 State 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 State 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 State 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 Series 2009A 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. The Strategic Plan has not been amended since its approval by the Commission.

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 not to exceed \$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 not to exceed \$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 State 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 advance refund the Refunded Bonds, to achieve debt service savings, and to pay the costs of issuing the Bonds. The Thirteenth Supplemental Resolution authorizes the issuance of one or more series of bonds in an aggregate principal amount not to exceed \$3,487,810,000. The Bonds will be the first series of obligations issued pursuant to the Thirteenth Supplemental Resolution and the sixteenth series of obligations issued or executed pursuant to the Program. The Thirteenth 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 formally approved by the Texas Bond Review Board (the “Bond Review Board”) prior to their issuance, unless certain exemption criteria set forth in the Bond Review Board’s rules are satisfied. The Bond Review Board 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 Bond Review Board. Each member of the Bond Review Board may, and frequently does, act through a designee. By letter dated July 2, 2020, the Bond Review Board provided written notification to the Commission that the issuance of the Bonds meets the exemption criteria set forth in the Bond Review Board’s rules and that the Bond Review Board decided not to exercise its option to require the Commission to follow the formal approval process pursuant to the Bond Review Board’s rules. Prior to the issuance of any additional obligations authorized by the Thirteenth Supplemental Resolution or any additional Parity Debt, in excess of the amount previously approved by the Bond Review Board, the Commission must apply to the Bond Review Board 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 State 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 – REFUNDED BONDS” 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 AMTEC Corp. (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 State 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.

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Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with other lawfully available funds of the Commission, are estimated to be applied as follows:

Sources of Funds

Principal Amount	\$1,270,690,000.00
Commission Contribution for Refunded Bonds	<u>18,259,792.28</u>
Total Sources	<u>\$1,288,949,792.28</u>

Uses of Funds

Deposit to Escrow Fund	\$1,283,201,681.62
Underwriters' Discount	4,843,479.45
Costs of Issuance	<u>904,631.21</u>
Total Uses	<u>\$1,288,949,792.28</u>

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 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 – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES"). 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 page (i) 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 October 1, 2020.

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 – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

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 tenor and aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, new Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

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

All transfers or exchanges of Bonds pursuant to the 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 – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Redemption Provisions of the Bonds

Optional Redemption at Par. The Bonds maturing on October 1, 2044 are subject to redemption, prior to their scheduled maturity, with funds derived from any available source, in whole or in part, at the option of the Commission in authorized denominations, at the redemption price of par plus interest accrued to the date of redemption, and without premium, on October 1, 2030 (the “Par Call Date”), or any date thereafter.

Optional Redemption at Make-Whole Redemption Price. The Bonds maturing on October 1 in the years 2023 through 2038, inclusive, are subject to redemption, in whole or in part, at the option of the Commission at the “Make-Whole Redemption Price” (as defined below) on any date. The Bonds maturing on October 1, 2044 are subject to redemption, in whole or in part, at the option of the Commission at the Make-Whole Redemption Price on any date prior to the Par Call Date. The Commission will retain an independent certified public accountant or an independent municipal advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Paying Agent/Registrar may conclusively rely on such independent certified public accountant’s or independent municipal advisor’s calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Commission nor the Paying Agent/Registrar will have any liability for such reliance. The determination of the Make-Whole Redemption Price by such independent certified public accountant or independent municipal advisor will be conclusive and binding on the Commission, the Department, the Paying Agent/Registrar and the holders of the Bonds absent manifest error.

The “Make-Whole Redemption Price” means the greater of (1) 100% of the principal amount of the Bonds to be redeemed or (2) the sum of the present value of the remaining scheduled payments of principal of and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (as defined below) plus 20 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the date of redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed.

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

Term Bonds Maturing October 1, 2044	
Redemption Date (October 1)	Principal Amount
2039	\$139,960,000
2040	4,330,000
2041	42,040,000
2042	120,760,000
2043	125,120,000
2044*	128,595,000

* Stated maturity

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

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

Limitation on Transfer of Bonds Called for Redemption

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

Redemption Through The Depository Trust Company

The Paying Agent/Registrar and the Commission, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to The Depository Trust Company (“DTC”). Any failure by DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner (as such terms are defined in “APPENDIX D – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”), 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 – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed at the option of the Commission, the particular maturities of Bonds to be redeemed will be determined by the Commission in its sole discretion. If the Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of Bonds, if less than all of the Bonds of any maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds will be selected for redemption, in accordance with DTC procedures, by lot or such other method then required by DTC; provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. For purposes of the calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal to be paid, the application of a fraction to each denomination of the Bond where (a) the numerator of which is equal to the amount due to the respective owner on a payment date, and (b) the denominator of which is equal to the total original par amount of Bonds. The Commission intends that redemption allocations made by DTC with respect to the Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Commission nor the Underwriters can provide any assurance that DTC, DTC’s Direct Participants and Indirect Participants or any other intermediary will allocate the redemption of the Bonds on such basis. If the Bonds are no longer registered in book-entry-only form, each owner will receive an amount of

Bonds, as applicable, equal to the original face amount then beneficially held by that owner, registered in such owner's name. Thereafter, in connection with the redemption of less than all of the Bonds of any maturity, the maturities to be redeemed will be selected by the Paying Agent/Registrar on a pro-rata basis, based on the portion of the original face amount of any such Bonds 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, the 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 Thirteenth 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 Thirteenth 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 Thirteenth Supplemental Resolution Without Consent of Owners

Subject to the provisions of the Master Resolution, the Thirteenth Supplemental Resolution, and the rights and obligations of the Commission and of the Owners of the Bonds, the Thirteenth 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 the Thirteenth Supplemental Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Commission in the Thirteenth Supplemental Resolution;

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

(iii) to supplement the Security for the Bonds or a Credit Agreement;

(iv) to make such other changes in the provisions of the Thirteenth Supplemental Resolution, as the Commission may deem necessary or desirable and which will not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(v) to make any changes or amendments requested by the State Attorney General's Office or the Bond Review Board as a condition to the approval of the initial issuance of the Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds;

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

Subject to the other provisions of the Thirteenth 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 Thirteenth 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 Thirteenth Supplemental Resolution or in the Bonds, so as to:

- (i) make any change in the maturity of the Outstanding Bonds;
- (ii) reduce the rate of interest borne by the Outstanding Bonds;
- (iii) reduce the amount of the principal payable on the Outstanding Bonds;
- (iv) modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (v) affect the rights of the Owners of less than all of the Bonds then Outstanding; or
- (vi) change the minimum percentage of the Outstanding Principal Amount of the Bonds necessary for consent to such amendment.

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood 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 State law. The issuance of such Parity Debt is subject to the requirements of the Constitutional Provision and the Act, including the amendments of HB 122 to the Act. See "MOBILITY FUND

FINANCING PROGRAM – House Bill 122.” Prior to the issuance of such additional Parity Debt, the Commission must find that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Program. For this purpose, Annual Debt Service Requirements excludes the portion of debt service on certain previously issued Parity Debt that is expected to be paid from BAB Subsidy Payments 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 Series 2009A Bonds.” In addition, to the extent then required by State law, the Commission must receive all required certifications of the Comptroller with respect to such additional Parity Debt. Under current State 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 Thirteenth 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 sixteenth 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 State 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 State 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 State 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 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 State 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 State 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 State 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 State 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 State 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. In 2019, the State Legislature passed Senate Bill 616 (“SB 616”), which amended Chapters 521 and 522 of the Texas Transportation Code to extend the expiration dates of driver’s licenses from six to eight years and of commercial driver’s licenses from five to eight years for most applicants. SB 616 also increased the amount of the fees charged for such licenses, including certain licenses to operate a motorcycle or moped. The changes in law made by SB 616 apply to licenses issued or renewed on or after June 1, 2020. The revenue projections provided by the Comptroller certification dated May 4, 2020 reflect an increase in Driver’s License Fees over the first seven years (2020 through 2026), and a decrease in such fees in the eighth year (2027), following the implementation of SB 616. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Mobility Fund Revenue Forecasts” and “– Table 3: Texas Mobility Fund Historical and Estimated Dedicated Revenues.”

- *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 State 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 Plate 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 State 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. Beginning in 2005, 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 expended over time, the Mobility Fund’s interest earnings attributable to the investment of such Parity Debt proceeds have decreased. See “– Mobility Fund Financial Statements” below.

Substitution of Dedicated Revenues. While the Dedicated Revenues are pledged to the payment of Outstanding Parity Debt, the Dedicated Revenues may not be reduced, rescinded, or repealed unless: (i) the State 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 State 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 State 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 State 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. The Governor has exercised such authority in connection with the COVID-19 pandemic. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Impact of COVID-19” and “GENERAL INFORMATION REGARDING THE STATE – Infectious Disease Outlook (COVID-19).”

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, 2018, the Mobility Fund had total assets of approximately \$568,275,000. Of the \$545,706,000 total fund balance for amounts reported as “Debt Service Funds,” approximately \$338,338,247 was held in the General Account for use in accordance with State law and the Master Resolution, approximately \$205,916,199 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately \$1,451,486 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, 2018 was obtained from the audited Annual Financial Report of the Texas Mobility Fund for the Fiscal Year ended August 31, 2018 (the “FY 2018 Report”).

As of August 31, 2019, the Mobility Fund had total assets of approximately \$464,344,000. Of the \$218,588,000 total fund balance for amounts reported as “Debt Service Funds,” approximately \$218,309,154 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately \$278,792 was held in the Rebate Fund. (Amounts held in the Rebate Fund do not constitute Security under the Master Resolution.) In Fiscal Year 2019, the General Account was changed from a “Debt Service Fund” to a “Capital Projects Fund” for

financial reporting purposes due to a change in accounting principle. As of August 31, 2019, the total fund balance of \$192,056,000 for amounts reported as “Capital Projects Fund” was held in the General Account for use in accordance with State law and 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, 2019 was obtained from the audited Annual Financial Report of the Texas Mobility Fund for the Fiscal Year ended August 31, 2019 (the “FY 2019 Report”). The FY 2019 Report is attached to this Official Statement as “APPENDIX F – AUDITED ANNUAL FINANCIAL REPORT OF THE TEXAS MOBILITY FUND FOR THE FISCAL YEAR ENDED AUGUST 31, 2019.” See “THE COMMISSION AND THE DEPARTMENT – State Audits.”

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

	As of August 31, 2018			As of August 31, 2019		
	Debt Service Fund	Capital Projects Fund	Total Mobility Fund	Debt Service Fund	Capital Projects Fund	Total Mobility Fund
Assets						
Cash in State Treasury	\$ 568,275	\$ -	\$ 568,275	\$ 220,413	\$ 243,931	\$ 464,344
Total Assets	568,275	-	568,275	220,413	243,931	464,344
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	20,752	-	20,752	-	51,875	51,875
Unearned Revenues	1,817	-	1,817	1,825	-	1,825
Total Liabilities	22,569	-	22,569	1,825	51,875	53,700
Fund Balances (Deficits):						
Restricted	545,706 ⁽¹⁾	-	545,706 ⁽¹⁾	218,588 ⁽²⁾	-	218,588
Committed	-	-	-	-	192,056	192,056
Total Fund Balances	545,706	-	545,706	218,588	192,056	410,644
Total Liabilities and Fund Balances	\$ 568,275	\$ -	\$ 568,275	\$ 220,413	\$ 243,931	\$ 464,344

Source: The FY 2018 Report and the FY 2019 Report of the Mobility Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Mobility Fund Financial Statements.

