

TEXAS TRANSPORTATION COMMISSION

MINUTE ORDER

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ALL Counties

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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 of "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds" in an aggregate principal amount not to exceed \$4 billion. The board is considering the department's application for approval of one or more series of additional "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds" in connection with the updated projected debt capacity of the fund. The department will not issue additional bonds payable from the fund until board approval is received in accordance with law.

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" (as may be amended from time to time, the Master Resolution) to establish a revenue financing program (Mobility Fund Revenue Financing Program) initially established in the aggregate principal amount outstanding at any time of not to exceed \$4 billion 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). Any capitalized terms not otherwise defined herein have the meanings given in the Master Resolution.

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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 (Series 2006 Bonds).

Pursuant to Minute Order 116084 dated September 28, 2006, the commission further approved a fourth supplemental resolution and a fifth supplemental resolution to the Master Resolution which authorized the issuance of the \$1,040,275,000 Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-A (Series 2006-A Bonds) and \$150 million Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds) (Series 2006-B Bonds), respectively.

Pursuant to Minute Order 110940 dated May 24, 2007, the commission further approved a sixth supplemental resolution to the Master Resolution which authorized the issuance of the \$1,006,330,000 Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007 (the Series 2007 Bonds, the Series 2006 Bonds, the Series 2006-A Bonds, the Series 2006-B 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 2006-B Bonds and Series 2005-B Bonds, collectively "Outstanding Parity Debt").

The Master Resolution can be amended at any time without notice or consent of the owners of the Outstanding Parity Debt to increase the Mobility Fund Revenue Financing Program size so long as the commission determines that the Dedicated Revenues will be sufficient to pay all amounts to be payable from the Dedicated Revenues.

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 and to amend the Master Resolution to increase the projected debt capacity to not to exceed \$6.5 billion in aggregate principal amount outstanding at any time.

The Master Resolution, together with the "Seventh Supplemental Resolution to the Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (Seventh Supplement), prescribes the terms, provisions and covenants related to the issuance of additional bonds in one or more series entitled "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds" (Bonds) with such series designation as set forth in the Seventh Supplement, in the aggregate principal amount not to exceed \$2.5 billion.

Under the Seventh Supplement, the commission has determined it to be in the best interest of the state for the Bonds to be sold through a negotiated sale pursuant to the procedures set forth in the Seventh Supplement, including entering into a bond purchase contract with the underwriters (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 Bonds as identified by the department Representative, as defined in the Seventh Supplement, in the award certificate for said obligations, and at such price and subject to such terms as prescribed in the award certificate.

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Under the Seventh Supplement, the Department Representative is authorized to price all or a portion of the Bonds as Variable Rate Bonds and may need to utilize liquidity provider(s), tender agents, remarking agents and other similar functions in connection with any such Variable Rate Bonds.

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 previously recommended, and pursuant to Minute Order 116084 the commission approved, the implementation of a financial plan which involves the execution of swap agreements in connection with the Mobility Fund Revenue Financing Program and the commission has executed the 1992 International Swap Dealers Association, Inc. (ISDA) Master Agreements with Goldman, Sachs Mitsui Marine Derivative Products, L.P., JPMorgan Chase Bank, N.A. and Morgan Stanley Capital Services Inc. (Existing Swap Providers).

The Derivative Committee has also approved and recommended execution of an additional Master Agreement with UBS AG (Potential Swap Provider) pursuant to which the commission is authorized to enter into additional interest rate swap transactions with some or all of the Existing Swap Providers and the Potential Swap Provider when in the judgment of the Department Representative, and in accordance with the commission's Derivative Management Policy, Chapter 1371, Texas Government Code and the Seventh Supplement, the transaction is expected to benefit the commission.

IT IS THEREFORE ORDERED by the commission that the chair and Executive Director are authorized and directed to execute and deliver the Bonds and the Department Representative, as defined in the Seventh Supplement, is authorized and directed to execute and deliver the Seventh Supplement, the Bond Purchase Contract, the First Amendment to the Master Resolution, the Paying Agent Agreement, the Seventh Supplement, the Bond Purchase Agreement, any Remarketing Agreement, Liquidity Agreement, Tender Agent Agreement and similar agreements necessary for any Variable Rate Bonds (collectively, Program Documents), and the Bond Purchase Contract and Paying Agent Agreement and any Remarketing Agreement, Liquidity Agreement, Tender Agent Agreement and similar agreements in connection with any Variable Rate Bonds are approved in substantially the form previously approved by the commission in connection with the Outstanding Parity Debt 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 the Dedicated Revenues in the fund are estimated to be sufficient to pay all amounts to be payable from Dedicated Revenues and the Mobility Fund Revenue Financing Program capacity shall be increased as set forth in the First Amendment to the Master Resolution.

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 1992 ISDA Master Agreement (Swap Agreement) with the Potential Swap Provider in substantially the form presented to the commission, including the form of

TEXAS TRANSPORTATION COMMISSION

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Master Schedule and any appropriate confirmation related to any interest rate swap transaction relating to Outstanding Parity Debt and Bonds with any or all of the Existing Swap Provider and the Potential Swap Providers, with such changes as the Department Representative executing the same may approve, such approval to be conclusively evidenced by execution of the Swap Agreement in accordance with the Derivative Management Policy and the Seventh Supplement.

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 Bonds, the payment obligations of the commission under any 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:

SKS 13
Interim Executive Director

111083 SEP 27 07

Minute Date
Number Passed

**FIRST AMENDMENT TO THE
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
MOBILITY FUND REVENUE FINANCING PROGRAM**

**MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
MOBILITY FUND REVENUE FINANCING PROGRAM**

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**FIRST AMENDMENT TO
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION MOBILITY
FUND REVENUE FINANCING PROGRAM**

THE STATE OF TEXAS §

TEXAS TRANSPORTATION COMMISSION §

WHEREAS, pursuant to Minute Order No. 110081 adopted by the Texas Transportation Commission (the "Commission") on May 4, 2005 the Commission approved a "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Master Resolution") to issue obligations secured by and payable from a pledge of and lien on all or part of the moneys in the Texas Mobility Fund pursuant to Article III, Section 49-K of the Texas Constitution and Subchapter M of Chapter 201 of the Texas Transportation Code, as amended; and

WHEREAS, the Financing Program, as defined herein, was initially established in the aggregate principal amount outstanding at any time of not to exceed \$4 billion; and

WHEREAS, based upon the current projections of the Comptroller of Public Accounts the capacity of the Financing Program is now estimated at approximately \$6.5 billion; and

WHEREAS, Section 13(a)(vii) authorizes the amendment of the Master Resolution at any time without notice to or consent of any owner of the Outstanding Parity Debt to change the principal amount of the Financing Program; and

WHEREAS, Section 6(f) of the Master Resolution also authorizes an increase in the amount of the Financing Program upon a finding by the Commission to the effect that Dedicated Revenues will be sufficient to pay all amounts to be payable from Dedicated Revenues.

NOW, THEREFORE, BE IT RESOLVED BY THE TEXAS TRANSPORTATION COMMISSION THAT:

**ARTICLE I
DEFINITIONS**

Section 1.01. DEFINITIONS. The capitalized terms used herein and not otherwise defined shall have the meanings given in the Master Resolution.

**ARTICLE II
AMENDMENT**

Section 2.01. AMENDMENT. Section 1 of the Master Resolution is hereby amended to read as follows:

Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Constitutional Provision, the Enabling 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. This 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 \$6.5 billion, subject to the limitations and requirements of the Constitutional Provision, the Enabling Act and other applicable provisions of State law, this 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.

Section 2.02. FINDINGS. The Commission hereby finds that the Dedicated Revenues will be sufficient to pay all costs 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 in Section 6 relating to the issuance or incurrence of Parity Debt by the Commission.

ARTICLE III MISCELLANEOUS

Section 3.01. EFFECTIVENESS. The Master Resolution shall remain in full force and effect and except as set forth in this First Amendment has not been amended or repealed.

Section 3.02. FURTHER PROCEDURES. Each Authorized Representative and the other officers, employees, and agents of the Department, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Commission all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the intent, the terms, and the provisions of this First Amendment to the Master Resolution, including approving any technical changes or corrections to this First Amendment to the Master Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated by this First Amendment to the Master Resolution, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of a municipal bond insurer insuring such Parity Debt or a provider under a Credit Agreement related to such Parity Debt, or (iii) obtain the approval by the State's Attorney General's Office.

The Commission has caused this First Amendment to the Master Resolution to be executed by an Authorized Representative and its official seal to be impressed hereon.

TEXAS TRANSPORTATION COMMISSION

By: _____
Authorized Representative

[SEAL]

09/20/07

**SEVENTH SUPPLEMENTAL RESOLUTION TO THE
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
MOBILITY FUND REVENUE FINANCING PROGRAM**

**SEVENTH SUPPLEMENTAL RESOLUTION TO THE
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
MOBILITY FUND REVENUE FINANCING PROGRAM**

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**SEVENTH SUPPLEMENTAL RESOLUTION TO THE
MASTER RESOLUTION ESTABLISHING THE
TEXAS TRANSPORTATION COMMISSION
MOBILITY FUND REVENUE FINANCING PROGRAM**

THE STATE OF TEXAS §
TEXAS TRANSPORTATION COMMISSION §

WHEREAS, on May 4, 2005, the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), adopted a "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (referred to herein as the "Master Resolution"); and

WHEREAS, in order to enable the Commission to effectively utilize the Texas Mobility Fund to provide for the financing of the transportation projects authorized by Article III, Section 49-k of the Texas Constitution, Subchapter M, Chapter 201 of the Texas Transportation Code, as amended, and any other applicable provisions of State law, the Master Resolution establishes a revenue financing program pursuant to which the Commission can issue and enter into obligations, including bonds and other types of obligations, secured by and payable from a pledge of and lien on all or part of the moneys in the Texas Mobility Fund; and

WHEREAS, for such purposes, the Commission deems it necessary to issue Parity Debt, as hereinafter defined, pursuant to this "Seventh Supplemental Resolution to the Master Resolution establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program" (the "Seventh Supplement"); and

WHEREAS, the Chief Financial Officer of the Department has recommended the implementation of a financial plan which involves the approval of the International Swap Dealers Association master agreements with the potential swap providers as set forth herein pursuant to which the Commission may enter into interest rate swap transactions with some or all of the potential swap providers with respect to the Bonds or any Parity Debt as hereinafter defined; and

WHEREAS, the Commission further finds and determines that all terms and conditions for the issuance of the bonds herein authorized as Parity Debt have been or can be met and satisfied; and

WHEREAS, the bonds authorized to be issued by this Seventh Supplement are to be issued and delivered pursuant to the Acts, as hereinafter defined, and other applicable laws.

NOW THEREFORE, BE IT RESOLVED BY THE TEXAS TRANSPORTATION COMMISSION THAT:

ARTICLE I
BONDS ISSUED UNDER MOBILITY FUND
REVENUE FINANCING PROGRAM

Section 1.01. DEFINITIONS. (a) Definitions. The capitalized terms used herein (except in the FORM OF BONDS set forth in Exhibit "B" hereto) and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to this Seventh Supplement. The recitals to this Seventh Supplement and the exhibits hereto are incorporated herein and made a part hereof for all purposes.

(b) Construction of Terms. If appropriate in the context of this Seventh Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, words of the masculine, feminine, or neuter gender shall be considered to include the other genders, and words importing persons shall include firms, associations, and corporations.

Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. (a) Seventh Supplement. By adoption of the Master Resolution, the Commission has established the Texas Transportation Commission Mobility Fund Revenue Financing Program for the purpose of enabling the Commission to effectively utilize the Mobility Fund to provide for the financing of the transportation projects authorized by the Constitutional Provision, the Enabling Act, and any other applicable provisions of State law pursuant to which the Commission may issue and enter into obligations, including bonds and other types of obligations, secured by and payable from a pledge of and lien on all or part of the moneys in the Mobility Fund. This Seventh Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds. This Seventh Supplement is subject to the terms of the Master Resolution and the terms of the Master Resolution are incorporated herein by reference and as such are made a part hereof for all purposes.

(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 7.11 of this Seventh Supplement by pledging the full faith and credit of the State to the payment of the Bonds and any Credit Agreements executed under Section 7.11 of this Seventh 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 7.11 of this Seventh Supplement.

Section 1.03. SEVENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Seventh Supplement shall be deemed to be and shall constitute a contract between the Commission and the Owners from time to time of the Bonds, and the pledge made in this Seventh Supplement by the Commission and the covenants and agreements set forth in this Seventh Supplement to be performed by the Commission shall be for the equal and proportionate benefit, security, and protection of all Owners from time to time of the Bonds, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the other Bonds by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Seventh Supplement and the Master Resolution.

