TEXAS TRANSPORTATION COMMISSION

ALL Districts

Section 49-k, Article III of the Texas Constitution (constitutional provision) and Transportation Code, Chapter 201, Subchapter M, and other applicable law, including Government Code, Chapter 1371, authorize the Texas Transportation Commission (commission) to issue bonds and other obligations secured by all or part of the money in the Texas Mobility Fund (fund). Obligations may be issued to 1) pay all or part of the costs of constructing, reconstructing, acquiring, and expanding state highways; 2) provide participation by the state in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects; 3) create debt service accounts; 4) pay interest on obligations for a period of not longer than two years; 5) refund or cancel outstanding obligations and 6) pay the commission's costs of issuance (collectively, projects).

Transportation Code, Chapter 201, Subchapter M, provides that the commission may guarantee on behalf of the state the payment of any obligations and credit agreements secured by the fund by pledging the full faith and credit of the state to the payment of the obligations and credit agreements in the event the revenue and money dedicated to the fund and on deposit in the fund under the constitutional provision, are insufficient for that purpose.

Transportation Code, §201.947 provides that the commission may not issue obligations before the Texas Department of Transportation (department) has developed a strategic plan that outlines how the proceeds of obligations will be used and the benefit the State will derive from use of money in the fund. Pursuant to Minute Order 109800, dated September 30, 2004, the Texas Mobility Fund Strategic Plan as developed by the department was adopted and has not been amended.

Government Code, §1231.041 provides that a state agency may not issue a state security, including a bond, unless the Texas Bond Review Board (board) approves the issuance. On May 5, 2005, the board approved the issuance in one or more series "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds" in an aggregate principal amount not to exceed $4 billion.

Pursuant to Minute Order 110081 dated May 4, 2005 (authorizing minute order) the commission has approved a "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (Master Resolution) to establish a revenue financing program (Mobility Fund Revenue Financing Program) pursuant to which the commission may issue obligations including bonds, notes and other public securities and execute credit agreements secured by and payable from a pledge of, and lien on, all or part of the moneys in the fund and any applicable state guarantee authorized pursuant to Section 2(c) of the Master Resolution. The authorizing minute order further approved two supplemental resolutions to the Master Resolution which authorized the issuance of the $900 million Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-A (the Series 2005-A bonds) and the $100 million Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Variable Rate Bonds) (the Series 2005-B bonds).

Pursuant to Minute Order 110530 dated May 25, 2006, the commission further approved a third supplemental resolution to the Master Resolution which authorized the issuance of the $750 million Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006 (the Series 2006 Bonds, the Series 2005-A bonds, and the Series 2005-B bonds, together with the reimbursement obligations under the liquidity facility related to the Series 2005-B bonds, (collectively "outstanding parity debt").

The commission has determined it to be in the best interest of the state to issue additional obligations, on parity with the previously issued outstanding parity debt, secured by revenues and money dedicated to the fund and on deposit in the fund under the constitutional provision and by a pledge of the full faith and credit of the state.

The Master Resolution, together with the “Fourth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program” (Fourth Supplement), prescribes the terms, provisions and covenants related to the issuance of bonds in one or more series entitled "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds" (Series 2006-A bonds) with such series designation as set forth in the Fourth Supplement, in the aggregate principal amount not to exceed $1.3 billion.

Under the Fourth Supplement, the commission has determined it to be in the best interest of the state for the Series 2006-A bonds to be sold through a negotiated sale pursuant to the procedures set forth in the Fourth Supplement, including entering into a bond purchase contract with the underwriters set forth therein (Series 2006-A Bond Purchase Contract) 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-A bonds as identified by the department representative, as defined in the Fourth Supplement, in the award certificate for said obligations, and at such price and subject to such terms as prescribed in the award certificate.

The Master Resolution, together with the “Fifth Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program” (Fifth Supplement), prescribes the terms, provisions and covenants related to the issuance of bonds entitled “Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds (Multi-Modal Bonds)” (Series 2006-B bonds) in an aggregate principal amount not to exceed $300 million. In no event, however, shall the Series 2006-A bonds and the Series 2006-B bonds (collectively, bonds) together exceed an aggregate principal amount of $1.3 billion.

Under the Fifth Supplement, the commission has determined it to be in the best interest of the state for the Series 2006-B bonds to bear interest at a variable rate of interest and be subject to tender for purchase and to be sold through a negotiated sale pursuant to the procedures set forth in the Fifth Supplement, including entering into a bond purchase contract (Series 2006-B Bond Purchase Contract) with the underwriters under which the underwriters set forth therein agree to purchase from the commission, and to make a bona fide public offering of, such principal amount of the Series 2006-B bonds as identified by the department representative in the award certificate for said obligations, and at such price and subject to such terms as prescribed in the award certificate.