⁽¹⁾ Of the \$545,706,000 total fund balance for amounts reported as “Debt Service Fund” as of August 31, 2018, approximately \$338,338,247 was held in the General Account for use in accordance with State law and the Master Resolution, approximately \$205,916,199 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately \$1,451,486 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 \$218,588,000 total fund balance for amounts reported as “Debt Service Fund” as of August 31, 2019, approximately \$218,309,154 was held in the Interest and Sinking Account for payment of Outstanding Parity Debt, and approximately \$278,792 was held in the Rebate Fund. (Amounts held in the Rebate Fund do not constitute Security under the Master Resolution.) In Fiscal Year 2019, the General Account was changed from a “Debt Service Fund” to a “Capital Projects Fund” for financial reporting purposes due to a change in accounting principle. As of August 31, 2019, the total fund balance of \$192,056,000 for amounts reported as “Capital Projects Fund” was held in the General Account for use in accordance with State law and 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, 2018			For the Fiscal Year Ended August 31, 2019		
	Debt Service Fund	Capital Project Fund	Total Mobility Fund	Debt Service Fund	Capital Project Fund	Total Mobility Fund
Revenues:						
Licenses, Fees and Permits	\$ 455,258	\$ -	\$ 455,258	\$ 354,254	\$ 110,027	\$ 464,281
Federal Revenues	21,756	-	21,756	21,851	-	21,851
Interest and Investment Income	8,135	4,628	12,763	2,810	7,670	10,480
Other Revenues	70	-	70	-	25	25
Total Revenues	485,219	4,628	489,847	378,915	117,722	496,637
Expenditures:						
Transportation	-	29	29	-	3,195	3,195
Debt Service:						
Principal on State Bonds	68,410	-	68,410	81,635	-	81,635
Interest on State Bonds	288,986	-	288,986	286,060	-	286,060
Other Financing Fees	252	-	252	-	854	854
Capital Outlay	-	496,845	496,845	-	259,955	259,955
Total Expenditures	357,648	496,874	854,522	367,695	264,004	631,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	127,571	(492,246)	(364,675)	11,220	(146,282)	(135,062)
Other Financing Sources (Uses)						
Transfers In	-	151,424	151,424	-	-	-
Transfers Out	(151,424)	-	(151,424)	-	-	-
Total Other Financing Sources (Uses)	(151,424)	151,424	-	-	-	-
Net Change in Fund Balances	(23,853)	(340,822)	(364,675)	11,220	(146,282)	(135,062)
Fund Balances, September 1	569,559	340,822	910,381	207,368	338,338	545,706
Fund Balances, August 31	\$ 545,706⁽¹⁾	\$ -	\$ 545,706	\$ 218,588⁽²⁾	\$ 192,056	\$ 410,644

Source: The FY 2018 Report and the FY 2019 Report of the Mobility Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Mobility Fund Financial Statements.”

(1) See footnote (1) to “Table 1: Balance Sheet of the Mobility Fund.”

(2) See footnote (2) to “Table 1: Balance Sheet of the Mobility Fund.”

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 State 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 May 4, 2020, 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 outstanding at any one time currently established for the Program pursuant to the Master Resolution is not to exceed \$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."

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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 Plate Fees	Certificate of Title Fees ⁽²⁾	Motor Carrier Act Penalties	Depository Interest	Total Dedicated Revenues ⁽³⁾
2015	\$ 60,473 ⁽⁴⁾	\$ 135,901	\$ 65,668	\$ 3	\$ 102,623	\$ 2,879	\$ 3,423	\$ 370,971
2016	76,116	135,910	68,484	3	141,118 ⁽⁵⁾	2,675	7,638	431,944
2017	89,511	141,279	67,507	3	141,798	3,116	10,307	453,521
2018	93,558	143,814	66,484	2	147,863	3,536	8,135	463,392
2019	95,155	149,708	69,759	2	147,127	2,531	10,479	474,761
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2020	84,933	143,470	53,391	1	113,731	1,800	7,243	404,569
2021	99,992	194,211	56,929	1	91,400	1,827	6,297	450,657
2022	106,347	193,260	69,314	1	156,133	2,684	6,594	534,333
2023	107,942	196,159	70,353	1	159,255	2,725	6,844	543,279
2024	109,561	199,101	71,409	1	162,441	2,765	7,191	552,469
2025	111,205	202,088	72,480	1	165,689	2,807	7,551	561,821
2026	112,873	207,757	73,567	1	169,003	2,849	7,702	573,752
2027	114,566	211,739	74,670	1	172,383	2,892	7,856	494,107
2028	116,284	211,319	75,790	1	175,831	2,935	8,013	590,173
2029	118,029	214,488	76,927	1	179,348	2,979	8,173	599,945
2030	119,799	217,706	78,081	1	182,934	3,024	8,337	609,882
2031	121,596	220,971	79,252	1	186,593	3,069	8,504	619,986
2032	123,420	224,286	80,441	1	190,325	3,115	8,674	630,262
2033	125,271	227,650	81,648	1	194,132	3,162	8,847	640,711
2034	127,150	231,065	82,873	1	198,014	3,209	9,024	651,336
2035	129,058	234,531	84,116	1	201,974	3,257	9,205	662,142
2036	130,994	238,049	85,377	1	206,014	3,306	9,389	673,130
2037	132,958	241,620	86,658	1	210,134	3,356	9,576	684,303
2038	134,953	245,244	87,958	1	214,337	3,406	9,768	695,667
2039	136,977	248,922	89,277	1	218,624	3,457	9,963	707,221
2040	139,032	252,656	90,616	1	222,996	3,509	10,163	718,973
2031	141,117	256,446	91,976	1	227,456	3,562	10,366	730,924
2032	143,234	260,293	93,355	1	232,005	3,615	10,573	743,076
2043	145,383	264,197	94,756	1	236,645	3,670	10,785	755,437
2044	147,563	268,160	96,177	1	241,378	3,725	11,000	768,004
2045	149,777	272,183	97,620	1	246,206	3,780	11,220	780,787
2046	152,023	276,265	99,084	1	251,130	3,837	11,445	793,785
2047	154,304	280,409	100,570	1	256,152	3,895	11,674	807,005
2048	156,618	284,615	102,079	1	261,276	3,953	11,907	820,449
2049	158,968	288,885	103,610	1	266,501	4,012	12,145	834,122
2050	161,352	293,218	105,164	1	271,831	4,073	12,388	848,027

Source: Amounts for Fiscal Years 2015 through 2019 represent unaudited actual revenues of the Mobility Fund as reported in the supplementary information (unaudited) section of the Annual Financial Reports of the Mobility Fund for the Fiscal Years 2015 through 2019. See “– Mobility Fund Financial Statements” above. Amounts for Fiscal Years 2020 through 2050 are revenue projections provided by the Comptroller certification dated May 4, 2020 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. The table excludes 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) Numbers may not compute due to rounding.
- (4) 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.”
- (5) 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.

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

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 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			
2020	\$381,984,330	\$(21,894,046)	-	-	-	-	\$360,090,283	\$404,569,000	112%
2021	389,403,842	(21,921,578)	\$(53,012,300)	-	\$15,795,108	\$15,795,108	330,265,072	450,657,000	136%
2022	396,982,824	(21,908,674)	(53,012,300)	\$22,830,000	24,065,124	46,895,124	368,956,973	534,333,000	145%
2023	404,659,135	(21,871,643)	(53,012,300)	22,900,000	23,997,658	46,897,658	376,672,850	543,279,000	144%
2024	412,456,124	(21,808,804)	(53,012,300)	22,985,000	23,912,181	46,897,181	384,532,201	552,469,000	144%
2025	420,357,773	(21,729,791)	(53,012,300)	23,100,000	23,793,799	46,893,799	392,509,480	561,821,000	143%
2026	428,393,796	(21,621,966)	(53,012,300)	23,260,000	23,636,822	46,896,822	400,656,352	573,752,000	143%
2027	436,530,432	(21,482,943)	(115,217,300)	-	23,551,109	23,551,109	323,381,298	494,107,000	153%
2028	444,796,666	(21,310,511)	(49,822,300)	20,270,000	23,437,293	43,707,293	417,371,148	590,173,000	141%
2029	453,149,613	(21,102,286)	(121,294,675)	92,495,000	22,683,874	115,178,874	425,931,526	599,945,000	141%
2030	445,571,219	(21,522,647)	(122,012,050)	94,575,000	21,319,354	115,894,354	417,930,876	609,882,000	146%
2031	459,684,511	(21,877,760)	(205,847,675)	180,565,000	19,165,264	199,730,264	431,689,340	619,986,000	144%
2032	460,163,329	(21,532,217)	(33,878,300)	10,115,000	17,649,457	27,764,457	432,517,270	630,262,000	146%
2033	467,570,953	(21,136,855)	(33,878,300)	10,290,000	17,471,087	27,761,087	440,316,885	640,711,000	146%
2034	475,082,998	(20,689,357)	(89,390,400)	66,505,000	16,769,833	83,274,833	448,278,075	651,336,000	145%
2035	482,198,858	(20,186,248)	(89,395,875)	67,755,000	15,522,402	83,277,402	455,894,137	662,142,000	145%
2036	488,876,251	(19,637,182)	(51,059,625)	30,350,000	14,594,191	44,944,191	463,123,634	673,130,000	145%
2037	491,985,657	(19,025,264)	(27,500,000)	7,150,000	14,233,716	21,383,716	466,844,108	684,303,000	147%
2038	554,101,262	(18,314,192)	(27,500,000)	7,295,000	14,090,114	21,385,114	529,672,185	695,667,000	131%
2039	554,043,928	(9,402,375)	(27,500,000)	7,445,000	13,939,895	21,384,895	538,526,448	707,221,000	131%
2040	170,966,491	-	(158,208,500)	139,960,000	12,133,194	152,093,194	164,851,185	718,973,000	436%
2041	170,569,567	-	(20,797,000)	4,330,000	10,349,770	14,679,770	164,452,337	730,924,000	444%
2042	170,671,658	-	(57,934,750)	42,040,000	9,776,636	51,816,636	164,553,544	743,076,000	452%
2043	170,979,625	-	(134,639,625)	120,760,000	7,764,428	128,524,428	164,864,428	755,437,000	458%
2044	170,982,750	-	(135,962,750)	125,120,000	4,725,352	129,845,352	164,865,352	768,004,000	466%
2045	170,979,375	-	(136,299,375)	128,595,000	1,589,434	130,184,434	164,864,434	780,787,000	474%
Total	\$10,073,142,966	\$(409,976,338)	\$(1,956,212,300)	\$1,270,690,000	\$415,967,094	\$1,686,657,094	\$9,393,611,422	\$16,376,946,000	

* 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 April 1, 2020 was reduced by approximately \$687,466. A 5.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2020 and, in Table 4 above is assumed to apply to the BAB Subsidy Payments beginning with the October 1, 2020 payment and continuing through the federal fiscal year ending September 30, 2029 (October 1, 2029 payment). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Certain BAB Subsidy Payments" and "– Effects of Federal Sequestration on Series 2009A Bonds."

(3) Revenue projections provided by the Comptroller certification dated May 4, 2020 and received 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 "– 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 State 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, 2021 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 relating to any previously issued Outstanding Parity Debt, or to 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 State law, the State has waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State pursuant to mandamus proceedings. Any Owner of the Bonds, in the event of default in connection with any covenant contained in the Resolution or default in the payment of the Annual Debt Service Requirements due in connection with the Bonds or other costs and expenses related thereto, may require the Commission, the Department, its officials and employees, the State, and any appropriate official of the State to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically the use and filing of mandamus proceedings in a district court in Travis County, Texas against the Commission, the Department, its officials and employees, the State, or any appropriate official of the State. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to 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 – FORM OF OPINION OF BOND COUNSEL.”