Section 1.04. LIMITATION OF BENEFITS WITH RESPECT TO THIS SEVENTH SUPPLEMENT. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Seventh Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the Commission, the Owners, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Seventh Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Seventh Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Commission, the Owners, and the Paying Agent/Registrar as herein and therein provided.

ARTICLE II BOND AUTHORIZATION AND SPECIFICATIONS

Section 2.01. AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS. The Bonds designated "**TEXAS TRANSPORTATION COMMISSION STATE OF TEXAS GENERAL OBLIGATION MOBILITY FUND BONDS, SERIES _____**" in one or more Series (the "Bonds") are hereby authorized to be issued pursuant to this Seventh Supplement in the maximum aggregate principal amount of \$2,500,000,000 for the purpose of (i) paying costs of constructing, reconstructing, acquiring, and expanding State highways and providing 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 and (ii) paying the costs of issuing such Bonds pursuant to Section 201.943(d), Texas Transportation Code. Each Series of the Bonds shall be designated by the year in which it is awarded pursuant to Section 2.02 below and each Series within a year may have a letter designation following the year as provided in the Award Certificate. If the initial Series of Bonds awarded pursuant to Section 2.02 is in calendar year 2008 such initial Series shall be designated as 2008-A. Any Bonds issued as Variable Rate Bonds may include a designation of such including the designation of "Auction Rate" while in the Auction Rate Mode, if necessary or convenient. Additionally, portions of the Bonds may be issued in subseries bearing different terms, CUSIP numbers and may bear such additional designations, if any, as may be set forth in the Award Certificate of the Department Representative with respect to the initial issuance or thereafter, portions of the Bonds may be converted and remarketed in subseries in accordance with Exhibit "D" pursuant to a certificate of the Department Representative. The authority for the Department

Representative to execute and deliver the Award Certificate for a Series of Bonds shall expire at the close of business on September 27, 2008. The Bonds are authorized pursuant to authority conferred by and in conformity with State law, particularly the provisions of the Acts.

The Bonds may be in the form of Fixed Rate Bonds as either Current Interest Bonds or Capital Appreciation Bonds or Variable Rate Bonds as provided in Section 2.02 and the FORM OF BONDS in Exhibit "B" to this Seventh Supplement.

Section 2.02. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS. (a) Terms of Bonds. For each Series of Bonds, there shall initially be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, in the form of Fixed Rate Bonds as Current Interest Bonds or Capital Appreciation Bonds or Variable Rate Bonds bearing interest as provided in Exhibit "D" and the Award Certificate relating to each Series, numbered consecutively for each Series of Bonds from R-1 upward (or CR-1 upward, in the case of Capital Appreciation Bonds or VR-1 upward in the case of Variable Rate Bonds), payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner"), in Authorized Denominations serially or otherwise on the dates, in the years, and in the principal amounts in the case of Current Interest Bonds and Maturity Amounts in the case of Capital Appreciation Bonds, respectively, and dated, all as set forth in the Award Certificate of the Department Representative relating to each Series.

(b) Award Certificate. As authorized by Chapter 1371, Texas Government Code, as amended, the Department Representative is hereby authorized, appointed, and designated to act on behalf of the Commission in selling and delivering the Bonds of each Series and carrying out the other procedures specified in this Seventh Supplement, including determining and fixing the Bonds as Fixed Rate Bonds or Variable Rate Bonds and the initial Mode or Modes of each Series, the date of the Bonds of each Series, any additional or different designation or title by which the Bonds of each Series shall be known, the price at which the Bonds of each Series will be sold, the years in which the Bonds of each Series will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Capital Appreciation Bonds of each Series or portion of a Series to be issued in a Mode, the rate or rates of interest to be borne by each maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds of each Series shall be subject to redemption prior to maturity at the option of the Commission, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds of each Series, including procuring municipal bond insurance with a Bond Insurer, if any, all of which shall be specified in a certificate of the Department Representative (the "Award Certificate"); provided that (i) the price to be paid for the Bonds of each Series shall not be less than 95% of the aggregate original principal amount thereof plus accrued interest thereon, if any, and (ii) none of the Bonds shall bear interest at a rate greater than the Maximum Rate.

In connection with the Bonds or any outstanding Parity Debt, the Commission, acting through the Department Representative may execute rate swap transaction under a Swap Agreement pursuant to Section 7.11 if, in the written opinion of the Department Representative set forth in the

Award Certificate, the Swap Agreement results in a benefit to the Commission in accordance with the Commission's Derivative Management Policy and Section 7.11 of this Seventh Supplement.

It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds of a Series shall not be delivered unless prior to delivery (i) the Award Certificate relating to that Series of Bonds has been executed and (ii) the Bonds of such Series have been rated by a nationally-recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations for Bonds initially issued as Fixed Rate Bonds or one of the three highest categories of short-term obligations for Bonds initially issued as Variable Rate Bonds as required by Chapter 1371, Texas Government Code, as amended.

The Department Representative is authorized and directed to make the useful life finding as required by the Enabling Act and to determine which transportation projects eligible to be financed under the Financing Program will be financed with the proceeds of the Bonds taking into account (i) the scheduled completion dates of the improvements financed with the proceeds of the Bonds, (ii) the economic projections for each such improvement, (iii) the projected budget impact on the Financing Program of such financing, and (iv) the Mobility Fund Strategic Plan, as adopted and amended by the Commission. The designation of which improvements are to be financed or refinanced with the proceeds of a Series of Bonds shall be set forth in the Requisition Certificate substantially in the form set forth in Exhibit "C" to this Seventh Supplement.

Each Award Certificate is hereby incorporated into and made a part of this Seventh Supplement and shall be filed in the minutes of the Commission as a part of this Seventh Supplement.

Pursuant to the provisions of Chapter 1371, Government Code, as amended, and subsection (b) of this Section 2.02, the Commission delegates to the Department Representative the continuing authority, under the terms of this Seventh Supplement, to establish, alter, or consent to changes in interest rates, interest rate Modes, and interest rate periods (including pursuant to the Auction Rate Mode provisions of Exhibit "D"), and pursuant to Chapter 1201, Government Code, as amended, a Department Representative is authorized to execute and enter into, on behalf of the Commission and as appropriate for the respective Mode, Auction Agreements, one or more Broker-Dealer Agreements, as well as a Remarketing Agreement, and a Tender Agent Agreement approved pursuant to Exhibit "E" of this Seventh Supplement, and to enter into any other certificate, document, or other instrument, or to take any other action, including the making of any finding or determination, that the Department Representative determines is necessary or appropriate to carry out the provisions of this Seventh Supplement or to take all such action or perform such functions as contemplated by this Seventh Supplement or any Broker-Dealer Agreement, Auction Agreement, Remarketing Agreement, or Tender Agent Agreement.

(c) Sale of the Bonds. To achieve the lowest borrowing costs for the Financing Program, each Series of Bonds shall be sold to the public on a negotiated basis.

The Department Representative shall designate the senior managing underwriter for each Series of Bonds and such additional investment banking firms as he or she deems appropriate to

assure that the Bonds are sold on the terms most advantageous for the Financing Program. The Department Representative, acting for and on behalf of the Commission, is authorized to enter into, execute and carry out a bond purchase contract for each Series of the Bonds with the underwriter(s) at such price, with and subject to such terms as determined by the Department Representative pursuant to part (b) above. Each bond purchase contract shall be substantially in the form and substance previously approved by the Commission in connection with the Outstanding Parity Debt with such changes as are acceptable to the Department Representative.

(d) In General. The Bonds of each Series (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds of such Series, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BONDS set forth in Exhibit "B" to this Seventh Supplement and as determined by the Department Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions shown in the Award Certificate relating to each Series of the Bonds.

(e) Interest. The Current Interest Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS set forth in Exhibit "B" to this Seventh Supplement to their respective dates of maturity or redemption at the rates per annum set forth in the Award Certificate. Notwithstanding the foregoing, if there is any conflict between any provision of this Seventh Supplement and Exhibit "D" regarding the calculation of interest on the Variable Rate Bonds, the provisions of Exhibit "D" are controlling.

The Capital Appreciation Bonds shall accrete interest from the Issuance Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on the dates set forth in the Award Certificate (the "Compounding Dates") commencing on the date set forth in the Award Certificate, and payable, together with the principal amount thereof, in the manner provided in the FORM OF BONDS set forth in Exhibit "B" at the rates set forth in the Award Certificate. Attached to the Award Certificate, if Capital Appreciation Bonds are to be issued, shall be an exhibit (the "Compounded Amount Table") that will set forth the rounded original principal amounts at the Issuance Date for the Capital Appreciation Bonds and the Compounded Amounts and Maturity Amounts thereof (per \$5,000 Maturity Amount) as of each Compounding Date, commencing the date set forth in the Award Certificate, and continuing until the final maturity of such Capital Appreciation Bonds. The Compounded Amount with respect to any date other than a Compounding Date is the amount set forth on the Compounded Amount Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Compounded Amount Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

The Variable Rate Bonds shall accrue interest and be paid as provided in Exhibit "D".

(f) Payments on Holidays. In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where 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 payment was due.

Section 2.03. PAYMENT OF BONDS; PAYING AGENT/REGISTRAR. The principal of, premium, if any, and the interest on the Current Interest Bonds and Maturity Amount on any Capital Appreciation Bonds shall be payable, without exchange or collection charges to the Owner thereof, in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts. The Variable Rate Bonds shall be payable as provided in Exhibit "D"

Wells Fargo Bank, N.A. is hereby appointed as Paying Agent/Registrar for the Bonds. By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar acknowledges receipt of copies of the Master Resolution and this Seventh Supplement, and is deemed to have agreed to the provisions thereof and hereof.

The Commission agrees and covenants to cause to be kept and maintained at the designated office of the Paying Agent/Registrar a Security Register, all as provided herein, 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. In addition, to the extent required by law, the Commission covenants to cause to be kept and maintained the Security Register or a copy thereof in the State.

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 shall 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 shall also give the address of the new Paying Agent/Registrar.

The principal of, premium, if any, and interest on the Current Interest Bonds and Maturity Amounts for any Capital Appreciation Bonds due and payable by reason of maturity, redemption, or otherwise, shall be payable only to the Owner thereof appearing on the Security Register, and, to the extent permitted by law, neither the Commission nor the Paying Agent/Registrar, nor any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Current Interest Bonds and Maturity Amounts for any Capital Appreciation Bonds, shall be payable only upon the presentation and surrender of said Bonds to the Paying Agent/Registrar at its designated office. Interest on the Bonds shall be paid to the Owner whose name appears in the Security Register at the close of business on the Record Date and shall 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 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.

In the event of a nonpayment of interest on a scheduled payment date on a Current Interest Bond, and for thirty (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 (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Current Interest Bond appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

Section 2.04. REDEMPTION. (a) Generally. The Bonds may be subject to optional and mandatory sinking fund redemption prior to scheduled maturity at such times and with such provisions as provided in an Award Certificate and, with respect to the Variable Rate Bonds, Exhibit "D".

(b) Extraordinary Mandatory Redemption. The Bonds may be subject to extraordinary mandatory redemption, as provided in the Award Certificate, in the event the Commission receives an opinion of Bond Counsel that the failure to redeem the Bonds will adversely affect the exclusion from federal income taxation of interest on the Bonds. In such event the Bonds shall be subject to extraordinary mandatory redemption on the earliest date as determined by Bond Counsel as being needed to assure the federal income tax treatment of interest payable on the Bonds at a price of par plus accrued interest to the date of redemption.

(c) Notices of Redemption and Defeasance. (i) Unless waived by any Owner of the Bonds to be redeemed, the Department Representative shall give notice of redemption or defeasance to the Paying Agent/Registrar at least thirty-five (35) days prior to a redemption date in the case of a redemption (unless a lesser period is acceptable to the Paying Agent/Registrar) and on the defeasance date in the case of a defeasance and the Paying Agent/Registrar shall give notice of redemption or of defeasance of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date and within thirty (30) days after a defeasance date to each Owner and to

the central post office or each registered securities depository and to any national information service that disseminates such notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the central post office or registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(ii) Each notice of redemption or defeasance shall contain a description of the Bonds to be redeemed or defeased including the complete name of the Bonds, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication or mailing date for the notice, the date of redemption or defeasance, the redemption price, if any, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed or paid, including a contact person telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the Owners of the Bonds shall include a CUSIP number relating to each amount paid to such Owner.

The failure of any Owner of the Bonds to receive notice given as provided in this Section 2.04, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided in this Section 2.04 shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives such notice.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent/Registrar shall provide the notices specified in this Section 2.04 only to DTC. It is expected that DTC shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a participant, or failure on the part of a nominee of a beneficial owner of a Bond to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Series of Bonds.