Under the Fifth Supplement, the liquidity for the Series 2006-B bonds will be initially provided by a standby bond purchase agreement (Liquidity Agreement) between the commission and State Street Bank and Trust Company and California Public Employees’ Retirement System (liquidity providers) under which, after delivery of the Liquidity Agreement to the Tender Agent, as defined in the Fifth Supplement, the Tender Agent is authorized, subject to the terms and conditions thereof, to draw funds for the payment of the purchase price of the Series 2006-B bonds while in certain interest rate modes as defined in the Liquidity Agreement.

Under the Fifth Supplement, Series 2006-B bonds tendered pursuant to the provisions of the Fifth Supplement will be remarketed under the terms of the Fifth Supplement and a remarketing agreement (Remarketing Agreement) between the commission and Goldman, Sachs & Co., as remarketing agent.

Pursuant to Minute Order 110656 dated August 24, 2006 the commission approved a Derivative Management Policy which policy established a derivative committee to review and make recommendations regarding the commission's use of derivative financial products. The derivative committee, has recommended the implementation of a financial plan which involves the possible execution of swap agreements in connection with the Mobility Fund Revenue Financing Program and the authorization and approval of the 1992 International Swap Dealers Association, Inc. ("ISDA") Master Agreements with Goldman, Sachs Mitsui Marine Derivative Products, L.P. , Citibank, N.A., New York, New York, Morgan Stanley Capital Services Inc., and JPMorgan Chase Bank, N.A. potential swap providers) pursuant to which the commission is authorized to enter into interest rate swap transactions with some or all of the potential swap providers when in the judgment of the department representative, and in accordance with the Commission Derivative Management Policy, Chapter 1371, Texas Government Code, the Fourth Supplement and the Fifth Supplement, the transaction is expected to benefit the commission.

The commission understands that the underwriters intend to distribute preliminary official statements (POS) and final official statements (Official Statement) in substantially the form of the POS in connection with the public offering and sale of the bonds, which POS does, and which Official Statement will, include a description of the general obligation pledge of the state's full faith and credit in the event the revenue and money dedicated to and on deposit in the fund are insufficient for payments due on the bonds and any related credit agreements.

Transportation Code §201.942 authorizes the commission, through the department, to manage, invest, use and administer the fund. The department solicited proposals for a custodial bank to assist the department with certain investments for the Mobility Fund Revenue Financing Program and selected The Northern Trust Company in accordance with the proposed Master Custodial Services Agreement and the proposed Securities Lending Authorization Agreement attached hereto.

IT IS THEREFORE ORDERED by the commission that the chair and executive director are authorized and directed to execute and deliver the Series 2006-A bonds and the Series 2006-B bonds and the department representative, as defined in the Fourth Supplement, is authorized and directed to execute and deliver the Fourth Supplement, the Series 2006-A Bond Purchase Contract, the Paying Agent Agreement, the Fifth Supplement, the Series 2006-B Bond Purchase Agreement, the Remarketing Agreement, the Liquidity Agreement, and the Tender Agent Agreement (collectively, Program Documents), and such documents are approved in substantially the form attached hereto with such changes as the department representative executing the same may approve, such approval to be conclusively evidenced by execution of the program documents.

IT IS FURTHER ORDERED by the commission that in the event the department representative is not able to finalize the Liquidity Agreement with the Liquidity Providers, the department representative is hereby authorized and directed to execute and deliver the Liquidity Agreement with the next bidder offering the most acceptable conditions and lowest cost as determined by the department representative.

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

ALL Districts

IT IS FURTHER ORDERED by the commission that any necessary ancillary documents in connection with the issuance of the bonds and the program documents are hereby approved, and the department representative is authorized and directed to execute and deliver such documents.

IT IS FURTHER ORDERED by the commission that the department representative is hereby authorized to enter into the master Custodial Services Agreement and Securities Lending Authorization Agreement in substantially the form presented to the commission with such changes as the department representative executing the same may approve, such approval to be conclusively evidenced by execution of the Custodial Agreement and Securities Lending Agreement.

IT IS FURTHER ORDERED by the commission that the department representative is hereby authorized to enter into ISDA Master Agreements (swap agreements) with each of the potential swap providers in substantially the forms presented to the commission, including the forms of Master Schedules, with such changes as the department representative executing the same may approve, such approval to be conclusively evidenced by execution of the swap agreements in accordance with the Derivative Management Policy, the Fourth Supplement and the Fifth Supplement.

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

IT IS FURTHER ORDERED by the commission that a pledge of the full faith and credit of the state be utilized in connection with the Series 2006-A bonds, the Series 2006-B bonds, the payment obligations of the commission under the Liquidity Agreement and the payment obligations of the commission under the swap agreements.

IT IS FURTHER ORDERED by the commission that each member of the commission and each department representative 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 of Public Accounts and other parties, as may be necessary to carry out the intent of this order and other orders of the commission relating to the Mobility Fund Revenue Financing Program and the program documents.

Submitted and reviewed by:

James M Bass

Chief Financial Officer

Recommended by:

M. W. Behrens

Executive Director

110684 SEP 28 06

Minute Number   Date Passed