Limitation of Liability of Officials of the Commission

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

Agreements or be subject to any personal liability or accountability by reason of the issuance of the Bonds, any Outstanding Parity Debt or any related Credit Agreements.

Creation of Accounts and Subaccounts Within the Mobility Fund

The Master Resolution creates: (i) the Mobility Fund General Account (the “General Account”); (ii) the Mobility Fund Portfolio Account (the “Portfolio Account”); (iii) the Mobility Fund Interest and Sinking Account (the “Interest and Sinking Account”); and (iv) the Mobility Fund Bond Proceeds Account (the “Bond Proceeds Account”) (collectively, the “Accounts”). The Thirteenth 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 Series 2009A 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 Thirteenth 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 "BABs") and elected to receive a subsidy payment from the U.S. Treasury equal to 35% of the amount of each interest payment on the Series 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 2020-2021 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 Series 2009A Bonds” below.

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

Effects of Federal Sequestration on Series 2009A 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 (the “Budget Act”), 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 through 2019 for the Series 2009A Bonds were reduced in amounts ranging between approximately \$1.0 million and \$1.9 million. The BAB Subsidy Payment in respect of the April 1, 2020 debt service payment on the Series 2009A Bonds was reduced by approximately \$687,466. A 5.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2020, and will apply to the BAB Subsidy Payments to be received by the Commission in respect of the October 1, 2020 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.

On August 2, 2019, the Budget Act was amended to, among other things, extend the planned Sequester Cuts to September 30, 2029. 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, 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.”

Impact of COVID-19

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”) which is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency, and on that same day the Governor declared COVID-19 an imminent threat of disaster for all counties in the State, which disaster declaration was subsequently renewed by the Governor, most recently in July.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with a disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation, such as minimizing social gatherings and in-person contact, and subsequent orders permitting the phased reopening of certain businesses and activities in the State. In response to recent substantial increases in COVID-19 cases in the State, and increases in the COVID-19 positivity rate and hospitalizations resulting from COVID-19, the Governor issued Executive Order GA-28 on June 26, 2020, to institute adjustments to the State’s reopening plan. This order provides that, subject to certain exceptions, every business establishment in the State shall operate at not more than 50 percent of the total listed occupancy of the establishment. This order also imposes certain other limitations and prohibits certain activities, including prohibiting people from visiting bars or similar establishments that are not restaurants. The Governor also issued Executive Order GA-27 on June 25, 2020, and amended such order on June 30, 2020, ordering hospitals in many of the most populous counties of the State to postpone all surgeries and procedures that are not medically necessary, subject to certain

exceptions. On July 2, 2020, the Governor issued Executive Order GA-29 and a proclamation which, among other things, require every person in certain counties of the State to wear a face covering in buildings and public spaces, impose restrictions on certain outdoor gatherings and require social distancing, subject to certain exceptions.

Many Texas local governments, including the most populous cities and counties within the State, have also issued shelter-in-place or stay-at-home orders, which are subject to certain exceptions for essential businesses, governmental services and critical infrastructure. Many of the federal, state and local actions and policies related to the Pandemic are focused on limiting instances where the public can congregate or interact with each other, which has adversely impacted commercial and economic activity within the State. Additional information regarding these events in the State is accessible on the website of the Governor at <https://gov.texas.gov/> and in the quarterly Bond Appendix, as supplemented, as prepared by the Comptroller. The information on (or accessed through) such website of the Governor is not incorporated by reference, either expressly or by implication, into this Official Statement. For information regarding how to access the quarterly Bond Appendix prepared by the Comptroller, see “GENERAL INFORMATION REGARDING THE STATE – Available Information” and “APPENDIX A – THE STATE.”

The Pandemic has adversely affected travel, commerce and financial markets globally and has adversely impacted economic output worldwide and in the State. These effects have reduced, and are expected to slow the growth of, certain revenues deposited into or transferred to the Mobility Fund (which include Dedicated Revenues), to an extent that cannot currently be predicted, and could be material. Accordingly, the historical financial information and operating data set forth in this Official Statement for the dates as of and for the periods that occurred before the Pandemic and the measures instituted to control the Pandemic may not be indicative of future results or performance due to these and other factors.

On March 16, 2020, the Governor granted a temporary waiver to obtain, among other things, initial vehicle registration, renewal of vehicle registration, vehicle titling, and certain other services. This temporary waiver is in effect until 60 days after the TxDMV notifies the public that normal vehicle registration and related services have resumed. Similarly, effective March 18, 2020, the Governor granted a temporary waiver of expiration dates for driver’s licenses, which is in effect until 60 days after the DPS notifies the public that normal driver’s license services have resumed. As of the date of this Official Statement, neither the TxDMV nor the DPS has notified the public that normal services have resumed. Additionally, effective March 19, 2020, the Governor directed the DPS to close driver’s license offices, with certain exceptions, until directed to reopen by the Governor. During this time customers have been able to obtain certain of these services online, and beginning on May 26, 2020, certain regional service centers of the TxDMV and certain driver’s license offices of the DPS reopened by appointment only. The implementation and continuation of these temporary waivers and office closures, and other measures instituted to control the Pandemic, are expected to defer the collection of Driver’s License Fees, Driver Record Information Fees, Motor Vehicle Inspection Fees and Certificate of Title Fees (all of which constitute Dedicated Revenues) to later months and may reduce the total amount of such Dedicated Revenues that are deposited to the credit of the Mobility Fund for the Fiscal Year ending August 31, 2020. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources.”

The financial information presented in the following paragraphs regarding certain Dedicated Revenues for Fiscal Years 2019 and 2020 (i) represents unaudited information that has not been prepared or reviewed by the State Auditor’s Office or the Department’s independent auditor and is subject to change, and (ii) includes information prepared on a cash basis, which is a different basis of accounting than the accounting bases that are utilized for the FY 2019 Report of the Mobility Fund. See “APPENDIX F – AUDITED ANNUAL FINANCIAL REPORT OF THE TEXAS MOBILITY FUND FOR THE FISCAL YEAR ENDED AUGUST 31, 2019.”

For the ten month period beginning September 1, 2019 and ending June 30, 2020, the total amount of Dedicated Revenues (including depository interest, and excluding BAB Subsidy Payments) deposited to the credit of the Mobility Fund, on a cash basis, was approximately \$365.2 million, which represents an approximate 5.3% decrease in the total amount of such Dedicated Revenues deposited to the credit of the Mobility Fund on a cash basis for the same period in Fiscal Year 2019. The following paragraphs provide certain additional information regarding the amount of certain Dedicated Revenues deposited to the credit of the Mobility Fund on a cash basis for a portion of Fiscal Year 2020.

Driver's License Fees. The total amount of Driver's License Fees deposited to the credit of the Mobility Fund on a cash basis (the "DLF Deposit"), for the ten month period beginning September 1, 2019 and ending June 30, 2020, was approximately \$123.2 million, which represents an approximate 2.5% increase in the total DLF Deposit for the same period in Fiscal Year 2019. The DLF Deposit for the month of April 2020 was approximately 63.5% less than the DLF Deposit for the prior month (March 2020) and approximately 60.4% less than the DLF Deposit for the same month in the prior Fiscal Year (April 2019). The DLF Deposit for the month of May 2020 was approximately 56.7% less than the DLF Deposit for the same month in the prior Fiscal Year (May 2019). The DLF Deposit for the month of June 2020 was approximately 6.8% less than the DLF Deposit for the same month in the prior Fiscal Year (June 2019).

The DLF Deposit for the seven month period beginning September 1, 2019 and ending March 31, 2020, was approximately 22.5% higher than the total DLF Deposit for the same period in Fiscal Year 2019. Such increase for the first seven months of Fiscal Year 2020 is primarily due to an increase in the amount of fees charged for driver's licenses that was implemented by SB 616. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources – Driver's License Fees."

Driver Record Information Fees. The total amount of Driver Record Information Fees deposited to the credit of the Mobility Fund on a cash basis (the "DRIF Deposit"), for the ten month period beginning September 1, 2019 and ending June 30, 2020, was approximately \$50.8 million, which represents an approximate 11.6% decrease in the DRIF Deposit for the same period in Fiscal Year 2019. The DRIF Deposit for the month of April 2020 was approximately 15.2% less than the DRIF Deposit for the prior month (March 2020) and approximately 24.9% less than the DRIF Deposit for the same month in the prior Fiscal Year (April 2019). The DRIF Deposit for the month of May 2020 was approximately 31.6% less than the DRIF Deposit for the same month in the prior Fiscal Year (May 2019). The DRIF Deposit for the month of June 2020 was approximately 17.4% less than the DRIF Deposit for the same month in the prior Fiscal Year (June 2019). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources – Driver Record Information Fees."

Motor Vehicle Inspection Fees. The total amount of Motor Vehicle Inspection Fees deposited to the credit of the Mobility Fund on a cash basis (the "MVIF Deposit"), for the ten month period beginning September 1, 2019 and ending June 30, 2020, was approximately \$72.7 million, which represents an approximate 5.9% decrease in the MVIF Deposit for the same period in Fiscal Year 2019. The MVIF Deposit for the month of April 2020 was approximately 38% less than the MVIF Deposit for the prior month (March 2020) and approximately 40% less than the MVIF Deposit for the same month in the prior Fiscal Year (April 2019). The MVIF Deposit for the month of May 2020 was approximately 34.1% less than the MVIF Deposit for the same month in the prior Fiscal Year (May 2019). The MVIF Deposit for the month of June 2020 was approximately 13.6% more than the MVIF Deposit for the same month in the prior Fiscal Year (June 2019). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources – Motor Vehicle Inspection Fees."

Certificate of Title Fees. The total amount of Certificate of Title Fees deposited to the credit of the Mobility Fund on a cash basis (the "CTF Deposit"), for the ten month period beginning September 1, 2019 and ending June 30, 2020, was approximately \$111.2 million, which represents an approximate 7.1% decrease in the CTF Deposit for the same period in Fiscal Year 2019. The CTF Deposit for the month of April 2020 was approximately 45.9% less than the CTF Deposit for the prior month (March 2020) and approximately 59.3% less than the CTF Deposit for the same month in the prior Fiscal Year (April 2019). The CTF Deposit for the month of May 2020 was approximately 30.6% less than the CTF Deposit for the same month in the prior Fiscal Year (May 2019). The CTF Deposit for the month of June 2020 was approximately 11.5% more than the CTF Deposit for the same month in the prior Fiscal Year (June 2019). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Overview of Dedicated Revenues – Major Sources – Certificate of Title Fees."

The full impact of the Pandemic and the scope of any adverse impact on the Mobility Fund, revenues of the Mobility Fund (which include Dedicated Revenues) and the Department cannot be fully determined at this time. Neither the Commission nor the Department can predict (i) the duration or extent of the Pandemic or the measures instituted to control the Pandemic; (ii) what effect any COVID-19 or any other outbreak/pandemic-related restrictions or warnings may have on demand for the products, services or activities that generate revenues of the Mobility Fund, or (iii) whether and to what extent the Pandemic may disrupt the State, national or global economy, or whether any

such disruptions may materially adversely impact the Mobility Fund, revenues of the Mobility Fund or the Department.