(d) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Master Resolution or this Seventh Supplement have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Commission, be conditional upon the satisfaction of such prerequisites and receipt of such moneys 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Commission shall not redeem such Bonds and the Paying

Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

(e) Purchase in Lieu of Redemption. Notwithstanding anything in this Seventh Supplement to the contrary, if and to the extent that the Bonds are subject to optional redemption, 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 the 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 the 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 hereunder) 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 Bonds 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 under this Section 2.04(d) 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.

Section 2.05. REGISTRATION; TRANSFER; EXCHANGE OF BONDS; PREDECESSOR BONDS; BOOK-ENTRY-ONLY SYSTEM; SUCCESSOR SECURITIES DEPOSITORY; PAYMENTS TO CEDE & CO. (a) Registration, Transfer, Exchange, and Predecessor Bonds. The Registrar shall obtain, record, and maintain in the Security Register the name and address of each Owner issued under and pursuant to the provisions of this Seventh Supplement. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds in Authorized Denominations upon the Security Register by the Owner, in person or by his duly authorized agent, upon surrender of such Bond to the 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 Registrar.

Upon surrender for transfer of any Bond at the designated office of the Registrar, there shall 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 as the Bond or Bonds surrendered for transfer.

At the option of the Owner, Bonds may be exchanged for other Bonds of Authorized Denominations and having the same Maturity, bearing the same rate of interest, and of like aggregate principal amount or Maturity Amount and Series as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the principal office of the Registrar. Whenever any

Bonds are so surrendered for exchange, there shall be registered and delivered new Bonds 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 shall be delivered at the principal office of the 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 shall be the valid obligations of the Commission, evidencing the same debt, and entitled to the same benefits under the Master Resolution and this Seventh Supplement, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Owner, except as otherwise herein provided, and except that the Registrar shall 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 pursuant to the provisions hereof are hereby defined to be "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 therefor. Additionally, the term "Predecessor Bonds" shall include 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 or Bonds have been registered and delivered pursuant to Section 3.05 hereof.

Neither the Commission nor the Registrar shall be required to issue or transfer to an assignee of a Owner any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Bond; provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the unredeemed balance of a Bond called for redemption in part.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Security Register at any time shall be deemed and treated as the absolute Owner thereof for all purposes of this Seventh Supplement, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Commission and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Current Interest Bond or Maturity Amount in the case of Capital Appreciation Bonds shall be made only to such Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Book-Entry-Only System. The Bonds of each Series issued in exchange for the Initial Bond for such Series issued as provided in Section 2.06 shall be issued in the form of a separate single fully-registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC, and except as provided in this subsection (c) or the Award Certificate relating to a Series of Bonds, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Commission and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Commission and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Owner as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Owner as shown on the Security Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Seventh Supplement to the contrary but to the extent permitted by law, the Commission and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Security Register as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the Owners, as shown in the Security Register as provided in this Seventh Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Owner, as shown in the Security Register, shall receive a Bond certificate evidencing the obligation of the Commission to make payments of principal, premium, if any, and interest pursuant to this Seventh Supplement. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Seventh Supplement with respect to interest checks being mailed to the Owner at the close of business on the Record Date the words "Cede & Co." in this Seventh Supplement shall refer to such new nominee of DTC.

(d) Successor Securities Depository; Transfers Outside Book-Entry-Only System. In the event that the Commission determines to discontinue the book-entry-only system through DTC or a successor or DTC determines to discontinue providing its services with respect to a Series of Bonds, the Commission shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository, and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds of such Series shall no longer be restricted to being registered in the Security Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Seventh Supplement.

(e) Payments to Cede & Co. Notwithstanding any other provision of this Seventh Supplement to the contrary, so long as any Bond is registered in the name of Cede & Co., as

nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Commission to DTC.

(f) Blanket Issuer Letter of Representations. The Commission heretofore has executed and delivered to DTC a "Blanket Issuer Letter of Representations" with respect to the utilization by the Commission of DTC's book-entry-only system and the Commission intends to utilize such book-entry-only system in connection with each Series of the Bonds.

Section 2.06. INITIAL BOND. The Bonds of each Series shall initially be issued as a fully registered bond, being one bond (or three bonds, being one initial Fixed Rate Current Interest Bond, one initial Fixed Rate Capital Appreciation Bond and one initial Variable Rate Bond, if all such bonds are issued) (singularly or collectively, the "Initial Bond"). Each Initial Bond shall be registered in the name of the initial purchaser(s) of the Series of Bonds as set out in the Award Certificate. Each Initial Bond shall be submitted to the Office of the Attorney General of the State for approval and registration by the Office of the Comptroller of Public Accounts of the State and delivered to the initial purchaser(s) thereof. Immediately after the delivery of the Initial Bond of a Series on the Issuance Date, the Registrar shall cancel the Initial Bond and exchange therefor Bonds in the form of a separate single fully-registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and, except as provided in Section 2.05(d), all of the Outstanding Bonds of such Series shall be registered in the name of Cede & Co., as nominee of DTC.

Section 2.07. FORM OF BONDS. The Bonds (including each Initial Bond), the Registration Certificate of the Comptroller of Public Accounts of the State or the Authentication Certificate, and the form of Assignment to be printed on each of the Bonds shall be substantially in the forms set forth in Exhibit "B" to this Seventh Supplement with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Seventh Supplement and the Award Certificate relating to a Series of Bonds, may have such letters, numbers, or other marks of identification and such legends and endorsements (including any reproduction of an opinion of counsel and information regarding the issuance of any bond insurance policy) thereon as may, consistently herewith, be established by the Commission or determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The Bonds shall be typewritten, photocopied, printed, lithographed, engraved, or produced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

**ARTICLE III
EXECUTION; REPLACEMENT OF BONDS;
AND BOND INSURANCE**

Section 3.01. EXECUTION AND REGISTRATION. The Bonds shall be executed on behalf of the Commission by the Chair of the Commission or another member of the Commission under its seal reproduced or impressed thereon and attested by the Executive Director of the Department. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Commission and the Department as of their authorization shall be deemed to be duly executed on behalf of the Commission, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

No Bond shall be entitled to any right or benefit under this Seventh Supplement, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Exhibit "B" to this Seventh Supplement, executed by the Comptroller of Public Accounts of the State or its duly authorized agent by manual signature, or the Paying Agent/Registrar's Authentication Certificate substantially in the form provided in Exhibit "B" to this Seventh Supplement executed by the manual signature of an authorized officer or employee of the Registrar, and either such certificate duly signed upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified, registered, and delivered.

Section 3.02. CONTROL AND CUSTODY OF BONDS. The Department Representative shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation and examination by the Attorney General of the State, including the printing and supply of printed Bonds, and shall take and have charge and control of each Initial Bond pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts, and the delivery thereof to the initial purchaser(s).

Furthermore, any one or more of the Chair of the Commission and a Department Representative are hereby authorized and directed to furnish and execute such documents relating to the Mobility Fund or the Department and its financial affairs as may be necessary for the issuance of the Bonds of each Series, the approval of the Attorney General, and the registration by the Comptroller of Public Accounts and, together with the Department's Bond Counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond to the initial purchaser(s) and the initial exchange thereof for Bonds of such Series other than the Initial Bond.

Section 3.03. PRINTED OPINION. The initial purchaser(s)' obligation to accept delivery of the Bonds of each Series is subject to the initial purchaser(s) being furnished the final opinion of McCall, Parkhurst & Horton L.L.P. approving the Bonds of such Series as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Bonds of such Series. If bond insurance is obtained for the Bonds, the Bonds may bear an appropriate insurance legend.

Section 3.04. CUSIP NUMBERS. CUSIP numbers may be printed or typed on the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the Commission nor attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the Bonds.

Section 3.05. MUTILATED, DESTROYED, LOST, AND STOLEN BONDS. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the Commission and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Commission and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the Commission or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Commission shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Series and Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Commission in its discretion may, instead of issuing a new Bond, pay such Bond and the interest due thereon to the date of payment.

Upon the issuance of any new Bond under this Section, the Commission may require payment by the Owner of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Commission, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Seventh Supplement equally and ratably with all other Outstanding Bonds.

Section 3.06. BOND INSURANCE. (a) Purchase of Insurance. In connection with the sale of the Bonds, the Commission may obtain municipal bond insurance policies from one or more Bond Insurers to guarantee the full and complete payment required to be made by or on behalf of the Commission on some or all of the Bonds as determined by the Department Representative. The Department Representative is hereby authorized to sign a commitment letter with a Bond Insurer and to pay the premium for the bond insurance policies at the time of the delivery of the Bonds out of the proceeds of sale of the Bonds or from other available funds and to execute such other documents and certificates as necessary in connection with the bond insurance policies as he or she may deem appropriate. Printing on Bonds covered by the bond insurance policies a statement describing such insurance, in form and substance satisfactory to a Bond Insurer and the Department Representative, is hereby approved and authorized. The Award Certificate may contain provisions related to the bond insurance policies, including payment provisions thereunder, and the rights of

a Bond Insurer, and any such provisions shall be read and interpreted as an integral part of this Seventh Supplement.

(b) Rights of Bond Insurer(s). As long as a Bond Insurer is not in default on the related bond insurance policy for the Bonds, the Bond Insurer shall be deemed to be the sole Owner of such Bonds insured by it for all purposes of this Seventh Supplement or the Master Resolution.

ARTICLE IV PAYMENTS AND REBATE FUND

Section 4.01. PAYMENTS. (a) Accrued and Capitalized Interest. Immediately after the delivery of each Series of Bonds the Commission shall deposit any accrued interest and any sale proceeds to be used to pay capitalized 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 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 Seventh Supplement for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Seventh 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.

ARTICLE V COVENANTS REGARDING TAX EXEMPTION

Section 5.01. COVENANTS REGARDING TAX EXEMPTION. (a) Covenants. The Commission covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Commission covenants as follows:

(1) to take any action to assure that no more than ten percent (10%) of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code

or, if more than ten percent (10%) of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Commission, with respect to such private business use, do not, under the terms of this Seventh Supplement or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than ten percent (10%) of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds five percent (5%) of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent (5%) is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent (5%) of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of three (3) years or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service funds, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement funds to the extent such amounts do not exceed ten percent (10%) of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene

the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant in subsection (a)(8), a "Rebate Fund" has been established in Section 4.02 of this Seventh Supplement by the Commission for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders.

(c) Proceeds. The Commission understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Commission that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Commission will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Commission agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Commission hereby authorizes and directs the Chief Financial Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Commission, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

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 Seventh 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 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 Bonds, or (ii) the date the 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 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 with the 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 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.

ARTICLE VI AMENDMENTS AND MODIFICATIONS

Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS OF BONDS. Subject to the provisions of the Master Resolution, this Seventh Supplement and the rights and obligations of the Commission and of the Owners of the Outstanding Bonds, this Seventh 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 Seventh 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 Seventh Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Seventh 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 Seventh 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 State Bond Review Board as a condition to the approval 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; or

(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.

Section 6.02. AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS OF BONDS. (a) Amendments. Subject to the other provisions of this Seventh 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 Seventh 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 Seventh 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 Seventh 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 6.03. EFFECT OF AMENDMENTS. Upon the adoption by the Commission of any resolution to amend this Seventh Supplement pursuant to the provisions of this Article, this Seventh Supplement 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 Outstanding Bonds shall thereafter be determined, exercised, and enforced under the Master Resolution and this Seventh Supplement, as amended.

ARTICLE VII MISCELLANEOUS

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 and sale proceeds to be used to pay capitalized interest for the Series of Bonds, if any, shall be deposited as provided in Section 4.01; and

- (iii) an amount sufficient to pay the remaining costs of issuance of the Bonds and the cost of acquiring, purchasing, constructing, improving, enlarging, and equipping the improvements being financed with the proceeds of each Series of Bonds shall be deposited in a separate subaccount for each Series within the Bond Proceeds Account to be used for such purposes.

