

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

Page 1 of 3

ALL Districts

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 (highway fund) to fund state highway improvement projects.

The constitutional provision provides for the appropriation of amounts from 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 highway fund may not be modified so as to impair any outstanding bonds or other public securities secured by a pledge of 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, as amended (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 highway fund.

The enabling act provides that (i) the aggregate principal amount of such bonds and other public securities may not exceed \$6 billion, (ii) the commission may issue bonds or other public securities in an aggregate principal amount of not more than \$1.5 billion each year, (iii) \$1.2 billion 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 highway fund in the immediately preceding year.

The enabling act further provides that the Comptroller of Public Accounts (comptroller) shall withdraw from the 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 at 43 TAC §§15.170-15.174, that prescribe criteria for selecting projects (including safety projects) eligible for funding under the enabling act.

Pursuant to Minute Order No. 110472, dated March 30, 2006, the commission approved a master resolution, as amended (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 to establish a revenue financing program to provide a financing structure to facilitate the commission's exercise of the powers and authority conferred by the enabling act and pursuant to which the commission is authorized to issue obligations (senior 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 revenues deposited to the credit of the highway fund, as provided by the master resolution, and further approved a first supplemental resolution to the master resolution which authorized the issuance of "Texas Transportation

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

Page 2 of 3

ALL Districts

Commission State Highway Fund First Tier Revenue Bonds, Series 2006” (series 2006 bonds), which were issued in the aggregate principal amount of \$600 million.

Pursuant to Minute Order No. 110729, dated October 26, 2006, the commission further approved a second supplemental resolution to the master resolution which authorized the issuance of “Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006-A” (series 2006-A bonds), which were issued in the aggregate principal amount of \$852,550,000, and a third supplemental resolution to the master resolution which authorized the issuance of “Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006-B (Variable Rate Bonds)” (series 2006-B bonds and, together with the series 2006 bonds and the series 2006-A bonds, collectively, outstanding senior obligations), which were issued in the aggregate principal amount of \$100 million.

The commission has determined that it is in the best interest of the state to approve a fourth supplemental resolution to the master resolution (supplemental resolution) to authorize the issuance of additional senior obligations (additional senior obligations) in one or more series in the aggregate principal amount not to exceed \$1.5 billion and to prescribe the terms, provisions and covenants related thereto, as set forth in the supplemental resolution.

Under the supplemental resolution, the commission has determined that it is in the best interest of the state for such additional senior obligations to be sold through negotiated sale pursuant to the procedures set forth in the supplemental resolution, including entering one or more bond purchase contracts dated as of the date of pricing under which the underwriters for such additional senior obligations agree to purchase from the commission, and to make a bona fide public offering of, such principal amount of additional senior obligations as is determined by the department representative (as defined in the supplemental resolution) in the respective award certificates for such additional senior obligations, and at such price and subject to such terms as are prescribed in the respective award certificates therefore.

The commission understands that, in connection with the public offering and sale of each series of additional senior obligations, the underwriters expect to distribute an official statement in preliminary and final form, in substantially the form attached hereto (collectively, official statement), which official statement will include a description of the revenues deposited to the credit of the highway fund and other security and payment provisions related to the additional senior obligations.

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 highway fund and forward such amounts as are necessary to permit timely payment of obligations issued or incurred pursuant to the master resolution and any supplemental resolution thereto, 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 highway fund and any other funds and accounts established and maintained in connection with or related to such obligations.

IT IS THEREFORE ORDERED by the commission that the supplemental resolution, the official statement, the bond purchase contract and the paying agent/registrars agreement (collectively, financing documents), in substantially the form attached hereto as Exhibit A, are each hereby

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

Page 3 of 3

ALL Districts

approved with such changes as the department representative executing each such document may approve, such approval to be conclusively evidenced by execution of such document; and, each department representative, acting individually, is authorized and directed to take any and all actions necessary or appropriate to effect the delivery of the additional senior obligations in accordance with the terms and conditions of the financing documents.

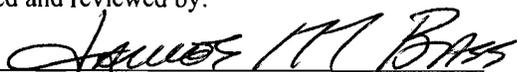
IT IS FURTHER ORDERED by the commission that each department representative, acting individually, is authorized to direct the comptroller to withdraw amounts from the highway fund and forward such amounts as are necessary to permit timely payment of obligations issued or incurred pursuant to the supplemental 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 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 or desirable ancillary documents in connection with the issuance of the additional senior obligations and the performance of the terms and conditions of the financing documents are hereby approved; and, each department representative, acting individually, is authorized and directed to execute and deliver such documents.

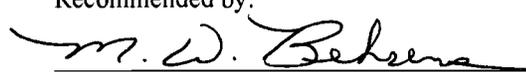
IT IS FURTHER ORDERED by the commission that an official statement, in substantially the form attached hereto, is approved for distribution by the underwriters with such changes as a department representative may approve, such approval to be conclusively evidenced by the execution of the official statement; and, the preliminary form of the official statement attached hereto 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 or desirable to carry out the intent and purposes of this order and other orders of the commission relating to the financing program and the financing documents.

Submitted and reviewed by:


Chief Financial Officer

Recommended by:


Executive Director

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Minute Number Date Passed