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. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” See also, “GENERAL INFORMATION REGARDING THE STATE – Infectious Disease Outlook (COVID-19).”

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, will be deposited into the Escrow Fund pursuant to the Escrow Agreement, and all other costs of issuance payable from Bond proceeds will 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 Series 2009A 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 policy-making body governing the Department and is composed of five commissioners appointed by the Governor of the State (the “Governor”) with the advice and consent of the Texas Senate. Commissioners serve staggered six-year terms. One member is designated by the Governor as the Chair and serves as the presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person’s spouse is employed by or manages a business that is regulated by or receives funds from the Department; directly or indirectly owns or controls more than a 10% interest in a business that is regulated by or

receives funds from the Department; uses or receives a substantial amount of goods, services, or funds from the Department; or is registered, certified, or licensed by the Department.

The State Legislature created the “State Highway Commission” on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of State highways and promoting the construction of a State highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the State Legislature changed the name of the State Highway Commission to the “State Highway and Public Transportation Commission.” In 1991, the State Legislature changed the name again to the “Texas Transportation Commission,” as it remains today.

The current members of the Commission are listed below. Their terms end on the dates specified on page (ii) of this Official Statement.

J. Bruce Bugg, Jr., Chairman

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, and 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.

Alvin New, Commissioner

Mr. New was appointed to the Commission by Governor Abbott on February 20, 2018. Mr. New is a business investor, rancher and former Mayor of the City of San Angelo, Texas. He is a life-long resident of West Texas and was born in Brownfield, Texas. Mr. New has lived mostly in or near San Angelo since 1981. Mr. New spent most of his career with Town & Country Food Stores. He started as a clerk while getting his business administration degree from Angelo State University. Mr. New worked his way up to chief executive officer and part owner. He and his partners sold their stake in the convenience store chain about a decade ago. Mr. New currently serves as a member of the Texas Tech University Foundation Board and the Goodfellow Air Force Base Advisory Council. Mr. New earned his bachelor’s degree in business administration in management from Angelo State University.

Laura Ryan, Commissioner

Ms. Ryan was initially appointed to the Commission by Governor Abbott in July of 2016 and was reappointed to the Commission by Governor Abbott in March of 2017. Ms. Ryan is vice president of market representation and dealer development for Gulf States Toyota, Inc. She previously served as a member of the Texas Department of Motor Vehicles (“TxDMV”) Board and was also designated by the Governor as chair of the TxDMV Board. During her tenure as chair of the TxDMV Board, Ms. Ryan initiated many processes to make the TxDMV more innovative, customer-oriented, and efficient. Ms. Ryan has held various executive level positions during her twenty-plus years in the automotive industry, including both manufacture and retail operations. Ms. Ryan is involved with her community through several volunteer and charity organizations such as Boys and Girls Country, Operation Interdependence, and

National Charity League. Ms. Ryan attended Penn State University and has been engaged in the following continuous executive education programs: Gallup Organization Strengths Training, University of Texas Future Leaders, and Columbia University - Finance.

Victor Vandergriff, Commissioner⁽¹⁾

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 TxDMV 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.

Robert C. Vaughn, Commissioner

Mr. Vaughn was appointed to the Commission by Governor Abbott on August 12, 2019. Mr. Vaughn is the owner of Vaughn Capital Partners LLC and Vaughn Petroleum Ltd. He has served as chair of the TexNet Technical Advisory Committee. He is a member of the University of Texas System Chancellor's Council Executive Committee and the University of Texas at Austin McDonald Observatory and Department of Astronomy Board of Visitors. He is a life member of the University of Texas at Austin Development Board and serves on the Longhorn Foundation Advisory Council. Mr. Vaughn serves on a variety of nonprofit boards, including the Culver Educational Foundation and Perot Museum of Nature and Science, and as a trustee for The First Tee. He holds a Bachelor of Business Administration from the University of Texas at Austin.

The Department

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

The mission of the Department is "Connecting You With Texas." 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 34 divisions and 25 district offices located throughout the State. Each district is responsible for the planning, design, construction, operation and maintenance of

⁽¹⁾ Mr. Vandergriff resigned as Commissioner on February 9, 2018. Pursuant to State law, Mr. Vandergriff continues to perform the duties of Commissioner until the earlier of (i) the date such Commissioner's successor shall be duly appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of such Commissioner's term (which date is May 31, 2021).

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 State 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 of the State. 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, CPA, 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; 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 served as an elected trustee of the Employees Retirement System of Texas from September 1, 2011 until 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 several aspects of the Department's alternative delivery programs, including procurement and contract processes. Mr. Asher and his team partner with the Department districts and State and local entities to finance and deliver major transportation projects throughout the State. 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. 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, CPA, 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 of Public Accounts of the State of Texas 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 General Counsel Division renders legal advice to the Commission and the Department. He also drafts Department rules, reviews legislation, and serves as counsel at Commission meetings. Previously, Mr. Graham served as Division Chief for the Financial and Taxation Litigation Division, under Texas Attorney General Greg Abbott. Prior to that, he served as the Division Chief for the Financial Litigation Division of the Office of Attorney General. In 2011, the Taxation Division and the Texas Workforce Commission Section were added to the Financial Litigation Division, resulting in the combined Financial and Taxation Litigation Division. In 2012, the Charitable Trust Section was also added to his portfolio. Jeff began his career at the Office of the Attorney General in 1997, and has lived in Austin since 1986. He is a graduate of Washington University School of Law in St. Louis, Missouri and The University of Texas at Austin.

Sunset Review

The Texas Sunset Act (Chapter 325, Texas Government Code) (the "Sunset Act") provides that virtually all agencies of the State, including the Department, are subject to periodic review by the State Legislature, and that each agency subject to sunset review will be abolished unless the State Legislature specifically determines to continue its existence. The Department will be subject to its next sunset review in 2029. Pursuant to the Sunset Act, the State Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by the Department. Accordingly, in the event that a sunset review results in the Department being abolished, the Governor would be required by law to designate an appropriate state agency 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 State Legislature, jointly chaired by the Lieutenant Governor and the Speaker of the House of Representatives.

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

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 2019 Report is attached to this Official Statement as "APPENDIX F – AUDITED ANNUAL FINANCIAL REPORT OF THE TEXAS MOBILITY FUND FOR THE FISCAL YEAR ENDED AUGUST 31, 2019," which has been audited by Crowe, LLP. Crowe LLP has not been engaged to perform, and has not performed, any procedures on such financial statements since the date of its report included thereon. Crowe LLP also has not performed any procedures relating to this Official Statement.

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.

The State Highway Fund (the "State Highway Fund") is the general source for a substantial portion of funding for the State highway system, the Department and the administration of State laws relating to traffic and safety on public roads. The State Highway Fund receives revenue from a variety of sources, including, without limitation, certain federal transportation program funds received from the United States Department of Transportation, State

motor fuels tax funds, State motor vehicle registration funds and State motor lubricants tax funds. The State Highway Fund is the general operating fund of the Department through which, generally, all revenues dedicated or appropriated to the purposes of the Department are deposited and all of the Department's administration, maintenance and operating expenses are paid.

Senior Obligations. Section 49-n of Article III, Texas Constitution, as approved by voters in the State in 2003 ("Section 49-n"), permits the State Legislature to authorize the Commission to issue bonds and other public securities to fund State highway improvement projects payable from certain revenues deposited to the credit of the State Highway Fund. Section 222.003, Texas Transportation Code (the "State Highway Fund Revenue Bond Act") was amended by the State Legislature in 2007 to increase the maximum principal amount of bonds and other public securities, if any (collectively, "Senior Obligations"), that may be issued by the Commission pursuant to Section 49-n. The Commission is currently authorized to issue Senior Obligations in an aggregate principal amount not to exceed \$6 billion; provided that the Commission may not issue more than \$1.5 billion aggregate principal amount of Senior Obligations in any year. Further, the State Highway Fund Revenue Bond Act currently provides that Senior Obligations may not have a principal amount or terms that, at the time Senior Obligations are issued, are expected by the Commission to cause annual debt service expenditures with respect to Senior Obligations to exceed 10% of the amount deposited to the credit of the State Highway Fund in the immediately preceding year. Section 49-n does not restrict the authority of the State Legislature to modify or remove the limitations on the issuance of Senior Obligations contained in the State Highway Fund Revenue Bond Act. No authorized amount currently remains under the State Highway Fund Revenue Bond Act for new money purposes, unless such Act is amended by the State Legislature to modify or remove such limitation. As of July 2, 2020, approximately \$3.7 billion in aggregate principal amount of Senior Obligations in the form of State Highway Fund Revenue Bonds was outstanding. The Commission may issue additional Senior Obligations for refunding purposes within the next twelve months.

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. As of the date of this Official Statement, the Department has 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 July 1, 2020, the Corporation had approximately \$3.1 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. 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. As of the date of this Official Statement, approximately \$3.6 billion in aggregate principal amount of Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds is outstanding. The Commission may issue additional State general obligation bonds pursuant to such program for refunding purposes within the next twelve months. 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.

Gubernatorial Budget Reduction Request

On May 20, 2020, Governor Greg Abbott, Lieutenant Governor Dan Patrick and Speaker of the House Dennis Bonnen issued a joint request (the “Request Letter”) to all state agencies and higher education institutions and certain judicial agencies of the State (individually, a “State Agency” and, collectively, the “State Agencies”), requesting that each State Agency submit a plan (“Savings Plan”) to the Legislative Budget Board identifying savings that will reduce its general and general revenue related appropriations by five percent for the 2020-21 biennium. The Request Letter exempts, among other things, certain State programs and services and funding for debt service requirements and bond authorizations. Appropriations from the Mobility Fund are not general revenue appropriations and therefore this budgetary request does not apply directly to the Mobility Fund. With respect to the Department, the five percent requested reduction of its general and general revenue related appropriations equals approximately \$978,828 for the 2020-2021 biennium and does not impact appropriations from the Mobility Fund. In order to achieve the requested reductions, on June 15, 2020, the Department submitted its Savings Plan recommending various reductions of general revenue and general revenue-related appropriations in the total amount of \$978,828, primarily relating to an aviation project. Accordingly, the Department does not expect the Savings Plan and any budget reductions related thereto to adversely affect the Department’s operations or financial condition for the 2020-2021 biennium.

The Request Letter also requests State Agencies to engage in prudent fiscal management efforts and pursue cost saving strategies for the current biennium that will not affect the State’s response to COVID-19, such as foregoing any capital expenditures that can be deferred, any avoidable travel expenditures, any administrative expenses that are not mission crucial and keeping unfilled any open positions that are not essential to the COVID-19 response. The Request Letter also provides that in the coming weeks, the Legislative Budget Board and the Office of the Governor

will issue instructions for the Legislative Appropriations Request that each State Agency will submit for the 2022-2023 biennium, and that while the exact final instructions are still being determined, every State Agency should prepare to submit reduced budget requests as well as strategies to achieve further savings, and that when the State revenue picture becomes clearer in the coming months, it may become necessary to make additional budget adjustments.