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 7.02. MAILED NOTICES. (a) General Notice. Except as otherwise required herein, all notices required or authorized to be given to the Department, any Bond Insurer (as defined in, and pursuant to, Section 3.06 hereof) or the Paying Agent/Registrar pursuant to this Seventh Supplement shall be in writing and shall be sent by registered or certified mail, postage prepaid, to the following addresses or otherwise given in a manner deemed, in writing, acceptable to the party to receive the notice:

1. to the Department:
Texas Department of Transportation
125 East 11th Street
Austin, TX 78701
Attn: Chief Financial Officer
Telephone: (512) 463-8684
Facsimile: (512) 463-6661

2. to the Paying Agent/Registrar:
Wells Fargo Bank, N.A.
400 W. 15th Street, 1st Floor
MAC T5656-013
Austin, TX 78701
Attn: Jose Gaytan, Corporate Trust Services
Telephone: (512) 344-7306
Facsimile: (512) 344-8621

3. to the Tender Agent:
Wells Fargo Bank, N.A.
400 W. 15th Street, 1st Floor
MAC T5656-013
Austin, TX 78701
Attn: Jose Gaytan, Corporate Trust Services
Telephone: (512) 344-7306
Facsimile: (512) 344-8621

4. To the Remarketing Agent:
As set forth in the Remarketing Agreement.
5. To the Liquidity Facility:
As set forth in the Liquidity Facility

(b) Rating Agency Notice. The Commission shall give prior written notice to the Rating Agencies of any of the following events:

- (i) Change of Paying Agent, Tender Agent, Broker-Dealer, the Liquidity Facility Issuer or Remarketing Agent;
- (ii) Any material changes to the Master Resolution or this Supplement that affect the Variable Rate Bonds;
- (iii) Any changes to the Liquidity Facility or any agreement with the Liquidity Facility Issuer, Remarketing Agent, Broker-Dealer or Tender Agent pertaining to the Variable Rate Bonds;
- (iv) Any expiration, termination or extension of the Liquidity Facility or the obtaining of an Alternate Liquidity Facility pertaining to the Variable Rate Bonds;
- (v) Any action in connection with a change to a Daily Mode, Weekly Mode, Term Rate Mode, Fixed Rate Mode, Commercial Paper Mode or Auction Rate Mode; and
- (vi) Any redemption, defeasance or mandatory tender of all the Outstanding Variable Rate Bonds.

or to such other addresses as may from time to time be furnished to the parties, effective upon the receipt of notice thereof given as set forth above.

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 Seventh Supplement, and such principal and interest shall be payable solely from such money or 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 Seventh 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 to the General Account of the Mobility Fund.

(c) Continuing Duty of Paying Agent and Registrar. Notwithstanding any provision of any other Section of this Seventh 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 Seventh Supplement.

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

(f) Interest Rate. Notwithstanding anything elsewhere in this Seventh Supplement, any Variable Rate Bonds shall be deemed to be paid and discharged only if the amount held under Section 7.03 (a) shall be sufficient to provide for the payment of such Variable Rate Bonds assuming the highest possible interest rate (as established in accordance with this Seventh Supplement) to Maturity or the redemption date thereof.

Section 7.04. PAYING AGENT/REGISTRAR AGREEMENT. The Department Representative is authorized to enter into and carry out the Paying Agent/Registrar Agreement by and between the Department and the Paying Agent/Registrar with respect to each Series of Bonds in substantially the form previously approved by the Commission in connection with the Outstanding Parity Debt.

Section 7.05. FURTHER PROCEDURES. Each Department Representative is hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Commission all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Seventh Supplement, each Series of Bonds, the sale and delivery of each Series of Bonds, and fixing all details in connection therewith, and the Paying Agent/Registrar Agreement, and to approve the Official Statement, or supplements thereto, in connection with each Series of Bonds. In connection with the issuance and delivery of each Series of Bonds, the above-stated officers, with the advice of General Counsel to the Department and Bond Counsel to the Department, are hereby authorized to approve, subsequent to the date of the adoption of this Seventh Supplement, any amendments to the above named documents, and any technical amendments to this Seventh Supplement as permitted by Section 6.01 (v) or (vi) and a Department Representative is hereby authorized to execute this Seventh Supplement to evidence approval of such changes.

Section 7.06. NONPRESENTMENT OF BONDS. If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or if the Maturity Amounts of Capital Appreciation Bonds become due, if moneys sufficient to pay such Bond shall have been deposited with the Paying Agent/Registrar, it shall be the duty of the Paying Agent/Registrar to hold such moneys, without liability to the Commission, any Owner, or any other person for interest thereon, for the benefit of the Owner of such Bond.

Any moneys so deposited with and held by the Paying Agent/Registrar due to nonpresentment of Bonds must be retained by the Paying Agent/Registrar for a period of at least two years after the final maturity date of the Bonds or advance refunding date, if applicable. Thereafter, to the extent permitted by the unclaimed property laws of the State, such amounts shall be paid by the Paying Agent/Registrar to the Commission, free from the trusts created by this Seventh

Supplement and Owners shall be entitled to look only to the Commission for payment, and then only to the extent of the amount so repaid by the Paying Agent/Registrar.

Section 7.07. EFFECT OF SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS.

Whenever this Seventh Supplement requires any action to be taken on a Saturday, Sunday, or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this Seventh Supplement the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday, or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

Section 7.08. PARTIAL INVALIDITY. If any one or more of the covenants or agreements or portions thereof provided in this Seventh Supplement on the part of the Commission should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Seventh Supplement and the invalidity thereof shall in no way affect the validity of the other provisions of this Seventh Supplement or of the Bonds, but the Owners of the Bonds shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

Section 7.09. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports.

The Commission shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year, financial information and operating data with respect to the Mobility Fund as determined by the Department Representative at the time each Series of Bonds are sold. The Award Certificate shall specify such financial information and operating data. Any financial statements so to be provided shall 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 and shall provide audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If the Commission changes its Fiscal Year, it will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Commission otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(b) Material Event Notices. The Commission shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds;
and
- K. Rating changes.

The Commission shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Commission to provide financial information or operating data in accordance with Section 7.09(a) of this Seventh Supplement by the time required by such Section.

(c) Limitations, Disclaimers, and Amendments. The Commission shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Commission remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Commission in any event will give notice of any deposit made in accordance with Section 7.03 of this Seventh Supplement that causes the Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Commission undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Mobility Fund's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Commission

does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE COMMISSION, THE DEPARTMENT, OR THE COMPTROLLER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE COMMISSION, THE DEPARTMENT, OR THE COMPTROLLER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS IN TRAVIS COUNTY, TEXAS.

No default by the Commission in observing or performing its obligations under this Section shall comprise a breach of or default under this Seventh Supplement or the Master Resolution for purposes of any other provision of this Seventh Supplement.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Commission under federal and state securities laws.

The provisions of this Section may be amended by the Commission from time to time 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 provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 this Seventh Supplement that authorizes such an amendment) of the outstanding Bonds consents to such amendment or (b) a person that is unaffiliated with the Commission (such as Bond Counsel) determines that such amendment will not materially impair the interest of the Owners and beneficial owners of the Bonds. If the Commission so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Section 7.09(a) an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Commission may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision 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.

The filing of such continuing disclosure information with a central post office approved for such purposes by the SEC, such as Disclosure USA, for submission to the NRMSIRs and SID (without also separately submitting such filings to the NRMSIRs and SID by some other means) will satisfy the Commission's obligation to file such information with the NRMSIRs and SID so long as such filing is acceptable to the SEC.

Section 7.10. OFFICIAL STATEMENT. The Department Representative is authorized to approve the Preliminary Official Statement. A Department Representative and the General Counsel of the Department are hereby authorized to prepare and complete the Preliminary Official Statement and the Final Official Statement, as necessary.

Section 7.11. CREDIT AGREEMENT. (a) Pursuant to the 1992 International Swap Dealers Association, Inc. ("ISDA") Master Agreement dated as of September 28, 2006, between the Commission and Goldman Sachs Mitsui Marine Derivative Products, L.P., the 1992 ISDA Master Agreement dated as of September 28, 2006, between the Commission and JPMorgan Chase Bank, N.A., the 1992 ISDA Master Agreement dated September 28, 2006 between the Commission and Morgan Stanley Capital Services Inc. and the 1992 ISDA Master Agreement with UBS AG (collectively, the "Approved Swap Agreements") and any New Swap Agreements (as defined below, and collectively with the Approved Swap Agreements, the "Swap Agreements") authorized by subsection (b) of this Section 7.11, the Department Representative may accept and execute confirmations under one or more of the Swap Agreements when, in his or her judgment, (i) the execution of such confirmation is consistent with the Commission's Derivative Management Policy, and (ii) the transaction is expected to reduce the net interest to be paid by the Commission with respect to the Bonds or any other Parity Debt over the term of the confirmation or given the market conditions at the time, the transaction is in the best interest of the Commission. Such transactions may be entered into for the purpose of (i) locking-in a fixed rate on a variable rate debt, (ii) creating synthetic variable rate exposure for the purpose of managing debt service payments, (iii) hedging risks in the context of a particular financing plan, (iv) utilizing a forward starting swap, or to the extent permitted by law, a swaption, (v) asset/liability matching purposes or (vi) creating basis risk exposure for purposes of managing debt service payments. The Department Representative may also accept and execute confirmations to alter exposure to market risks and, when used in combination with new or outstanding Parity Debt, including the Bonds, to enhance the relationship between risk and return, achieve other policy objectives of the Commission, and given the market conditions at the time, is in the best interest of the Commission. When such confirmations are executed on behalf of the Commission, the costs thereof and the amounts payable thereunder shall be paid out of Pledged Revenues. Each Swap Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and Chapter 1371, Government Code, as amended, and constitutes Parity Debt under the Master Resolution, except to the extent that a Swap Agreement provides that an obligation of the Commission thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt.

(b) The Department Representative is hereby authorized to enter into ISDA Master Agreements with counterparties of credit quality in accordance with the Commission's Derivative Management Policy (the "New Swap Agreements") in substantially the same form as the Approved Swap Agreements, with such changes as, in the judgment of the Department Representative, with the advice and counsel of General Counsel and Bond Counsel, are necessary to carry out the intent of the Commission as expressed in this Seventh Supplement, to receive approval of the Swap Agreements by the Attorney General of the State of Texas, or to incorporate credit rating agency comments relating to the Swap Agreements. The Department Representative is authorized to enter into such agreements and to enter into transactions in furtherance of and to carry out the intent of this Seventh Supplement.

(c) The Department Representative is hereby authorized to enter into amendments to the Swap Agreements to allow confirmations thereunder to be issued and entered into with respect to the Bonds or to any other Parity Debt and to make such other amendments as in the judgment of the Department Representative, the General Counsel and Bond Counsel are necessary to allow the Commission to achieve the benefits of the Swap Agreements in accordance with and subject to the Commission's Derivative Management Policy and this Section.

(d) In addition to the authority granted in subsections (a), (b), and (c) of this Section and in Section 2.02(b), the Department Representative is granted continuing authority to enter into the following specific transactions under one or more of the Swap Agreements upon satisfaction of the following respective conditions:

(1) Floating to fixed rate interest rate swap transactions under which the Commission would pay a fixed rate of interest and the Counterparty would pay a variable rate of interest in a maximum notional amount not to exceed to the aggregate principal amount or maturity date of Parity Debt then outstanding bearing interest at a variable rate. Prior to entering into such transaction the Department Representative must deliver to the Executive Director a certificate to the effect that (i) it would be beneficial to the Commission to hedge a portion of its variable rate exposure by converting a portion of its variable rate debt to fixed rate debt, (ii) this result could be achieved by refunding the portion of variable rate debt with fixed rate debt or by creating a synthetic fixed rate through the use of a floating to fixed rate interest rate swap with a notional amount equal to the principal amount of bonds being hedged, (iii) the synthetic fixed rate is expected to result in a lower net interest cost than if fixed rate bonds were issued, and (iv) if the variable rate being paid by the Commission is computed on a basis different from the calculation of the variable rate under the swap transaction over the stated term of the Swap Agreement, the basis risk of the transaction is expected to be minimal based upon historical relationships.

(2) Fixed to floating rate interest rate swap transactions under which the Commission would pay a variable rate of interest and the Counterparty would pay a fixed rate of interest, with respect to a given principal amount of outstanding Parity Debt bearing interest at fixed rates, provided however, that the maximum cumulative notional amount of such fixed to floating interest rate swap transaction shall not exceed the aggregate principal amount or maturity date of Parity Debt then outstanding bearing interest at a fixed rate. Prior to entering into such transaction the Department Representative must deliver to the Executive Director a certificate to the effect that converting such portion of the then outstanding fixed rate Parity Debt to a variable rate pursuant to the fixed to floating interest rate swap transaction, with the scheduled reduction in the notional amount corresponding to the maturity schedule of the Parity Debt being swapped against, would be beneficial to the Commission by lowering the anticipated net interest cost on the outstanding Parity Debt to be swapped against.

(3) Basis rate swap transactions under which the Commission would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the Counterparty would pay a variable rate of interest computed on a different basis, such as London Inter Bank Offered Rate ("LIBOR"), with respect to a given principal amount of outstanding Parity Debt, provided however, that the maximum cumulative

notional amount of such basis risk interest rate swap transactions shall not exceed 50% of the aggregate principal amount of Parity Debt then outstanding and the maximum maturity date shall not exceed the maturity of the related Parity Debt. Prior to entering into such transaction, the Department Representative must deliver to the Executive Director a certificate to the effect that by entering into the basis risk interest rate swap transaction (i) the Commission will be able to (A) achieve income from basis spread or upfront cash payments, (B) preserve call option and advance refunding capability, (C) lower net interest cost by effecting a synthetic refunding without issuing additional bonds or acquiring credit enhancement, (D) lower net interest cost by layering tax risk on top of a traditional fixed rate financing, (E) preserve liquidity capacity, or (F) avoid or mitigate the marked to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments, and (ii) the transaction is expected to lower the anticipated net interest cost on the Parity Debt to be swapped against over the stated term of the Swap Agreement.

