

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

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Section 49-n, Article III, of the Texas Constitution (Constitutional Provision) provides that the Texas Legislature may authorize the Texas Transportation Commission (commission) to issue bonds and other public securities and enter into bond enhancement agreements that are payable from revenue deposited to the credit of the state highway fund to fund state highway improvement projects (Highway Improvement Projects).

The Constitutional Provision provides for the appropriation of amounts from state highway fund revenues that are sufficient to pay the principal of and interest on such bonds or other public securities and any cost related to the bonds and other public securities, including payments under bond enhancement agreements; and, the Constitutional Provision further provides that any dedication or appropriation of revenue to the credit of the state highway fund may not be modified so as to impair any outstanding bonds or other public securities secured by a pledge of state highway fund revenue unless provisions have been made for a full discharge of those securities.

Pursuant to the Constitutional Provision, the Texas Legislature enacted Section 222.003, Texas Transportation Code (Enabling Act), which authorizes the commission to issue bonds and other public securities secured by a pledge of and payable from revenue deposited to the credit of the state highway fund.

The Enabling Act provides that (i) the aggregate principal amount of such bonds and other public securities may not exceed \$3 billion, (ii) the commission may only issue bonds or other public securities in an aggregate principal amount of not more than \$1 billion each year, (iii) \$600 million of the aggregate principal amount of such bonds or other public securities must be issued to fund projects (Safety Projects) that reduce accidents or correct or improve hazardous locations on the state highway system, and (iv) bonds and other public securities and credit agreements may not have a principal amount or terms that are expected to cause annual expenditures with respect thereto to exceed 10 percent (10%) of the amount deposited to the credit of the state highway fund in the immediately preceding year.

The Enabling Act further provides that the Comptroller of Public Accounts (comptroller) shall withdraw from the state highway fund amounts determined by the commission to permit timely payment of the principal of and interest on the bonds and other public securities and any cost related to the bonds and other public securities, including payments under credit agreements.

Pursuant to the Enabling Act, the commission has adopted rules, codified as 43 TAC §§15.170-15.174, that prescribe criteria for selecting projects (including Safety Projects) eligible for funding under the Enabling Act.

The commission by Minute Order No. 110441 has previously authorized the preparation of documentation and such other actions, including the filing of an application with the Texas Bond Review Board, as are necessary or appropriate to establish a revenue financing program (State Highway Fund Revenue Financing Program) to provide a financing structure to facilitate the commission's exercise of the powers and authority conferred by the Enabling Act through the issuance of obligations secured by a pledge of state highway fund revenue to fund Highway Improvement Projects, subject to the commission's approval of the final agreements and documentation.

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The commission has determined that it is in the best interest of the state to approve final agreements and documentation to establish the State Highway Fund Revenue Financing Program, including a "Master Resolution Establishing a Financing Program for Bonds, other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund" (Master Resolution) pursuant to which the commission may issue obligations, including bonds, notes and other public securities, and execute credit agreements and qualified hedge agreements, secured by and payable from a pledge of and lien on all or part of the moneys in the state highway fund; and, the commission has further determined that it is in the best interest of the state to approve the "First Supplemental Resolution to the Master Resolution Establishing a Financing Program for Bonds, other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund" (First Supplemental Resolution) to secure bonds and other obligations issued thereunder to fund Highway Improvement Projects.

The Master Resolution and the First Supplemental Resolution prescribe the terms, provisions and covenants related to the issuance of a first series of bonds designated as "Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006" (Series 2006 Bonds), as set forth in the First Supplemental Resolution, in the aggregate principal amount not to exceed \$600 million.

Under the First Supplemental Resolution, the commission has determined that it is in the best interest of the state for the Series 2006 Bonds to be sold through a negotiated sale pursuant to the procedures set forth in the First Supplemental Resolution, including entering into a bond purchase contract with the underwriters set forth therein (Bond Purchase Contract) dated as of the date of pricing under which the underwriters agree to purchase from the commission, and to make a bona fide public offering of, such principal amount of the Series 2006 Bonds as is determined by the Department Representative (as defined in the First Supplemental Resolution) in the award certificate for such obligations, and at such price and subject to such terms as are prescribed in the award certificate.

The commission understands that the underwriters intend to distribute a preliminary official statement (POS) and a final official statement (Official Statement) in substantially the form of the POS in connection with the public offering and sale of the Series 2006 Bonds, which POS does, and which Official Statement will, include a description of the revenues deposited to the credit of the state highway fund and other security and payment provisions related to the Series 2006 Bonds.

The commission has determined that it is in the best interest of the state to authorize the Department Representative to direct the comptroller to withdraw from the state highway fund and forward such amounts as are necessary to permit timely payment of obligations issued or incurred pursuant to the Master Resolution and the First Supplemental Resolution, as provided by the Enabling Act, and to authorize the Department Representative to enter into any memoranda and agreements (collectively, Management Agreements) as are deemed necessary or appropriate by the Department Representative to evidence such direction and to provide for the management and administration of the state highway fund and any other funds and accounts established and maintained in connection with or related to such obligations.

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IT IS THEREFORE ORDERED by the commission that each Department Representative, acting individually, is authorized and directed to execute and deliver the Series 2006 Bonds, the Master Resolution, the First Supplemental Resolution, the POS, the Bond Purchase Contract, and the Paying Agent/Registrar Agreement (collectively, State Highway Fund Revenue Financing Program Documents); and, such documents attached hereto as Exhibit A are approved with such changes as the Department Representative executing such documents may approve, such approval to be conclusively evidenced by execution of such document.

IT IS FURTHER ORDERED by the commission that each Department Representative, acting individually, is authorized to direct the comptroller to withdraw amounts from the state highway fund and forward such amounts as are necessary to permit timely payment of obligations issued or incurred pursuant to the Master Resolution and the First Supplemental Resolution; and, each Department Representative, acting individually, is authorized to execute and deliver such Management Agreements as are deemed necessary or appropriate to evidence such direction and to provide for the management and administration of the state highway fund and any other funds and accounts established and maintained in connection with or related to such obligations.

IT IS FURTHER ORDERED by the commission that any necessary ancillary documents in connection with the issuance of the Series 2006 Bonds and the State Highway Fund Revenue Financing Program Documents are hereby approved; and, each Department Representative, acting individually, is authorized and directed to execute and deliver such documents.

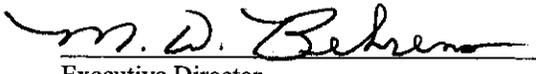
IT IS FURTHER ORDERED by the commission that the POS is approved for distribution by the underwriters with such changes as the Department Representative executing the POS may approve, such approval to be conclusively evidenced by execution of the POS and the Official Statement; and, the POS is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (Rule) with such omissions as are permitted by the Rule.

IT IS FURTHER ORDERED by the commission that each member of the commission and each Department Representative, acting individually, is authorized and directed to perform all such acts and execute such documents, including execution of certifications to the underwriters, the Attorney General, the comptroller and other parties, as may be necessary to carry out the intent and purposes of this order and other orders of the commission relating to the State Highway Fund Revenue Financing Program and the State Highway Fund Revenue Financing Program Documents.

Submitted and reviewed by:


Chief Financial Officer

Recommended by:


Executive Director

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Minute Number Date Passed