Cybersecurity Incident

The Department, like many other large public and private entities, relies on complex technology, and, accordingly, the Department and its computing and other digital networks and systems (collectively, “Systems Technology”) face potential cybersecurity threats, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Department’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

On May 14, 2020, the Department experienced a ransomware event that impacted the Department’s Systems Technology; however, such incident did not adversely impact the Department’s ability to pay debt service on, or to satisfy its other obligations relating to, Outstanding Parity Debt. Upon the occurrence of the event, the incident was immediately reported to the Department’s Cybersecurity Operations Center and the Department activated its incident response plan. The Department, along with its third-party incident response partners, quickly contained the incident, instituted remediation activities and completed recovery efforts on June 26, 2020. The Department also notified and solicited the assistance of law enforcement, including local authorities and the U.S. Federal Bureau of Investigation, to assist with the matter and the investigation. The investigation by the Department and law enforcement agencies into the ransomware event is ongoing. The Department does not currently anticipate that this event will have a material adverse effect on Dedicated Revenues or the Mobility Fund or the operations of the Department.

The Department, with the assistance of its cybersecurity vendor partners, is currently preparing additional safeguards and will provide additional training to Department employees as soon as possible. The Department will also be reviewing its internal accounting controls and information technology systems to establish strategies, procedures, and protocols to mitigate and minimize future risk and exposure to cybersecurity incidents. No assurances can be given by the Commission or the Department that such measures will ensure against future cybersecurity threats and attacks, and any breach could damage the Department’s Systems Technology and cause material disruption to the Department’s finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Furthermore, cybersecurity breaches could expose the Department to material litigation and other legal risks, which could cause the Department to incur additional material costs.

LEGAL MATTERS

Legal Opinions

The Commission will compile complete transcripts of proceedings incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the Commission, and based upon examination of such transcripts of proceedings, the legal opinion 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,” Tables 1 through 4, “– Effects of Federal Sequestration on Series 2009A Bonds” and “– Impact of COVID-19” 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,” “CONTINUING DISCLOSURE OF INFORMATION – Limitations and Amendments” (but only with respect to the second paragraph thereof),

“APPENDIX B – SELECT PROVISIONS OF THE RESOLUTION,” “APPENDIX C – FORM OF OPINION OF BOND COUNSEL” and “APPENDIX E – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE MOBILITY FUND” 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 opinion of Bond Counsel in the form set forth in “APPENDIX C – FORM OF OPINION OF BOND COUNSEL” 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, Winstead PC, Austin, Texas, and Bates & Coleman, PC, Houston, 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 hereinafter defined), 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 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 United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction (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 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

General

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

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

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary

supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS, INCLUDING UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

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

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

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in “gross income” within the meaning of section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

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

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

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

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

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

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or 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 withholding or 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.

GENERAL INFORMATION REGARDING THE STATE

Available Information

The Comptroller prepares (a) a quarterly appendix (the "Bond Appendix"), which sets forth certain information regarding the State (including its government, finances, economic profile, and other matters) for use by State entities when issuing debt, (b) an annual Comprehensive Annual Financial Report (the "State CAFR"), which includes financial statements audited by the State Auditor, and (c) from time to time notices of certain events as described under "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – Event Notices." All such documents are provided to the MSRB and are publicly accessible as described in "APPENDIX A – THE STATE." The most current such documents are described in "APPENDIX A – THE STATE" and are incorporated herein by reference. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to make timely payment of debt service on the Bonds, or the value of the Bonds, or that any specific information should be accorded any particular significance.

Constitutional Limitation on Debt

Article III, Section 49-j of the Texas Constitution prohibits the State Legislature from authorizing additional State debt payable from the general revenue fund, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000 but excluding debt reasonably expected to be paid from other sources, 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 the average amount of general fund revenues for the three immediately preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of State debt. 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."

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and the State. The Pandemic has adversely affected travel, commerce and financial markets globally and has adversely impacted economic output worldwide and in the State. The Pandemic and its impact are ongoing, and a continued spread of COVID-19, and the measures instituted to control the Pandemic, may further adversely impact economic output worldwide and in the State to an extent that cannot currently be predicted. Accordingly, the historical financial information and operating data set forth in this Official Statement for the dates as of and for the periods that occurred before the Pandemic and the measures instituted to control the Pandemic may not be indicative of future results or performance due to these and other factors.

In connection with the Pandemic, on May 20, 2020 the Governor, Lieutenant Governor, and Speaker of the House requested each state agency and institution of higher education submit by June 15, 2020 a plan identifying savings sufficient to reduce their respective general and general revenue related appropriations by five percent for the 2020-2021 biennium. See “THE COMMISSION AND THE DEPARTMENT – Gubernatorial Budget Reduction Request.”

For additional information regarding the impact of the Pandemic on the State, and other actions taken by the State in connection with the Pandemic, see “INFECTIOUS DISEASE OUTBREAK – COVID-19” in the May 2020 Bond Appendix, as supplemented, referenced in “APPENDIX A – THE STATE.” For additional information regarding the impact of the Pandemic on the Mobility Fund, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Impact of COVID-19.”

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission Related to the Program

General. In the Thirteenth Supplemental Resolution, the Commission has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. The Commission is required to observe the provisions of the undertaking for so long as it remains obligated to advance funds to pay the Bonds. Under the undertaking, the Commission will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information will be available to investors by the MSRB through its Electronic Municipal Market 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 State 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; (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 material events affecting the tax status of the Bonds; (vii) modifications to

rights of holders of the Bonds, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (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; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material. 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” caption 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 an Amended and Restated Continuing Disclosure Agreement with the Bond Review Board dated as of March 12, 2019 (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 (which includes the Bonds), for so long as the State remains an “obligated person” with respect to the Bonds as defined in 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 as described below.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB annually. Under the Agreement, the Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in the Bond Appendix. The Comptroller will update and provide this information to the MSRB within 195 days after the end of each fiscal year of the State.

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.

Quarterly Reports. Although it is not contractually committed to do so, the Comptroller currently prepares and files with the MSRB a quarterly disclosure appendix (previously defined herein as the Bond Appendix), which provides a general description of the State and sets forth certain information regarding the State, including its government, finances, economic profile, and other matters, for use by State entities when issuing debt. Certain tables within the Bond Appendix are updated on a quarterly basis while other tables within the Bond Appendix are updated on a semiannual or annual basis. The Bond Appendix is not audited and provides financial data on a cash basis. The Comptroller generally files an updated Bond Appendix with the MSRB within two weeks after each January 31, April 30, July 31, and October 31, and the Comptroller may file voluntary notices of significant events with the MSRB between the filing dates of Bond Appendices, although there is no assurance that it will continue such voluntary filings at such times or at all in the future.

Event Notices. The Comptroller will also provide notice to the MSRB of any of the following events with respect to the Bonds on a timely basis no later than ten business days after the event: (a) the incurrence of a financial obligation (as defined in the Rule, including certain debt, debt-like, and debt-related obligations) of the State, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation, any of which affect security holders, if material; or (b) a default, event of acceleration, termination event, modification of terms, or other similar event under the terms of any such financial obligation of the State, any of which reflect financial difficulties.

The Comptroller will also provide timely notice to the MSRB of its failure to provide information, data, or financial statements in accordance with its Agreement.

Availability of Information

The Commission and the Comptroller have agreed to provide the foregoing financial and operating 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.

The quarterly Bond Appendix, if and when filed, the State CAFR, annual financial and operating information, and event notices, if any, filed by the Comptroller using the MSRB's EMMA system may be obtained by using the EMMA Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter. The most recently prepared Bond Appendix, State CAFR and notices may also be accessed on the Comptroller's website at: <http://www.comptroller.texas.gov/programs/systems/treasury-ops/index.php>.

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, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering thereof in compliance with the Rule, taking into account any

amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Thirteenth Supplemental Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person unaffiliated with the Commission (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and the beneficial owners of such Bonds. The Commission may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Commission so amends its agreement, the Commission must include with any amended financial information or operating data next provided in accordance with its agreement described above 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 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. 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.

Compliance with Prior Undertakings of the Commission

The Commission has previously entered into certain continuing disclosure agreements pursuant to the requirements of the Rule, related to bonds or other obligations issued directly by the Commission that are secured by or payable from various sources of funds. In addition, the Department has previously entered into certain continuing disclosure agreements (which are referred to herein collectively as the “PT/TE Undertakings”) pursuant to the requirements of the Rule, related to bonds or other obligations issued by other entities, the payment of which is supported in whole or in part by payments made by the Department to such other entities pursuant to the terms of certain pass-through toll agreements or toll equity loan agreements, as applicable, entered into between such other entities and the Department. During the previous five years, the Department has not fully complied with certain PT/TE Undertakings as described below (which information below is presented irrespective of materiality).

Pursuant to the terms of certain of the PT/TE Undertakings, after the sale by the Department of bonds or other obligations that are secured in whole or in part by the State Highway Fund, the Department is obligated to notify the MSRB, in a timely manner, of any final official statement in connection with the offering and sale of such bonds or other obligations. Certain of the PT/TE Undertakings obligate the Department to file only such final official statements with the MSRB, and certain of the PT/TE Undertakings obligate the Department to file both these final official statements and notice of such official statements with the MSRB. In addition, certain of the PT/TE Undertakings obligate the Department to provide identifying information as prescribed by the MSRB with respect to these filings, and certain of the PT/TE Undertakings do not obligate the Department to provide such identifying information. The Department previously interpreted the foregoing filing obligations under the PT/TE Undertakings as appropriately satisfied upon the timely filing of any such final official statements with the MSRB by the underwriters with respect to the bonds or other obligations that were offered and sold pursuant to such official statements. During the previous five years, the Commission has issued multiple series of bonds that are secured by and payable from certain revenues deposited to the credit of the State Highway Fund (collectively, the “SHF Bonds”) and which were offered and sold pursuant to separate, final official statements. The Department did not file these final official statements, or separate notices of such official statements, with identifying information as required by certain of the PT/TE Undertakings. The final official statements relating to the SHF Bonds were, however, accessible on EMMA (through the filing thereof by the underwriters with respect to the SHF Bonds), and information regarding the issuance of the SHF Bonds was provided to investors through the Department's subsequent filings of annual financial

information and operating data as required by the PT/TE Undertakings, though not made, in some instances, in a timely manner in respect of the date the SHF Bonds were offered and sold. The Department subsequently made a filing on EMMA in satisfaction of the foregoing filing obligations under the PT/TE Undertakings and has filed a related failure to file notice on EMMA with respect to the bonds for which the Department is obligated to provide such notice pursuant to the terms of the respective PT/TE Undertakings.

The Department's annual filings of financial information and operating data for Fiscal Year 2015, as required by the PT/TE Undertakings, were accessible to investors through the annual filings made by the Department for that year with respect to the SHF Bonds, and to certain investors by accessing the financial disclosures tab under the homepage link for the respective issuers on EMMA. In addition, the final official statements provided to certain investors contained information (such as the six-digit CUSIP prefix) for how investors may access the annual filings made by the Department with respect to the SHF Bonds. However, the Department's annual filings of financial information and operating data for Fiscal Year 2015, as required by the PT/TE Undertakings, did not reference the nine-digit CUSIP number for certain bonds and, accordingly, such filings were not accessible through the continuing disclosure tab for those bonds on EMMA. In addition, the Department's annual filing of financial information and operating data for Fiscal Year 2016 was not filed in a timely manner for certain bonds as required by the PT/TE Undertakings. The Department subsequently linked such annual filings for Fiscal Year 2015 on EMMA to the nine-digit CUSIP numbers of the bonds for which such annual filings were not made and has filed a failure to file notice on EMMA related to the foregoing matters.