(4) Interest rate locks, caps, floors, and collars may be executed under one or more of the Swap Agreements for the purpose of limiting the exposure of the Commission to interest rate volatility in connection with the outstanding Parity Debt, or additional Parity Debt anticipated to be issued in the future as set forth in a certificate of the Department Representative.

(e) To the extent that the Commission receives any initial payment at the time of entering into a transaction under any agreement authorized by this Section 7.11, such payments shall be applied to pay: (i) the costs of entering into such transaction, (ii) costs of transportation projects authorized by the Constitutional Provision, the Enabling Act and any other applicable provision of State law, or (iii) debt service on the related obligations or other Parity Debt. To the extent that the Commission receives any net payments as a result of assigning its rights to a termination payment or assigning its rights and obligations under a transaction under any agreement authorized by this Section 7.11, such payments shall be applied to pay: (i) debt service on the related obligations or other Parity Debt or (ii) costs of transportation projects authorized by the Constitutional Provision, the Enabling Act and any other provisions of State law.

Section 7.12. 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 under the Master Resolution and any Supplement pursuant to mandamus proceedings. Any owner of the Bonds in the event of default in connection with any covenant contained in the Master Resolution or in this Seventh Supplement, or default in the payment of said obligations, or of any interest due thereon, 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 Master Resolution or this Seventh 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, the State or any appropriate official of the State.

Section 7.13. RULES OF INTERPRETATION. For purposes of this Seventh Supplement, except as otherwise expressly provided or the context otherwise requires:

(a) The words "herein," "hereof" and "hereunder" and other similar words refer to this Seventh Supplement as a whole and not to any particular Article, Section, or other subdivision.

(b) The definitions in an Article are applicable whether the terms defined are used in the singular or the plural.

(c) All accounting terms that are not defined in this Seventh Supplement have the meanings assigned to them in accordance with then applicable accounting principles.

(d) Any pronouns used in this Seventh Supplement include both the singular and the plural and cover both genders.

(e) Any terms defined elsewhere in this Seventh Supplement have the meanings attributed to them where defined.

(f) The captions or headings are for convenience only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or sections hereof.

(g) Any references to Section numbers are to Sections of this Seventh Supplement unless stated otherwise.

Section 7.14. NO PERSONAL LIABILITY. No covenant or agreement contained in the Bonds, this Seventh Supplement or any corollary instrument shall be deemed to be the covenant or agreement of any member of the Commission or any officer, agent, employee or representative of the Commission in his individual capacity, and neither the directors, members, officers, agents, employees or representatives of the Commission nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed in relation to the issuance of the Bonds, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds.

Section 7.15. PAYMENT OF ATTORNEY GENERAL FEE. The Commission hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds of each Series or (ii) \$9,500 per Series, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The Department Representative is hereby instructed to take the necessary measures to make this payment. The Commission is also authorized to reimburse the appropriate Commission funds for such payment from proceeds of the Bonds of each Series.

The Commission has caused this Seventh Supplement to be executed by a Department Representative and its official seal to be impressed hereon.

TEXAS TRANSPORTATION COMMISSION

By: _____
Department Representative

[SEAL]

EXHIBIT "A"

DEFINITIONS

As used in this Seventh Supplement, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Acts" - The Constitutional Provision, the Enabling Act, and Chapter 1371, Texas Government Code, as amended.

"Alternate Liquidity Facility" - A Credit Agreement issued pursuant to Section 5.01 of Exhibit "D" to provide liquidity support for the Variable Rate Bonds.

"Alternate Rate" - As of any Rate Determination Date, for any Mode, a rate per annum equal to 110% of (a) the BMA Municipal Swap Index of Municipal Market Date, formerly the PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) (the "BMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the BMA Rate is no longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), or if neither the BMA Rate nor the Kenny Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meetings criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the BMA Rate just prior to when the Bond Market Association stopped publishing the BMA Rate. The Tender Agent shall make the determinations required by this determination, upon notification from the Commission, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

"Auction Agent" - As defined in Exhibit "E".

"Auction Date" - As defined in Exhibit "E".

"Auction Period" - As defined in Exhibit "E".

"Auction Rate" - As defined in Exhibit "E".

"Auction Procedures" - As defined in Exhibit "E".

"Auction Rate Mode" - The Mode during which the duration of the Auction Period and the interest rate is determined in accordance with Exhibit "E".

"Authorized Denominations" - With respect to Fixed Rate Bonds (i) as Current Interest Bonds, \$5,000 or any integral multiple thereof or (ii) as Capital Appreciation Bonds, \$5,000 in Maturity Amount or any integral multiple thereof. With respect to Variable Rate Bonds (i) in an Auction Rate Mode, \$25,000 and any integral multiple thereof, (ii) in a Commercial Paper Mode,

Initial Mode, Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, and (iii) in a Term Rate Mode or Fixed Rate Mode, \$5,000 and any integral multiple thereof, provided, however, that if as a result of the change in the Mode of the Variable Rate Bonds from a Term Rate Mode to a Commercial Paper Mode, Daily Mode or Weekly Mode, it is not possible to deliver all the Variable Rate Bonds required or permitted to be Outstanding in a denomination permitted above, the Variable Rate Bonds may be delivered, to the extent necessary, in different denominations.

"Authorized Representative" - Means the Executive Director of the Department, each Deputy Executive Director of the Department and each Assistant Executive Director of the Department, or such other individuals so designated by the Commission to perform the duties of an Authorized Representative under this Seventh Supplement.

"Award Certificate" - The Award Certificate of the Department Representative to be executed and delivered pursuant to Section 2.02(b) hereof in connection with each Series of Bonds.

"Bonds" - The Bonds issued in one or more series pursuant to and governed by this Seventh Supplement, as described in Article II hereof which includes the Fixed Rate Bonds, the Current Interest Bonds, the Capital Appreciation Bonds and Variable Rate Bonds, as applicable, in accordance with the Award Certificate.

"Bond Insurer" - One or more companies, if any, insuring any Series of Bonds (or any portion thereof) or any successor thereof or assignee thereof as set forth in any Award Certificate.

"Broker-Dealer" - As defined in Exhibit "E".

"Business Day" - Any day except (i) a Saturday, Sunday or legal holiday, (ii) any other day on which commercial banks and trust companies in the City of New York, or any City in which the principal office of the Commission, the Paying Agent, the Tender Agent, the Auction Agent (if the Variable Rate Bonds are in an Auction Rate Mode), the Broker-Dealers (if the Variable Rate Bonds are in an Auction Rate Mode), the Remarketing Agent or the Liquidity Facility Issuer are authorized or required to remain closed, or are closed for any other reason, or (iii) a day on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" - 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, the Deputy Director of the Finance Division of the Department, the Debt Management Director of the Department or such other officer or employee of the Department or such other individual so designated by the Commission to perform the duties of Chief Financial Officer under this Seventh Supplement.

"Commercial Paper Mode" - The Mode during which the duration of the Interest Periods and the interest rates are determined under Section 2.01 of Exhibit "D".

"Commercial Paper Rate Bond" - Any Variable Rate Bond while in a Commercial Paper Mode.

"Compounded Amount" - 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 Section 2.02 of this Seventh Supplement and the Compounded Amount Table relating to such Bonds.

"Compounded Amount Table" - 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.

"Compounding Dates" - Compounding Dates as defined in Section 2.02 of this Seventh Supplement.

"Current Interest Bonds" - The Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in an Award Certificate.

"Current Mode" - From time to time, the then-prevailing Mode at which the Variable Rate Bonds bear interest, as described in Section 2.07(b) of Exhibit "D".

"Daily Mode" - The Mode during which Variable Rate Bonds bear interest at a Daily Rate.

"Daily Rate" - An interest rate determined pursuant to Section 2.02 of Exhibit "D".

"Defeasance Securities" - Means (i) Federal Securities, (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, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded 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 no less than "AAA" or its equivalent.

"Department Representative" - An Authorized Representative or a Chief Financial Officer of the Department.

"DTC" - The Depository Trust Company, New York, New York, or any successor securities depository.

"DTC Participant" - Securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Electronic Means" - Telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"Expiration Date" - The scheduled expiration date of the Liquidity Facility, as such date may be extended from time to time as provided therein, or the date on which such Liquidity Facility shall terminate pursuant to an election to terminate by the Commission. The term "Expiration Date" shall not mean any date upon which such Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Variable Rate Bonds are converted to a Daily Mode, a Weekly Mode, a Commercial Paper Mode or a Term Rate Mode or the expiration of such Liquidity Facility by reason of the obtaining of an Alternate Liquidity Facility.

"Expiration Tender Date" - The meaning set forth in clause (i) of Section 4.05 of Exhibit "D".

"Favorable Opinion of Bond Counsel" - 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 laws of the State of Texas, including the Acts, the Master Resolution and this Seventh Supplement and that such action will not impair the exclusion of interest on such Variable Rate Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

"Favorable Opinion of Bond Counsel" - 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 Acts, the Master Resolution and this Seventh Supplement and that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

"Federal Securities" - 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).

"Fixed Rate" - An interest rate fixed to the Maturity Date of the Variable Rate Bonds.

"Fixed Rate Bonds" - The Bonds of a Series bearing interest at fixed, nonvariable interest rate(s), as established in accordance with Section 2.02 of this Seventh Supplement and the Award Certificate and does not include Variable Rate Bonds in the Fixed Rate Mode.

"Fixed Rate Mode" - The period during which Variable Rate Bonds bear interest at a Fixed Rate.

"Highest Lawful Rate" - 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).

"Interest Payment Date" - The following dates upon which interest is payable on the Variable Rate Bonds:

- (i) any Principal Payment Date or Mode Change Date;
- (ii) with respect to a Commercial Paper Rate Bond, the Business Day following the last day of the Interest Period therefor;
- (iii) with respect to the Daily Mode and the Weekly Mode, the first Business Day of each calendar month;
- (iv) with respect to the Term Rate Mode, each April 1 and October 1 prior to the Purchase Date and the Purchase Date;
- (v) with respect to the Auction Rate Mode, each date that is specified as an "Interest Payment Date" in Exhibit "E";
- (vi) with respect to the Fixed Rate Mode, each April 1 and October 1, provided that the Interest Payment Dates for the Fixed Rate Mode may be changed in connection with the conversion to such Mode upon receipt of a Favorable Opinion of Bond Counsel; and
- (vii) with respect to Purchased Bonds, the dates provided in the Liquidity Facility.

"Interest Period" - The period of time that any interest rate remains in effect, which period:

- (i) with respect to a Commercial Paper Rate Bond, shall be the period established by the Remarketing Agent pursuant to Section 2.01 of Exhibit "D";
- (ii) with respect to Variable Rate Bonds in the Daily Mode, shall be the period from and including a Business Day to but excluding the next Business Day;
- (iii) with respect to Variable Rate Bonds in the Weekly Mode, shall be the periods from and including the Issuance Date (if initially issued in the Weekly Mode) or the Mode Change Date that they began to bear interest at the Weekly Rate to and including the following Tuesday, and thereafter, commencing on each Wednesday to and including Tuesday of the following week;

(iv) with respect to Variable Rate Bonds in the Term Rate Mode, the period from the Mode Change Date to and including the last day upon which an interest rate determined by the Remarketing Agent pursuant to Section 2.04 of Exhibit "D" shall be in effect, and thereafter, shall be the period beginning on the day after the end of the prior Interest Period and ending on the last day upon which the interest rate determined by the Remarketing Agent pursuant to Section 2.04 of Exhibit "D" shall be in effect; provided, that no Interest Period shall extend beyond the day preceding any Mandatory Purchase Date or the Maturity Date; and, provided further, that such Interest Period shall be at least six (6) months or a multiple of six (6) months; and

(v) with respect to Variable Rate Bonds in the Fixed Rate Mode, the period from and including the Mode Change Date to and including the earlier of the Maturity Date or the date such Variable Rate Bonds are redeemed or purchased in lieu thereof.

"Issuance Date" - The date of delivery of a Series of Bonds to the initial purchaser(s) thereof against payment therefor.

"Liquidity Amount" - At any time and with respect to: (i) Commercial Paper Rate Bonds, an amount equal to the aggregate principal amount thereof then Outstanding plus an interest amount equal to at least 270 days' interest thereon calculated at the Maximum Rate (for Variable Rate Bonds other than Purchased Bonds) on the basis of a 365-day year for the actual number of days elapsed; (ii) Variable Rate Bonds bearing interest at the Daily Rate or the Weekly Rate, an amount equal to the aggregate principal amount of the Variable Rate Bonds then Outstanding plus an interest amount equal to 35 days' interest thereon calculated at the Maximum Rate (for Variable Rate Bonds other than Purchased Bonds) on the basis of a 365-day year for the actual number of days elapsed; and (iii) Variable Rate Bonds bearing interest at the Term Rate an amount equal to the aggregate principal amount of the Variable Rate Bonds then Outstanding plus an interest amount equal to 180 days interest thereon calculated at the Maximum Rate (for Variable Rate Bonds other than Purchased Bonds) on the basis of a 360-day year composed of twelve 30-day months.