The PT/TE Undertakings obligate the Department to provide its financial statements on an annual basis. The Department filed its audited financial statements for Fiscal Year 2016 on EMMA in a timely manner with respect to the SHF Bonds. The Department intended to incorporate by reference the previously filed Fiscal Year 2016 audited financial statements in its annual filing for Fiscal Year 2016 (the "Department 2016 Annual Filing"), which contains updated annual financial information and operating data required by the PT/TE Undertakings. The Department 2016 Annual Filing stated that the Department's audited financial statements for Fiscal Year 2016 were previously filed with the MSRB on December 30, 2016 with respect to the outstanding SHF Bonds, and that such financial statements may be accessed using the MSRB's EMMA system at www.emma.msrb.org. The Department 2016 Annual Filing also provided the six-digit CUSIP prefix for the SHF Bonds, for which the Department's financial statements had been previously filed on EMMA in a timely manner as described above. Further, the final official statements provided to certain investors contained information (such as the six-digit CUSIP prefix) for how investors may access the annual filings made by the Department with respect to the SHF Bonds. Although the Department 2016 Annual Filing did not contain a hyperlink or web address specific to the location of the Department's audited financial statements for such period on the MSRB's EMMA system, the Department does not believe that the failure to provide such hyperlink or web address constitutes a failure to comply with the PT/TE Undertakings, due to the facts and circumstances described above. The Department subsequently submitted a filing on EMMA that provides a hyperlink to the specific location of the Department's audited financial statements for Fiscal Year 2016 on the MSRB's EMMA system.

OTHER INFORMATION

Ratings

The Bonds have been assigned ratings of "AAA" by Fitch Ratings, Inc., "AAA" by Kroll Bond Rating Agency, Inc. and "Aaa" by Moody's Investors Service, Inc. 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

Morgan Stanley & Co. LLC, 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 \$1,265,846,520.55 (which represents the par amount of the Bonds, less an

underwriting discount of \$4,843,479.45). 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 paragraphs for inclusion in this Official Statement, and neither the Commission nor the Department take any responsibility for the accuracy thereof.

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.

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

BofA Securities, Inc., an Underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for its selling efforts with respect to the Bonds.

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

AMTEC Corp. (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 the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the

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SCHEDULE I

REFUNDED BONDS⁽¹⁾

**Texas Transportation Commission
State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014**

<u>Maturity Date (October 1)</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Call Price</u>
2026 ***	5.00% ***	\$63,800,000 ***	April 1, 2024 ***	100% ***
2028	5.00%	73,305,000	April 1, 2024	100%
2029	5.00%	77,800,000	April 1, 2024	100%
2030 ***	5.00% ***	50,000,000 ***	April 1, 2024 ***	100% ***
2033	4.00%	56,645,000	April 1, 2024	100%
2034	5.00%	59,265,000	April 1, 2024	100%

**Texas Transportation Commission
State of Texas General Obligation Mobility Fund and Refunding Bonds, Series 2014-A**

<u>Maturity Date (October 1)</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Call Price</u>
2030 ***	5.00% ***	\$117,775,000 ***	October 1, 2024 ***	100% ***
2035 ***	5.00% ***	22,985,000 ***	October 1, 2024 ***	100% ***
2039 ***	5.00% ***	134,060,000 ***	October 1, 2024 ***	100% ***
2044	5.00%	415,940,000	October 1, 2024	100%

⁽¹⁾ The refunding of any of the Refunded Bonds is contingent upon the sale and delivery of the Bonds. See “PLAN OF FINANCE – Payment of Refunded Bonds.”

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APPENDIX A

THE STATE

As described in this Official Statement under “CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller,” the Comptroller is required to file updated annual financial and operating data, audited financial statements of the State when received, and timely notice of certain events with the MSRB, and the Comptroller voluntarily files quarterly Bond Appendices and occasional notices of significant events.

This Official Statement hereby incorporates by reference the previously filed documents listed below, except for any information superseded by information that is included directly in this Official Statement or incorporated by reference in a subsequent document, as well as any future filings that the Comptroller makes with the MSRB through EMMA prior to the termination of the offering of the Bonds under this Official Statement:

- (i) State of Texas Comprehensive Annual Financial Report (“State CAFR”) for the fiscal year ended August 31, 2019;
- (ii) Appendix A: The State of Texas (May 2020, as supplemented); and
- (iii) Each notice, if any, filed with the MSRB by the Comptroller since the end of the fiscal year of the State addressed in the foregoing State CAFR.

These documents and any subsequently filed documents, if any, may be obtained by accessing EMMA at <https://emma.msrb.org/>, using the EMMA Advanced Search function and entering the term “State of Texas Comptroller” in the Issuer Name field within the Security Information search filter. The documents may also be accessed on the Comptroller’s website at <https://comptroller.texas.gov/programs/systems/treasury-ops/index.php>. For further information, see “CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller” in this Official Statement.

Information in the Bond Appendix, State CAFR, and any notice incorporated herein by reference is provided as of the date specified in the document. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to pay principal of and interest on the Bonds when due, or the value of the Bonds, or that any specific information should be accorded any particular significance.

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APPENDIX B

SELECT PROVISIONS OF THE RESOLUTION

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

Select Definitions in the Master Resolution and the Thirteenth Supplemental Resolution

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

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

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

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an Authorized Representative shall deliver to the Commission an Officer’s Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer’s Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided

further that this clause (3) shall not apply where the Commission has elected to apply the rule set forth in clause (2) above;

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

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

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

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

"Authorized Denominations" means, with respect to each Series of the Bonds (i) as Current Interest Bonds, \$5,000 and any integral multiple thereof or (ii) as Capital Appreciation Bonds, \$5,000 in Maturity Amount or any integral multiple thereof.

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

"Favorable Opinion of Bond Counsel" means with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action is permitted under the Act, the Master Resolution and the Thirteenth Supplement.

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

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

“*Maturity*,” when used with respect to the Bonds, means the scheduled maturity.

“*Maturity Amount*” means the Compounded Amount of a Capital Appreciation Bond due on its Maturity.

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

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

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

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

“*Outstanding Parity Debt*” means the following previously issued and outstanding obligations: “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B,” “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 and Refunding Bonds, Series 2014-A,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2014-B,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2015-A,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2015-B,” “Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2017-A” and “Texas Transportation Commission State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2017-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.

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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 Thirteenth 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 Thirteenth 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 Thirteenth 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 Thirteenth 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 Thirteenth Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Thirteenth 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 Thirteenth 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 Thirteenth Supplement and the rights and obligations of the Commission and of the Owners of the Outstanding Bonds, this Thirteenth 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 Thirteenth 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 Thirteenth Supplement;

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

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Thirteenth 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 Thirteenth 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 Thirteenth

Supplement; and, the Department Representative is hereby authorized to execute and deliver such Escrow Agreement, on behalf of the Commission, in multiple counterparts.

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

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

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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



TEXAS TRANSPORTATION COMMISSION STATE OF TEXAS GENERAL OBLIGATION MOBILITY FUND REFUNDING BONDS, TAXABLE SERIES 2020 \$1,270,690,000

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 "Thirteenth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Thirteenth Supplement") adopted by minute order of the Commission on July 25, 2019 and the Award Certificate of the Department Representative (the "Award Certificate" which together with the Master Resolution and the Thirteenth Supplement are collectively referred to as the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings given in the Resolution.

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

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

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Bonds are additionally secured by the State guarantee as authorized in the Master Resolution and exercised in the Thirteenth Supplement. The Master Resolution and Thirteenth 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 Thirteenth Supplement in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the Owners of a majority of all Parity Debt.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Commission, and, in that capacity, we have been engaged by the Commission for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State and 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 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

DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

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 set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, S.A. (“Clearstream”) (DTC, Euroclear and Clearstream together, the “Clearing Systems”) currently in effect. The information in this Appendix concerning the Clearing Systems has been provided by the Clearing Systems 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 participants of the Clearing Systems (“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, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

Clearing Systems

DTC Book Entry Only System. DTC will act initially 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 the Bonds, and will be deposited with DTC. If, however, the aggregate principal amount of the issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 S&P Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between the Paying Agent/Registrar and DTC.

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

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

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

General. The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

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

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

The Commission will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Commission on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures

established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification number, common code and CUSIP number for the Bonds are set out on the inside cover page of this Official Statement.

None of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Commission nor any of its agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Commission and the Paying Agent/Registrar will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes under the Resolution, beneficial owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of beneficial owners is unknown to the Commission, the Paying Agent/Registrar or DTC, it may be difficult to transmit information of potential interest to beneficial owners in an effective and timely manner. Beneficial owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

Under the Resolution, payments made by the Paying Agent/Registrar to DTC or its nominee shall satisfy the obligations of the Commission under the Bonds to the extent of the payments so made.

Neither the Commission nor the Paying Agent/Registrar have any responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Paying Agent/Registrar, of any notice with respect to any Bond including, without limitation, any notice of redemption with respect to any Bond;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Paying Agent/Registrar, of any amount with respect to the principal of, premium, if any, or interest on, any Bond; or

- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book-entry-only system hereinabove described, the Commission and the Paying Agent/Registrar may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal of, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

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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 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, and such collateral levels to be at least 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, complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); or (b) has an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations permitted for investment under the Investment Policy, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (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 value of 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 bank that is organized and existing under the laws of the United States or any other state and 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 as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003, 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.

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APPENDIX F

**AUDITED ANNUAL FINANCIAL REPORT OF THE TEXAS MOBILITY FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

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TEXAS MOBILITY FUND

A governmental fund of the Texas Department of Transportation

Annual Financial Report
For The Fiscal Year Ended August 31, 2019
(With Independent Auditor's Report)



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

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
August 31, 2019

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

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**Texas Mobility Fund
Annual Financial Report
For the Fiscal Year Ended August 31, 2019**

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)	12
Basic Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	20
Statement of Revenues, Expenditures and Changes in Fund Balances.....	21
Notes to the Financial Statements	23
SUPPLEMENTARY INFORMATION (unaudited)	
Texas Mobility Fund Dedicated Revenues	39

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Section One

Introductory Section

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

December 17, 2019

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, 2019, are submitted in conformity with the Master Resolution, dated as of May 4, 2005, as amended and supplemented by the first through thirteenth Supplemental Resolutions (Resolution).

An external audit firm, Crowe 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, 2019. 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, a 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.

The Mobility Fund is administered by the Commission 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 public transportation projects in accordance with procedures,

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OUR MISSION: *Connecting You With Texas*

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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 limited the purposes for which additional Mobility Fund obligations may be issued to refunding: (i) outstanding bonds for savings; and, (ii) outstanding variable rate bonds and to renew or replace credit agreements.

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.