"Liquidity Facility" - Initially, a Credit Agreement as defined and provided in the Master Resolution and this Seventh Supplement to provide liquidity support for the Variable Rate Bonds in the form of a Standby Bond Purchase Agreement in substantially the form previously approved by the Commission in connection with the Outstanding Parity Debt, between the Commission, and the Liquidity Facility Issuer, and upon the issuance of any Alternate Liquidity Facility pursuant to this Seventh Supplement, such Alternate Liquidity Facility.

"Liquidity Facility Issuer" - Initially, such bank providing liquidity on the Variable Rate Bonds and if and when an Alternate Liquidity Facility is provided with respect to the Variable Rate Bonds, the issuer of such Alternate Liquidity Facility.

"Mandatory Purchase Date" - (i) the Purchase Date of Variable Rate Bonds in the Initial Mode, the Commercial Paper Mode or the Term Rate Mode, (ii) any Mode Change Date, (iii) the Substitution Date, (iv) the Expiration Tender Date and (v) the Termination Tender Date.

"Master Resolution" - The "Master Resolution Establishing the Texas Transportation Commission Mobility Fund Revenue Financing Program," adopted by Minute Order of the Commission on May 4, 2005, as may be amended or supplemented from time to time including the First Amendment to the Master Resolution approved by Minute Order of the Commission on September 27, 2007.

"Maturity" - When used with respect to the Bonds, the scheduled maturity of the Bonds.

"Maturity Amount" - The Compounded Amount of a Capital Appreciation Bond due on its Maturity.

"Maturity Date" - The final maturity date of the Series 2006-B Bonds which shall be such date as established pursuant to Section 2.02(b) hereof.

"Maximum Rate" - For the Bonds other than Purchased Bonds, the lesser of (i) 12% per annum or (ii) the Highest Lawful Rate. With respect to Purchased Bonds, as provided in the Liquidity Facility.

"Mode" - The Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Auction Rate Mode or the Fixed Rate Mode.

"Mode Change Date" - The date one Mode terminates and another Mode begins (including the date on which Variable Rate Bonds are subject to mandatory purchase pursuant to Section 4.04(a) of Exhibit "D" without the right of the holders thereof to elect to continue to hold such Variable Rate Bonds) but does not include a change in Mode associated with a purchase in lieu of redemption.

"MSRB" - The Municipal Securities Rulemaking Board.

"New Mode" - Shall have the meaning specified in Section 2.07(b) of Exhibit "D".

"Notice Parties" - The Commission, the Paying Agent/Registrar, the Remarketing Agent, the Tender Agent, the Rating Agencies, the Auction Agent, all Broker-Dealers and the Liquidity Facility Issuer.

"NRMSIR" - Each person whom the SEC or its staff has determined to be a nationally-recognized municipal securities information repository within the meaning of the Rule from time to time.

"Outstanding Parity Debt" - The following previously issued and outstanding obligations: "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-A," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2005-B (Multi-Modal Bonds)," the reimbursement obligations under the Liquidity Facility related to the Series 2005-B Bonds, "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006," "Texas Transportation Commission State

of Texas General Obligation Mobility Fund Bonds, Series 2006-A," "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B" and "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007."

"Owner" - The registered owners of the Bonds as shown on the Security Register and to the extent set forth in a Credit Agreement relating to the Bonds, the party contracting with the Commission under a Credit Agreement.

"Paying Agent" - The agent selected and appointed by the Commission for purposes of paying the principal of, premium, if any, and interest on the Bonds to the Owners thereof, as identified in Section 2.03 hereof and any successor to such agent.

"Paying Agent/Registrar" - Collectively, the Paying Agent and the Registrar designated in Section 2.03 of this Seventh Supplement or any successor to such agent.

"Paying Agent/Registrar Agreement" - The agreement having such name executed by and between the Department and the Paying Agent/Registrar.

"Predecessor Bonds" - Predecessor Bonds as defined in Section 2.05(a) hereof.

"Principal Payment Date" - Any date upon which the principal amount of Series 2006-B Bonds is due hereunder at Maturity or on any Redemption Date.

"Purchase Date" - With respect to any Variable Rate Bond (i) in the Commercial Paper Mode, the Term Rate Mode or the Fixed Rate Mode (for Series 2006-B Bonds in a Fixed Rate Mode that are purchased in the manner described in Section 4.04(b) of Exhibit "D"), the Business Day after the last day of the Interest Period applicable thereto, (ii) during the Daily Mode or Weekly Mode, any Business Day upon which such Series 2006-B Bond is tendered or deemed tendered for purchase pursuant to Section 4.01 of Exhibit "D".

"Purchase Fund" - The fund that may be established pursuant to Section 4.07 of Exhibit "D".

"Purchase Price" - With respect to any Variable Rate Bonds, 100% of the principal amount thereof plus accrued interest, if any, to and including the date of such purchase, provided however, that if the purchase is made on an Interest Payment Date, the Purchase Price shall not include accrued but unpaid interest, and provided further, however, that the Purchase Price shall not include premium in the case of Variable Rate Bonds subject to mandatory tender for purchase on a date when such Variable Rate Bonds are also subject to optional redemption at a premium.

"Purchased Bond Rate" - For any date, the interest rate applicable to Purchased Bonds on such date as described in Section 1.03(c) of Exhibit "D" and as provided for in the Liquidity Facility.

"Purchased Bonds" - Variable Rate Bonds that are purchased on a Purchase Date or Mandatory Purchase Date with immediately available funds transferred to the Tender Agent from amounts available under the Liquidity Facility pursuant to Section 4.09(a) of Exhibit "D".

"Rate Determination Date" - Any date on which the interest rate on any Variable Rate Bonds is required to be determined, being: (i) in the case of any Commercial Paper Rate Bond, the first day of each Interest Period; (ii) in the case of Variable Rate Bonds in the Daily Mode, each Business Day; (iii) in the case of Variable Rate Bonds in the Weekly Mode, for any Interest Period commencing on any Mode Change Date, the Business Day immediately preceding the respective Mode Change Date, and for other Interest Periods thereafter, each Tuesday or, if such Tuesday is not a Business Day, the Business Day next succeeding such Tuesday; and (iv) in the case of Variable Rate Bonds to be, or continue to be, in the Term Rate Mode or Fixed Rate Mode, a Business Day prior to the first day of an Interest Period.

"Rating Agencies" - The rating agencies then maintaining a rating on the Variable Rate Bonds.

"Rebate Fund" - The fund by that name described in Section 4.02 hereof.

"Record Date" - With respect to each interest payment date of a Current Interest Bond, the date as determined in the respective Award Certificate. With respect to Variable Rate Bonds (i) in a Commercial Paper Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) in the Auction Rate Mode, the Daily Mode or the Weekly Mode, the Business Day next preceding an Interest Payment Date or (iii) in the Term Rate Mode or the Fixed Rate Mode, the 15th day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

"Redemption Date" - The date fixed for redemption of Variable Rate Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

"Registrar" - The agent selected and appointed by the Commission for purposes of keeping and maintaining books and records relating to the registration, transfer, exchange, and payment of the Bonds and interest thereon, as identified in Section 2.03 hereof and any successor to such agent.

"Remarketing Agent" - The remarketing agent(s) at the time serving as such for the Variable Rate Bonds as designated by the Department Representative.

"Remarketing Agreement" - The remarketing agreement entered into between the Commission and the Remarketing Agent with respect to the Variable Rate Bonds in substantially the form approved by the Commission in connection with the Outstanding Parity Debt.

"Rule" - SEC Rule 15c2-12, as amended from time to time.

"SEC" - The United States Securities and Exchange Commission.

"Section" - Unless the context clearly requires otherwise, refers to a Section of this Seventh Supplement.

"Security Register" - The books and records kept and maintained by the Registrar relating to the registration, transfer, exchange, and payment of the Bonds and the interest thereon.

"Series" - A separate series of Bonds as specified by or pursuant to the terms of this Seventh Supplement.

"Seventh Supplement" - This Seventh Supplemental Resolution, which was adopted pursuant to authority reserved by the Commission under the Master Resolution and adopted by Minute Order of the Commission on September 27, 2007, as may be amended or supplemented from time to time.

"SID" - Any person designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"State" - The State of Texas.

"Substitution Date" - The date on which an Alternate Liquidity Facility is to be substituted for a then-existing Liquidity Facility in effect pursuant to Section 5.01 of Exhibit "D".

"Tender Agent" - The Tender Agent for the Variable Rate Bonds appointed by the Department Representative.

"Tender Agent Agreement" - The agreement between the Commission and the Tender Agent with respect to the Variable Rate Bonds in substantially the form approved by the Commission in connection with the Outstanding Parity Debt.

"Term Rate" - An interest rate determined pursuant to Section 2.04(a) of Exhibit "D".

"Term Rate Mode" - The Mode during which Variable Rate Bonds bear interest at a Term Rate.

"Termination Date" - With respect to a Liquidity Facility, both (i) the date on which such Liquidity Facility shall terminate pursuant to its terms or otherwise be terminated prior to its Expiration Date and (ii) the date on which the obligation of the Liquidity Facility Issuer to purchase Variable Rate Bonds shall terminate; provided, however, that the "Termination Date" shall not mean the date on which such Liquidity Facility shall terminate pursuant to an election to terminate by the Commission or the date on which any automatic termination or suspension thereof occurs without notice, in accordance with the terms of the Liquidity Facility.

"Termination Tender Date" shall have the meaning set forth in clause (ii) of Section 4.05 of Exhibit "D".

"Variable Rate Bonds" - The Bonds of a Series bearing interest at variable interest rate(s), as established in accordance with Section 2.02 of this Seventh Supplement and the Award Certificate and Exhibit "D".

"Weekly Mode" - The Mode during which Variable Rate Bonds bear interest at a Weekly Rate.

"Weekly Rate" - An interest rate determined pursuant to Section 2.03 of Exhibit "D".

at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner hereof.

[FORM OF FIRST TWO PARAGRAPHS OF CAPITAL APPRECIATION BOND]

No. CR-_____ \$ _____

ISSUE
DATE:

INTEREST
RATE:

MATURITY
DATE:

CUSIP:

REGISTERED OWNER:

MATURITY AMOUNT: _____ DOLLARS

On the Maturity Date specified above, the Texas Transportation Commission (the "Commission"), being the governing body of the Texas Department of Transportation (the "Department") an agency of the State of Texas, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the Registered Owner set forth above, or the registered assigns thereof, the Maturity Amount specified above, representing the original principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof plus initial premium, if any, from the Issue Date at the interest rate per annum specified above, compounded semiannually on _____* and _____* of each year commencing _____*.

The Maturity Amount on this Bond shall be payable in lawful money of the United States of America, without exchange or collection charges, and interest payments shall be made by the Paying Agent/Registrar by check sent on or before the appropriate date of payment, by United States mail, first-class postage prepaid, to the Registered Owner hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner hereof. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount stated above compounded semiannually at the yield shown on such table.

*As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

**[REMAINDER OF EACH CURRENT INTEREST BOND
AND CAPITAL APPRECIATION BOND]**

This Bond is one of a duly authorized issue of bonds designated as "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 20__" (the "Bonds"), in the aggregate principal amount of \$_____ issued pursuant to the laws of the State of Texas, including specifically the Constitutional Provision, the Enabling Act, and Chapter 1371, Texas Government Code, as amended (collectively, the "Acts"), and initially under and pursuant to a resolution of the Commission adopted by minute order on September 27, 2007, and entitled Seventh Supplemental Resolution to the Master Resolution Authorizing the Texas Transportation Commission Mobility Fund Revenue Financing Program (the "Seventh Supplement") for the purpose of (i) paying costs of constructing, reconstructing, acquiring, and expanding State highways and providing 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 pursuant to Section 201.943(d), Texas Transportation Code and (ii) paying the costs of issuing the Bonds. The Bonds are secured by a first lien on and pledge of the Security as defined in the Master Resolution adopted by minute order on May 4, 2005 (as amended by the First Amendment, the "Master Resolution"), on a parity with all other Parity Debt (as defined in the Master Resolution and the Seventh Supplement). Pursuant to the Commission's exercise of such authority in the Seventh Supplement, the Bonds are additionally secured by the State guarantee.

The Master Resolution, as supplemented by the Seventh Supplement, is referred to in this Bond as the "Resolution." Terms used herein and not otherwise defined shall have the meanings given in the Resolution.