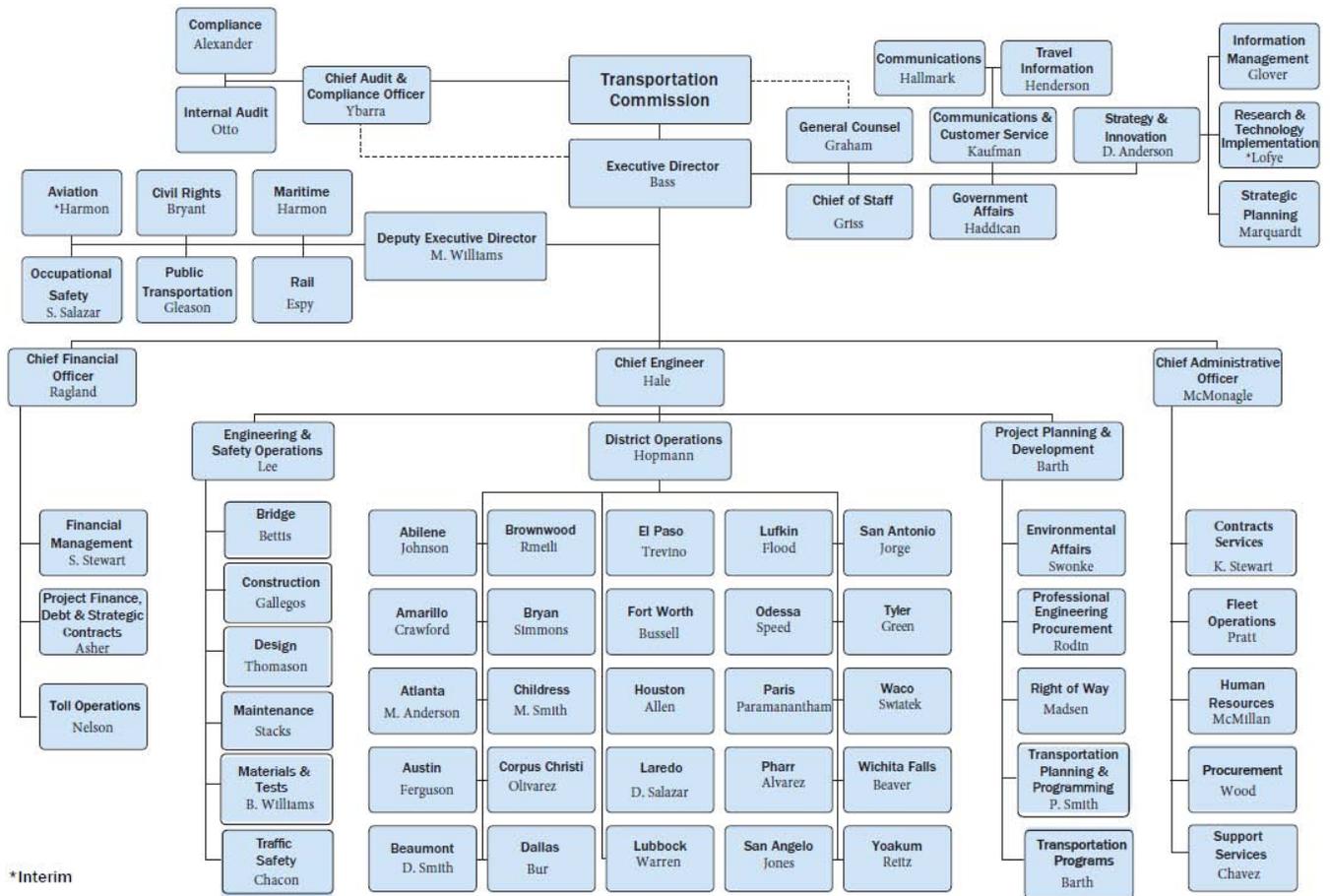
Sincerely,



James M. Bass
Executive Director

Texas Department of Transportation

Organization Chart as of August 31, 2019



*Interim

**Commission and Key Personnel
as of August 31, 2019**

TEXAS TRANSPORTATION COMMISSION

J. BRUCE BUGG, JRChairman
San Antonio

ALVIN NEWCommissioner
San Angelo

LAURA RYANCommissioner
Houston

VICTOR VANDERGRUFF*Commissioner
Arlington

ROBERT C. VAUGHNCommissioner
Dallas

TEXAS DEPARTMENT OF TRANSPORTATION

JAMES M. BASS Executive Director

MARC D. WILLIAMS Deputy Executive Director

MARY A. GRISSChief of Staff

BRIAN D. RAGLAND Chief Financial Officer

BENITO YBARRA Chief Audit and Compliance Officer

WILLIAM L. HALE Chief Engineer

RICHARD C. MCMONAGLE Chief Administrative Officer

ROBERT S. KAUFMAN Director of Communications and Customer Service

JEFFREY M. GRAHAM General Counsel

GERARD J. HADDICAN II Director of Government Affairs

DARRAN T. ANDERSON Director of Strategy and Innovation

*Resigned

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, 2019, 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.

Opinions

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, 2019, 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.

(Continued)

Emphasis of Matters

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, 2019, and the changes in its financial position or, where applicable, its cash flows 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.

As discussed in Note 1, the general account fund, a sub-fund previously reported as a part of the debt service fund has been reclassified in the current year to the capital projects fund due to statutory provisions and management's current interpretation of these provisions and its intent to use the account to fund capital projects in accordance with said statutory provisions. As a result of the change in accounting principle, the beginning balances of both the debt service fund and the capital projects fund were restated. 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 17, 2019 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.

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Crowe LLP

Dallas, Texas
December 17, 2019

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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, 2019 and 2018 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

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 assisting to fund and does not fund the maintenance of any such completed projects.

Governmental Fund

As of Aug. 31, 2019, the Mobility Fund's combined governmental fund balance was \$410.6 million, a decrease of \$135.1 million, or 24.7 percent, from fiscal 2018. The decrease in fund balance is largely attributed to debt service and capital outlay expenditures exceeding revenues earned during fiscal 2019. The fiscal 2019 expenditures totaled \$631.7 million, while revenue earned a total of \$496.6 million.

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. The Mobility Fund General Account is reclassified from the debt service fund to the capital project fund in fiscal 2019. See Note 1 for more information.

Financial reports of governmental funds focus on how money flows in 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, 2019 and 2018				
(Amounts in Thousands)				
	<u>2019</u>	<u>2018</u>	Amount of Increase (Decrease)	Percent Change
Assets	\$ 464,344	\$ 568,275	\$ (103,931)	(18.3) %
Total Assets	<u>464,344</u>	<u>568,275</u>	<u>(103,931)</u>	<u>(18.3) %</u>
Liabilities	53,700	22,569	31,131	137.9 %
Total Liabilities	<u>53,700</u>	<u>22,569</u>	<u>31,131</u>	<u>137.9 %</u>
Fund Balance:				
Restricted	218,588	207,368	11,220	5.4 %
Committed	192,056	338,338 *	(146,282)	(43.2) %
Total Fund Balance	<u>\$ 410,644</u>	<u>\$ 545,706</u>	<u>\$ (135,062)</u>	<u>(24.7) %</u>

* This is the fund balance of the TMF General Account reported as restricted in fiscal 2018. It was reclassified to committed in fiscal 2019 due to statutory provisions. See Note 1 for additional information.

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended August 31, 2019 and 2018

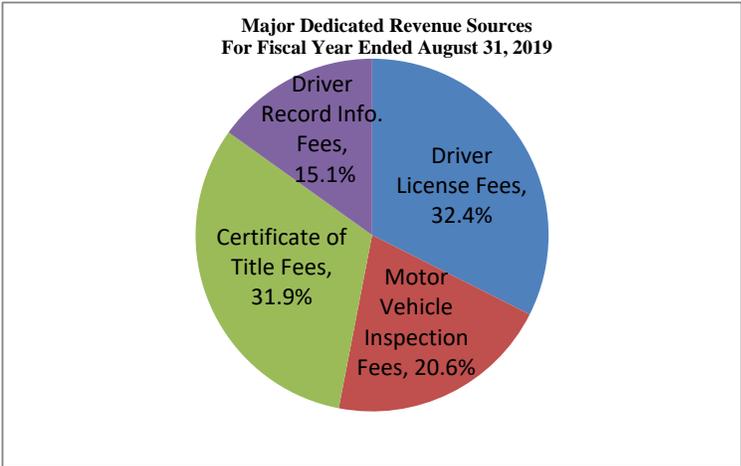
(Amounts in Thousands)

	<u>2019</u>	<u>2018</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
Revenues				
Federal Revenue	\$ 21,851	\$ 21,756	\$ 95	0.4 %
Licenses, Fees and Permits	464,281	455,258	9,023	2.0 %
Interest and Investment Income	10,480	12,763	(2,283)	(17.9) %
Other Revenues	25	70	(45)	(64.3) %
Total Revenues	<u>496,637</u>	<u>489,847</u>	<u>6,790</u>	<u>1.4 %</u>
Expenditures				
Transportation	3,195	29	3,166	10,917.2 %
Capital Outlay	259,955	496,845	(236,890)	(47.7) %
Debt Service	368,549	357,648	10,901	3.0 %
Total Expenditures	<u>631,699</u>	<u>854,522</u>	<u>(222,823)</u>	<u>(26.1) %</u>
Excess (Deficiency) of Revenues over Expenditures	(135,062)	(364,675)	229,613	63.0 %
Change in Fund Balance	<u>(135,062)</u>	<u>(364,675)</u>	<u>229,613</u>	<u>63.0 %</u>
Fund Balance – Beginning	<u>545,706</u>	<u>910,381</u>	<u>(364,675)</u>	<u>(40.1) %</u>
Fund Balance – Ending	<u>\$ 410,644</u>	<u>\$ 545,706</u>	<u>\$ (135,062)</u>	<u>(24.7) %</u>

Capital Outlay expenditures decreased by \$236.9 million, or 47.7 percent. The decrease is primarily due to the fact that all TMF bond proceeds were expended as of Sept. 1, 2018.

The major dedicated revenue sources of the Mobility Fund for the year ended Aug. 31, 2019, are summarized below. A detailed listing of all dedicated revenue sources can be found in the supplementary information section of this report.

The state collects varied inspection-fee amounts at the time of registration, a portion of which is deposited to the Mobility Fund, based on the inspection category for the type of vehicle being registered.



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, 2019, the principal amount of debt outstanding is \$6.5 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 outstanding obligations to provide savings to the state. 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, and 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, 2019, 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, 2019

	Fitch	Moody's	Standard & Poor's
General Obligation Bonds	AAA	Aaa	AAA

Short-Term Credit Ratings as of August 31, 2019

	Fitch	Moody's	Standard & Poor's
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

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Section Two (Continued)

Basic Financial Statements

Texas Department of Transportation
Balance Sheet - Texas Mobility Fund
August 31, 2019 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 220,413	\$ 243,931	\$ 464,344
Total Assets	<u>\$ 220,413</u>	<u>\$ 243,931</u>	<u>\$ 464,344</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables:			
Accounts		51,875	51,875
Unearned Revenues	<u>1,825</u>		<u>1,825</u>
Total Liabilities	<u>1,825</u>	<u>51,875</u>	<u>53,700</u>
Fund Balances (Deficits):			
Restricted	218,588		218,588
Committed		<u>192,056</u>	<u>192,056</u>
Total Fund Balances	<u>218,588</u>	<u>192,056</u>	<u>410,644</u>
 Total Liabilities and Fund Balances	 <u>\$ 220,413</u>	 <u>\$ 243,931</u>	 <u>\$ 464,344</u>

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

Texas Department of Transportation
Statement of Revenues, Expenditures and
Changes in Fund Balances - Texas Mobility Fund
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
REVENUES			
Federal Revenues	\$ 21,851	\$	21,851
Licenses, Fees and Permits	354,254	110,027	464,281
Interest and Investment Income	2,810	7,670	10,480
Other Revenues	<u>25</u>	<u>25</u>	<u>25</u>
Total Revenues	<u>378,915</u>	<u>117,722</u>	<u>496,637</u>
EXPENDITURES			
Transportation		3,195	3,195
Capital Outlay		259,955	259,955
Debt Service			
Principal on State Bonds	81,635		81,635
Interest on State Bonds	286,060		286,060
Other Financing Fees	<u>854</u>	<u>854</u>	<u>854</u>
Total Expenditures	<u>367,695</u>	<u>264,004</u>	<u>631,699</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>11,220</u>	<u>(146,282)</u>	<u>(135,062)</u>
Net Change in Fund Balances	<u>11,220</u>	<u>(146,282)</u>	<u>(135,062)</u>
Fund Balances, September 1, 2018, as Restated	<u>207,368</u>	<u>338,338</u>	<u>545,706</u>
Fund Balances, August 31, 2019	<u>\$ 218,588</u>	<u>\$ 192,056</u>	<u>\$ 410,644</u>

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

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Texas Mobility Fund
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies.....25

Note 2 – Capital Assets28

Note 3 – Deposits and Investments28

Note 4 – Long-Term Liabilities28

Note 5 – Bonded Indebtedness.....29

Note 6 – Employee’s Retirement Plan and Other Postemployment Benefits.....33

Note 7 – Continuance Subject to Review33

Note 8 – Commitments & Contingencies.....33

Note 9 – Risk Management.....33

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NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These fund 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, part of the TxDOT reporting entity, is created in the Texas Constitution and administered by the Texas Transportation Commission (Commission). The 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 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, 2019, 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). Financial reporting for the Mobility Fund is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's Office with similar data from other state agencies and universities in the preparation of the state of Texas Comprehensive Annual Financial Report (CAFR).