*[The Bonds are issued in part as "Current Interest Bonds," which total in principal amount \$_____, and which pay accrued interest at stated intervals to the Registered Owners and in part as "Capital Appreciation Bonds," which total in original principal amount \$_____ and pay no accrued interest prior to their Stated Maturities.]

Redemption Provisions

[As provided in the Award Certificate]**

Notice of redemption shall be given at the times and in the manner provided in the Seventh Supplement.

*To be included with respect to a Series of Bonds only if Current Interest Bonds and Capital Appreciation Bonds are both issued.

**As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

If this Bond is in a denomination in excess of \$5,000, portions of the principal sum hereof in ***[principal amount] ****[Maturity Amount] of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Registered Owner hereof, upon the surrender of this Bond at the principal office of the Paying Agent/Registrar, a new Bond or Bonds of like maturity, series and interest rate in any authorized denominations provided by the Resolution for the then unredeemed balance of the ***[principal amount] ****[Maturity Amount] hereof. If this Bond is selected for redemption, in whole or in part, neither the Commission nor the Paying Agent/Registrar shall be required to transfer this Bond to an assignee of the Registered Owner within forty-five (45) days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to any exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

The Bonds are special obligations of the Commission, payable, together with the previously issued Outstanding Parity Debt and any additional Parity Debt issued in accordance with the terms of the Resolution, solely from and equally secured by a first lien on and pledge of the Security. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Department, except with respect to the Security. Pursuant to the Commission's exercise of such authority, the Bonds are additionally secured by the State guarantee. The Constitutional Provision provides that while the Bonds are outstanding and for any fiscal year during which the moneys and revenues dedicated to and on deposit in the Mobility Fund are insufficient to make all payments when due, there is appropriated and there shall be deposited in the Mobility Fund, out of the first money coming into the State Treasury in each fiscal year that is not otherwise appropriated by the constitution, an amount which is sufficient to pay the principal of and interest on [and Maturity Amount in the case of Capital Appreciation Bond]* of the Bonds minus any amount in the Mobility Fund that is available for that payment in accordance with applicable laws.

The pledge of revenues and funds and the other obligations of the Commission under the Resolution may be discharged at or prior to the maturity of the Bonds upon the making of provision for their payment on the terms and conditions set forth in the Resolution.

Subject to satisfying the terms and conditions stated in the Resolution, the Commission has reserved the right to issue additional Parity Debt payable solely from and equally and ratably secured by a parity lien on and pledge of the Security and other moneys and securities pledged under the Resolution to the payment of the Bonds.

Reference is hereby made to the Resolution, a copy of which is on file in the designated office of the Paying Agent/Registrar, and to all of the provisions of which any Registered Owner of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and

*** Current Interest Bonds only.

**** Capital Appreciation Bonds only.

*Capital Appreciation Bonds only.

the nature and extent of the security for the Bonds; the Security; the nature and extent and manner of enforcement of the pledge; the terms and conditions for the issuance of additional Parity Debt; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Registered Owners of the Bonds; the rights and remedies of the Registered Owner hereof with respect hereto and thereto; the rights, duties and obligations of the Commission; the terms and provisions upon which the liens, pledges, charges, and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond and this Bond thereafter no longer to be secured by the Resolution or be deemed to be outstanding thereunder; and for the other terms and provisions thereof.

This Bond, subject to certain limitations contained in the Resolution, may be transferred only upon its presentation and surrender at the designated office of the Paying Agent/Registrar named below, or its successor with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Registered Owner hereof, or his duly authorized agent, and such transfer is noted on the Security Register by the Paying Agent/Registrar. When a transfer occurs, one or more new fully-registered Bonds of the same Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate *[principal amount] **[Maturity Amount] will be issued to the designated transferee or transferees.

The Commission and the Paying Agent/Registrar, and any agent of either, shall treat the Registered Owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of *[principal] **[the Maturity Amount] hereof at its Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the Commission nor the Paying Agent/Registrar, nor any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (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 (which shall 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 Registered Owner appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented, and declared that the Department is a duly organized and legally existing agency of the State, organized under and by virtue of the Constitution and laws of the State of Texas; that the issuance of this Bond and the series of which it is a part are duly authorized by law; that all acts, conditions, and things required to exist and be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done,

*Current Interest Bonds only.

** Capital Appreciation Bonds only.

have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas and the Resolution; that this series of bonds does not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of this Bond and the Series of which it is a part as aforesaid. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN TESTIMONY WHEREOF, the Department has caused its seal to be impressed or a facsimile thereof to be printed hereon and this Bond to be executed in the name of and on behalf of the Commission with the manual or facsimile signatures of its Chair or a Commission Member, and attested by the Executive Director as of the Bond Date.

TEXAS TRANSPORTATION COMMISSION

By: _____
Chair [Commission Member]

ATTEST:

Executive Director

(SEAL)

**[INSERTIONS FOR THE INITIAL CURRENT INTEREST BOND
AND CAPITAL APPRECIATION BOND]**

The Initial Bond shall be in the form set forth in this exhibit, except that:

- A. Immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below", and the heading "CUSIP NO." shall be deleted.
- B. The first paragraph of the Current Interest Bond shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

"The Texas Transportation Commission (the "Commission"), being the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the Registered Owner named above, or the registered assigns thereof, on _____ in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

*As determined in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

Principal Amount Maturity Date Issue Date
 (Information from Award Certificate to be inserted)

The Commission promises to pay interest on the unpaid principal amount hereof from the Issue Date specified above at the respective per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on _____*, commencing _____, ____*. Principal of this Bond shall be payable to the Registered Owner hereof, upon presentation and surrender, at the principal office of the Paying Agent/Registrar named in the registration certificate appearing hereon, or its successor. Interest shall be payable to the Registered Owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the ____*. All payments of principal of, premium, if any, and interest on this Bond shall be payable in lawful money of the United States of America, without exchange or collection charges, and interest payments shall be made by the Paying Agent/Registrar by check sent on or before the appropriate date of payment, by United States mail, first-class postage prepaid, to the Registered Owner hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner hereof."

- C. The first two paragraphs of the Capital Appreciation Bond shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

"On the respective Maturity Dates set forth in the following schedule, the Texas Transportation Commission (hereinafter referred to as the "Commission"), being the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the Registered Owner set forth above, or the registered assigns thereof, the respective Maturity Amounts set forth in the following schedule:

Maturity Dates Maturity Amounts Interest Rates

(Information from Award Certificate to be inserted)

The respective Maturity Amounts specified above, represent the original principal amounts hereof and accrued and compounded interest thereon. Interest shall accrue on the principal amounts hereof from the Issue Date at the interest rate per annum specified above, compounded semiannually on _____* and _____* of each year commencing _____*.

The respective Maturity Amounts on this Bond shall be payable in lawful money of the United States of America, without exchange or collection charges, and interest payments shall be

*As determined in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

made by the Paying Agent/Registrar by check sent on or before the appropriate date of payment, by United States mail, first-class postage prepaid, to the Registered Owner hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner hereof. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount stated above compounded semiannually at the yield shown on such table."

- D. The Initial Bond for a Current Interest Bond shall be numbered "T-1", the Initial Bond for a Capital Appreciation Bond shall be numbered "TCR-1" and the Initial Bond for a Variable Rate Bond shall be numbered "V-1".

Form of Registration Certificate of Comptroller of Public Accounts
to Appear on Initial Bond only.

**REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS**

**OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
THE STATE OF TEXAS § REGISTER NO. _____**

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

**AUTHENTICATION CERTIFICATE OF
PAYING AGENT/REGISTRAR**

This Bond has been duly issued and registered under the provisions of the within-mentioned Resolution; the bond or bonds of the above titled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

as Paying Agent/Registrar

Registered this date:

By: _____
Authorized Signature

Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Please insert Social Security or Taxpayer Identification Number of Transferee)

(Please print or typewrite name and address, including zip code, of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guaranteed by:

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Bond in every particular.

[FORM OF VARIABLE RATE BOND]

No. R- _____

\$ _____

UNITED STATES OF AMERICA
TEXAS TRANSPORTATION COMMISSION
STATE OF TEXAS
GENERAL OBLIGATION MOBILITY FUND BONDS,
SERIES _____

INTEREST RATE	MATURITY DATE	ISSUANCE DATE	CUSIP NO.
------------------	------------------	------------------	-----------

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

The Texas Transportation Commission (the "Commission"), for value received, hereby promises to pay to the Registered Owner identified above, or to registered assigns or legal representatives, on the Maturity Date identified above (or earlier as hereinafter provided), but solely from the sources hereinafter described, the Principal Amount identified above, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts upon presentation and surrender hereof at the designated operations office in Wells Fargo Bank, N.A., Austin, Texas, or its successors or assigns, as Paying Agent (the "Paying Agent"), at the option of the Registered Owner hereof, and to pay, solely from such sources, interest on the Principal Amount at the rate or rates of interest and at the times provided for herein.

This Bond is one of a duly authorized issue designated "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series _____" (the "Bonds") issued by the Commission under authority of and pursuant to the Constitutional Provision, the Enabling Act and Chapter 1371, Texas Government Code, as amended, and under and pursuant to a Master Resolution of the Commission adopted by a minute order of the Commission on May 4, 2005, as supplemented by the Seventh Supplemental Resolution to the Master Resolution (the "Seventh Supplement"). Any capitalized terms not otherwise defined herein have the meaning given in the Seventh Supplement. As provided in the Seventh Supplement, scheduled payments of principal of, premium, if any, and interest on this Bond are payable from and secured by a pledge of the Security (defined in the Seventh Supplement) under the Master Resolution and the Seventh Supplement on a parity with all other Parity Debt (as defined in the Master Resolution) and pursuant to the Commission's exercise of such authority in the Seventh Supplement, the State guarantee. Scheduled payments of principal of, premium, if any, and interest on this Bond shall expressly exclude the payment of the Purchase Price (as defined in the Seventh Supplement) of the Bonds on a Purchase Date or a Mandatory Purchase Date (each as defined in the Seventh Supplement), which Purchase Price shall be paid

solely from remarketing proceeds, and amounts available under the Liquidity Facility (as defined in the Seventh Supplement). Reference is hereby made to the Seventh Supplement for the provisions, among others, relating to the terms of, lien on and security for the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the registered owners of the Bonds and the extent of and limitations on the Commission's rights, duties and obligations, the provisions permitting the issuance of additional Parity Debt, and the provisions permitting amendments to the Master Resolution and the Seventh Supplement with and without consent of the Registered Owners, to all of which provisions the Registered Owner hereof for itself and its successors in interest irrevocably assents by acceptance of this Bond. Copies of the Master Resolution and Seventh Supplement are on file and available at the designated office of Wells Fargo Bank, N.A. in Austin, Texas, as Paying Agent and Tender Agent under the Seventh Supplement, or its successor as Paying Agent and Tender Agent (herein called the "Paying Agent").

The Bonds and the payment obligations under the Liquidity Facility are special obligations of the Commission, payable, together with the previously issued Outstanding Parity Debt and any additional Parity Debt issued in accordance with the terms of the Master Resolution and the Seventh Supplement (collectively, the "Resolution"), solely from and equally secured by a first lien on and pledge of the Security. Pursuant to the Commission's exercise of such authority in the Seventh Supplement the Bonds and the reimbursement obligations under the Liquidity Facility are additionally secured by the State guarantee. The Bonds and the reimbursement obligations under the Liquidity Facility do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Department, except with respect to the Security. The Constitutional Provision provides that while the Outstanding Parity Debt, the Bonds, Bonds and any payment obligations under the Liquidity Facility are outstanding and for any fiscal year during which the moneys and revenues dedicated to and on deposit in the Mobility Fund are insufficient to make all payments when due, and pursuant to the Commission's exercise of such authority in the Seventh Supplement, there is appropriated and there shall be deposited in the Mobility Fund, out of the first money coming into the State Treasury in each fiscal year that is not otherwise appropriated by the Constitution, an amount which is sufficient to pay the principal of and interest on the Outstanding Parity Debt, the Bonds and any reimbursement obligations under the Liquidity Facility minus any amount in the Mobility Fund that is available for that payment in accordance with applicable laws.

The pledge of revenues and funds and the other obligations of the Commission under the Resolution may be discharged at or prior to the maturity of the Bonds upon the making of provision for their payment on the terms and conditions set forth in the Resolution.

Subject to satisfying the terms and conditions stated in the Resolution, the Commission has reserved the right to issue additional Parity Debt payable solely from and equally and ratably secured by a parity lien on and pledge of the Security and other moneys and securities pledged under the Resolution to the payment of the Bonds.