GASB Statements Effective for Fiscal 2019

In fiscal 2019 the Mobility Fund adopted the following new GASB pronouncements:

- *GASB Statement No. 83, Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The legal obligations to perform future asset retirement activities is recorded when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.
- *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It defines debt for note disclosure purposes as a liability that arises from a contractual obligation to pay cash to settle an amount that is fixed at the date the contractual obligation is established. The statement requires additional information related to debt, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant default events and significant termination events with finance-related

consequences, and significant subjective acceleration clauses.

- *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement is effective for reporting periods beginning after December 15, 2019, or fiscal 2021. TxDOT decided to early implement the statements in fiscal 2019. The statement supersedes GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 5-22. For financial statements prepared using the economic resources measurement focus, the statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The data in this report is combined and consolidated by TxDOT and included in the TxDOT Comprehensive Annual Financial Report submitted to the Texas Comptroller of Public Accounts' office. The accompanying financial statements present only the fund balance and changes in fund balance 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 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.
- Mobility Fund 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.

Capital Projects 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. In fiscal 2019, the General Account was changed from a debt service fund to a capital projects fund due to a change in accounting principle. As a result, the September 1, 2018 fund balances of the debt service fund and the capital projects fund were restated. The debt service fund balance was reduced by \$338.3 million, while the capital projects fund balance increased by the same amount.

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.

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 as of Aug. 31, 2019, are displayed in two components.

- Restricted fund balance - resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance – can be used only for specific purposes pursuant to constraints imposed by a formal action of the Legislature, the state's highest level of decision making authority.

The Mobility Fund's fund balance in the Debt Service Fund is restricted due to bond covenants and constitutional provisions. Most of current year revenues relate to fees pledged for debt service on outstanding bonds.

The Mobility Fund's fund balance in the Capital Projects Fund is committed since the fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature), based on the Texas Transportation Statue, subchapter M, Sec.201.946.

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 2019 were driver license fees, motor vehicle inspection

fees, certificate of title fees, and driver record information fees. A list of all fiscal 2019 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.

Other Revenues

Money received from voided warrants that were past the statute of limitations.

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 Comprehensive 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 2019. 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, 2019, the Mobility Fund's pro rata share of participation in the Treasury Pool was \$464.3 million. 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 Comprehensive Annual Financial Report. During the fiscal year ended Aug. 31, 2019, the following changes occurred in the long-term liabilities.

Long-Term Liabilities Activity (Amounts in Thousands)								
For the Fiscal Year Ended August 31, 2019								
Governmental Activities	Beginning Balance 9/1/18	Adjustments*	Additions	Deductions	Ending Balance 8/31/19	Amounts Due Within One Year	Amounts Due Thereafter	
General Obligation Bonds	\$ 6,602,937	\$ (329,373)	\$	\$ (81,635)	\$ 6,191,929	\$ 132,980	\$ 6,058,949	
General Obligation Bonds - Direct Placements		286,913			286,913	1,986	284,927	
Total	\$ 6,602,937	\$ (42,460)	\$	\$ (81,635)	\$ 6,478,842	\$ 134,966	\$ 6,343,876	

*Includes reclassification related to implementation of GASB 88 and current year 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, 2019, major sources of pledged 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 and project that money dedicated to the Fund and on deposit in the Fund will be at least 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, amended 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.

Miscellaneous Bond Information						
(Amounts in Thousands)						
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	Maturities		
				First Year	Last Year	First Call Date
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds						
Series 2006-B Variable Rate Bonds	\$ 150,000	12/13/2006	variable	2036	2036	*
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.37% 5.52%	2029	2039	*
Series 2014 Fixed Rate Refunding Bonds	973,775	07/02/2014	4.00% 5.00%	2016	2034	04/01/2024
Series 2014-A Fixed Rate and Refunding Bonds	1,580,160	12/18/2014	4.00% 5.00%	2017	2044	10/01/2024
Series 2014-B SIFMA Bonds	250,000	12/18/2014	variable	2041	2041	10/01/2021
Series 2015-A Fixed Rate Refunding Bonds	911,360	09/30/2015	3.20% 5.00%	2018	2036	10/01/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105	10/07/2015	5.00% 5.00%	2031	2036	10/01/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020	02/01/2017	5.00% 5.00%	2030	2034	10/01/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135	02/01/2017	5.00% 5.00%	2029	2036	10/01/2027
Governmental Activities Total	<u>\$ 6,098,050</u>					

* Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

The Series 2015-B outstanding balance of \$286.9 million is from direct placements. In an event of default, any owner of parity debt in the event of default in connection with any covenant 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.

Debt service requirements for the revenue bonds as of Aug. 31, 2019, are detailed in the following table.

Debt Service Requirements – Governmental Activities (Amounts in Thousands)							
General Obligation Bonds				General Obligation Bonds Direct Placements			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2020	\$ 93,315	\$ 268,122	\$ 361,437	Year	\$	\$ 12,705	\$ 12,705
2021	105,730	263,141	368,871	2020		12,705	12,705
2022	118,880	257,563	376,443	2021		12,705	12,705
2023	132,820	251,299	384,119	2022		12,705	12,705
2024	147,605	244,304	391,909	2023		12,705	12,705
2025-2029	990,930	1,089,604	2,080,534	2024		63,526	63,526
2030-2034	1,340,475	806,947	2,147,422	2025-2029	63,450	58,027	121,477
2035-2039	1,859,270	475,021	2,334,291	2035-2039	190,655	18,480	209,135
2040-2044	733,025	114,132	847,157				
2045-2049	166,975	4,004	170,979				
	<u>5,689,025</u>	<u>3,774,137</u>	<u>9,463,162</u>		<u>254,105</u>	<u>203,558</u>	<u>457,663</u>
Premium	502,904		502,904	Premium	32,808		32,808
Total	<u>\$ 6,191,929</u>	<u>\$ 3,774,137</u>	<u>\$ 9,966,066</u>	Total	<u>\$ 286,913</u>	<u>\$ 203,558</u>	<u>\$ 490,471</u>

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 Revenue (Amounts in Thousands)	Governmental Activities	
	Texas Mobility Fund General Obligation Bonds	
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$	9,920,826
Term of Commitment Ending		10/1/2044
Percentage of Revenue Pledged		100%
Current Year Pledged Revenue	\$	496,636
Current Year Principal and Interest Paid	\$	367,695
* Includes pledged revenue of other state agencies using the state highway fund.		

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 6.2 percent effective Oct. 1, 2018 through Sept. 30, 2019 for BABs subsidy payments paid in federal fiscal year 2019. See the table below for details on the Commission's Direct Payment BABs outstanding as of Aug. 31, 2019.

Direct Payment Build America Bonds (Amounts in Thousands)			
	<u>Issue Date</u>	<u>Par Amount</u>	<u>Outstanding</u>
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Bonds Series 2009-A	8/26/2009	\$ 1,208,495	\$ 1,208,495
Governmental Activities Total		\$ <u>1,208,495</u>	\$ <u>1,208,495</u>

Variable Rate Bonds

The Mobility Fund has two variable rate bond issues outstanding as of Aug. 31, 2019. The interest rates in effect on Aug. 31, 2019 for the Series 2006-B and Series 2014-B used to calculate the debt service requirements were 1.36 and 1.66 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 from the mandatory tender date until purchased or redeemed.

Put Bonds (Amounts in Thousands)					
Description of Issue	Mandatory Tender Date	Initial Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest ¹
Governmental Activities General Obligation Bonds Texas Mobility Fund Series 2014-B	10/1/2021	SIFMA + 0.30%	Variable ²	8.00% per annum	\$ 20,000
¹ Assumes a full year of interest					
² Index Floating Rate Mode/resets weekly					

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 agreements.

The Series 2006-B bonds are subject to a standby bond purchase liquidity agreement (agreement) with the Texas Comptroller of Public Accounts (Comptroller). The agreement provides terms to be negotiated and mutually agreed upon by TxDOT and the Comptroller upon need for the Comptroller to purchase bonds put but that the remarketing agent cannot resell timely to new investors. In that case, TxDOT would pay the Comptroller based on the existing debt service schedule for the Series 2006-B bonds.

The agreement was made pursuant to powers granted to Comptroller under Texas Government Code Sec. 404.027. The agreement provides protection to prevent an unplanned draw on current financial resources of the Texas Mobility Fund. The agreement is subject to renewal on a biennial basis.

For fiscal 2019, the Trustee did not draw from the Comptroller related to the Series 2006-B demand bonds. The following table provides details for the outstanding demand bonds and the related standby bond purchase liquidity agreement.

Demand Bonds – Standby Bond Purchase Agreement Provisions (Amounts in Thousands)				
Governmental Activities	Principal Balance Outstanding	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds Texas Mobility Fund Series 2006-B	\$150,000	Texas Comptroller of Public Accounts	0.12%	8/31/2021
TOTAL	<u>\$150,000</u>			

NOTE 6 - EMPLOYEES' RETIREMENT PLAN AND OTHER POSTEMPLOYMENT BENEFITS

The Mobility Fund 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 or other postemployment benefits (OPEB) 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) and the State Retiree Health Plan (SRHP). The Mobility Fund is not obligated in any form for the funding of the pension benefits provided by the ERS Plan or the postemployment benefits provided through the SRHP. Allocation of the pension and OPEB liabilities and expense for the Mobility Fund is deemed unnecessary and not required.

The details are disclosed in the TxDOT's Comprehensive Annual Financial Report for the pension plan in Note 8 and the OPEB plan in Note 10.

NOTE 7 – CONTINUANCE SUBJECT TO REVIEW

Under the current Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2029, unless continued in existence by the 91st Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2030 to wind down 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 abolished agency.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 9 - 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, accidental 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.

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Section Two (Continued)

Other Supplementary Information

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**Texas Mobility Fund Dedicated Revenues
For the Fiscal Year Ended August 31, 2019**

Major Sources of Funds

Driver License Fees	\$	149,707,581
Motor Vehicle Inspection Fees		95,155,207
Certificate of Title Fees		147,127,455
Driver Record Information Fees		<u>69,758,640</u>
		461,748,883

Miscellaneous Sources

Motor Carrier Act Penalties		2,530,538
Motor Vehicle Registration Fees		1,916
Depository Interest		<u>10,479,328</u>
		13,011,782

Total Dedicated Revenues \$ 474,760,665

Note:

The total above does not include the Build America Bonds federal interest rate subsidy and other revenues that are not dedicated revenue.

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