Reference is hereby made to the Resolution, a copy of which is on file in the designated office of the Paying Agent, and to all of the provisions of which any Registered Owner of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the Security; the nature and extent and manner of

enforcement of the pledge; the terms and conditions for the issuance of additional Parity Debt; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Registered Owners of the Bonds; the rights and remedies of the Registered Owner hereof with respect hereto and thereto; the rights, duties and obligations of the Commission; the terms and provisions upon which the liens, pledges, charges, and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond and this Bond thereafter no longer to be secured by the Resolution or be deemed to be outstanding thereunder; and for the other terms and provisions thereof.

Payment of Interest; Modes. This Bond shall be dated _____* and shall bear interest from the Issuance Date. Interest on this Bond in the Initial Mode is payable on _____, 20____** and thereafter on each Interest Payment Date thereafter as follows:

(i) if this Bond is in an Auction Rate Mode, a Commercial Paper Mode, a Daily Mode, Initial Mode or a Weekly Mode, by wire transfer of immediately available funds to the account specified by the Registered Owner in a written direction received by the Paying Agent on or prior to a Record Date or, if no such account number is furnished, by check or draft mailed by the Paying Agent to the Registered Owner at the address appearing on the books required to be kept by the Paying Agent pursuant to the Resolution, and

(ii) if this Bond is in the Term Rate Mode or the Fixed Rate Mode, by draft or check mailed by the Paying Agent to the Registered Owner hereof at its address appearing on the applicable Record Date in the books required to be kept by the Paying Agent pursuant to the Resolution, except that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Bondholder to the Paying Agent, received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds. Any such direction or request shall remain in effect until revoked or revised by such Bondholder by an instrument in writing delivered to the Paying Agent.

This Bond is initially issued in the _____* Mode. The Mode applicable to this Bond may at any time be changed to an Auction Rate Mode, Commercial Paper Rate Mode, Daily Mode, Weekly Mode, Term Rate Mode or Fixed Rate Mode, all as provided in the Resolution. Under certain circumstances described in the Resolution, the Mode applicable to the Bonds must be converted to a Fixed Rate Mode. During any Interest Period or Auction Period, as the case may be, in any Mode, the interest rate applicable to this Bond will be determined at the times and in the manner provided in the Seventh Supplement.

**As provided in the Award Certificate. To the extent that the Award Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Award Certificate shall be used in the executed Bonds.

While this Bond is in an Initial Mode and if thereafter in a Commercial Paper Mode, Weekly Mode or a Daily Mode, interest hereon shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed to the Interest Payment Date. While this Bond is in an Auction Rate Mode with an Auction Period over 180 days, a Term Rate Mode or a Fixed Rate Mode, interest hereon shall be computed on the basis of a year of 360 days composed of twelve 30-day months. While this Bond is in an Auction Rate Mode with an Auction Period of 180 days or less, interest hereon shall be computed on the basis of a 360-day year for the actual number of days elapsed to the Interest Payment Date.

Payment of Principal; Redemption Price. In addition to accrued and unpaid interest thereon, the principal or the redemption price of this Bond shall be payable on its Principal Payment Date, upon surrender thereof at the designated office of the Paying Agent. The payment of the Purchase Price of this Bond payable upon optional or mandatory tender for purchase shall be made by wire transfer in immediately available funds by Wells Fargo Bank, N.A., as Tender Agent appointed under the Seventh Supplement, or any successor thereto under the Seventh Supplement, or, if the Registered Owner has not provided wire transfer instructions, by check or draft mailed to the Registered Owner at the address appearing in the books required to be kept by the Paying Agent pursuant to the Seventh Supplement.

Mandatory Purchase. This Bond is subject to mandatory purchase at a price equal to the Purchase Price thereof on (i) the Purchase Date of Bonds in the Commercial Paper Mode or the Term Rate Mode, (ii) any Mode Change Date; (iii) the date on which an Alternate Liquidity Facility is substituted for the then existing Liquidity Facility, (iv) the second Business Day preceding the expiration date of the Liquidity Facility or the Seventh calendar day (or, if such date is not a Business Day, the preceding Business Day) preceding the Termination Date of the Liquidity Facility, including the expiration date specified in a Notice of Termination issued by the Liquidity Facility Issuer pursuant to Section 7.02 of the Liquidity Facility, (each, a “Mandatory Purchase Date”). Notice of any proposed Mandatory Purchase Date shall be given to owners of Bonds by the Paying Agent as provided in the Resolution. The Registered Owner of this Bond does not have the right to retain it after any Mandatory Purchase Date.

Optional Tender. When this Bond is in the Weekly Mode or the Daily Mode, the Registered Owner may elect to have it or any portion thereof in an amount equal to \$100,000 or any integral multiple of \$100,000 purchased on any Business Day at a price equal to the Purchase Price thereof, by complying with the procedures for such purchase in the Resolution.

Sources for Payment of Purchase Price. Funds for the payment of the Purchase Price due upon an optional tender or mandatory purchase of Bonds shall be derived solely from the following sources in the order of priority indicated and neither the Commission, the Paying Agent, the Tender Agent nor the Remarketing Agent shall be obligated to provide funds from any other source:

- (1) immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Bonds; and

(2) immediately available funds transferred to the Tender Agent from amounts available under the Liquidity Facility.

The Commission shall have no obligation to transfer any funds or monies to the Tender Agent for the payment of the Purchase Price of the Bonds on a Purchase Date or a Mandatory Purchase Date, and the failure of the Commission to transfer such funds or monies shall not constitute an event of default under the Master Resolution, as supplemented by the Seventh Supplement.

Redemption of Bonds. This Bond shall be subject to redemption prior to maturity at the option of the Commission, in whole or in part, on the Redemption Dates and at the redemption prices (plus interest accrued to the Redemption Date) and in the manner provided in the Seventh Supplement and the Award Certificate.

Under certain conditions described in the Seventh Supplement, the Commission may, in connection with a change to a Term Rate Mode or Fixed Rate Mode, or on any Purchase Date for Bonds in the Term Rate Mode, waive or otherwise alter its rights to redeem thereafter any Bonds in the Term Rate Mode or Fixed Rate Mode.

The Bonds may be subject to redemption in part by lot, at a redemption price equal to the principal amount being redeemed, plus interest accrued to the Redemption Date, from amortization installments therefor at the times and in the amounts specified below:

<u>Year</u>	<u>Amortization Installments</u>
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[As Provided in Award Certificate]

The Paying Agent shall make timely selection of such Bonds or portions thereof to be so redeemed in Authorized Denominations of principal amount in such equitable manner as the Paying Agent may determine and shall give notice thereof without further instructions from the Commission. At the option of the Commission, to be exercised on or before the 45th day next preceding each amortization installment redemption date, the Commission may: (i) deliver Bonds to the Paying Agent for cancellation; or (ii) elect to receive a credit in respect to the mandatory redemption obligation for any Bonds which prior to such date have been paid (other than through the operation of the requirements for mandatory redemption) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation for mandatory redemption. Each Bond of a maturity so delivered or previously purchased or redeemed shall be credited at 100 percent of the principal amount thereof on the obligation to redeem Bonds of such maturity on the next mandatory redemption date applicable to Bonds of such maturity that is at least 45 days after receipt by the Paying Agent of such instructions from the Commission, and any excess of such amount shall be credited on future mandatory redemption obligations for Bonds of such maturity in chronological order or such other order as the Commission may designate, and the principal amount of Bonds of such maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this provision shall be reduced accordingly. If the Commission intends to exercise any option granted by these provisions, the Commission will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Paying Agent a

written certificate indicating to what extent the provisions are to be complied with in respect to such mandatory redemption payment.

The Bonds constituting Purchased Bonds shall be subject to special mandatory redemption in accordance with the Liquidity Facility. The Commission may elect to purchase any Bonds subject to special mandatory redemption or remarket such Bonds prior to any such special mandatory redemption in accordance with the provisions of the Seventh Supplement.

In the event of redemption of less than all of the Bonds, those particular Bonds or portions thereof to be redeemed shall, subject to this paragraph below, be selected by the Paying Agent by lot in such manner as the Paying Agent in its discretion may determine; provided, however, that the Bonds to be redeemed shall be in Authorized Denominations and provided, further, any Purchased Bonds shall be redeemed prior to any other Bonds and, to the extent that the principal amount of Purchased Bonds redeemed exceeds the semiannual installment amount described in the preceding paragraph, such excess amount of Purchased Bonds redeemed shall be credited towards the Commission's next semiannual installment. New Bonds representing the unredeemed balance of the principal amount thereof shall be issued to the Bondholders thereof, without charge therefor. Any new Bond issued pursuant to the Seventh Supplement shall be executed by the Commission and authenticated and shall be in Authorized Denominations in a aggregate unpaid principal amount equal to the unredeemed portion of such Bond surrendered. The Commission may designate in writing to the Paying Agent the partial redemption of an entire subseries of Bonds. Otherwise, to the extent that a particular maturity of Bonds is in multiple subseries and is redeemed in part, the Paying Agent shall partially redeem Bonds of such maturity on a pro-rata basis from each subseries.

Notice of redemption shall be given at the times and in the manner provided in the Seventh Supplement.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which the Paying Agent, the Tender Agent, the Auction Agent (if the Bonds are in the Auction Rate Mode), the Broker-Dealers (if the Bonds are in the Auction Rate Mode), the Remarketing Agent, the Liquidity Facility Issuer, or banks and trust companies located in New York, New York are authorized by law or executive order to close or are closed for any other reason, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which the Paying Agent, the Tender Agent, the Auction Agent (if the Bonds are in the Auction Rate Mode), the Broker-Dealers (if the Bonds are in the Auction Rate Mode), the Remarketing Agent, the Liquidity Facility Issuer, or banks and trust companies located in New York, New York are authorized by law or executive order to close or are closed for any other reason, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

This Bond is transferable, as provided in the Seventh Supplement, only upon the Security Register kept for that purpose at the above-mentioned office of the Paying Agent by the Registered Owner hereof in person, or by its duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the Registered Owner or its duly authorized attorney, and thereupon a new registered Bond or Bonds,

of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Seventh Supplement, and upon payment of the charges therein prescribed. The Commission, the Paying Agent and the Tender Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal and the interest due hereon and for all other purposes. The Bonds are issuable in the form of fully registered bonds without coupons in Authorized Denominations (as defined in the Seventh Supplement).

It is hereby certified, recited, represented, and declared that the Department is a duly organized and legally existing agency of the State, organized under and by virtue of the Constitution and laws of the State of Texas; that the issuance of this Bond and the series of which it is a part are duly authorized by law; that all acts, conditions, and things required to exist and be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done, have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas and the Resolution; that this series of bonds does not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of this Bond and the Series of which it is a part as aforesated. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN TESTIMONY WHEREOF, the Department has caused its seal to be impressed or a facsimile thereof to be printed hereon and this Bond to be executed in the name of and on behalf of the Commission with the manual or facsimile signatures of its Chair or a Commission Member and attested by the Executive Director of the Department.

TEXAS TRANSPORTATION COMMISSION

By: _____
Chair

ATTEST:

Executive Director

(SEAL)

Form of Registration Certificate of Comptroller of Public Accounts
to Appear on Initial Bond only.

**REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS**

**OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
THE STATE OF TEXAS § REGISTER NO. _____**

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

**AUTHENTICATION CERTIFICATE OF
PAYING AGENT/REGISTRAR**

This Bond has been duly issued and registered under the provisions of the within-mentioned Resolution; the bond or bonds of the above titled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

WELLS FARGO BANK, N.A.,
as Paying Agent/Registrar

Registered this date:

By: _____
Authorized Signature

Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Please insert Social Security or Taxpayer Identification Number of Transferee)

(Please print or typewrite name and address, including zip code, of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guaranteed by:

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Bond in every particular.

[INSURANCE LEGEND IF APPLICABLE]

EXHIBIT "C"

REQUISITION CERTIFICATE

Date: _____

The undersigned Department Representative hereby certifies the following in connection with the withdrawal of Bond proceeds from the [Bond Proceeds Account or appropriate subaccount within the Bond Proceeds Account] for project costs:

- (i) Proceeds of the Bonds are being expended for the project(s) shown on Schedule I; and
- (ii) such project(s) have been approved for construction and financing by the Commission and comply with the Constitutional Provision, the Enabling Act and the Mobility Fund Strategic Plan, as adopted and amended by the Commission; and
- (iii) all costs of constructing, reconstructing, acquiring and expanding State highways, including any necessary design and acquisition of right-of-way have an expected useful life, without material repair, of not less than 10 years.

Executed this _____.

Department Representative
Name: _____
Title: _____

EXHIBIT "D"

PROVISIONS OF VARIABLE RATE BONDS

ARTICLE I

PLACE OF PAYMENT; PAYING AGENT AND TENDER AGENT

Section 1.01. PLACE OF PAYMENT; PAYING AGENT AND TENDER AGENT.

Accrued and unpaid interest on the Variable Rate Bonds shall be due on the Interest Payment Dates and payable (i) in the case of Variable Rate Bonds in the Commercial Paper Mode, the Auction Rate Mode, the Daily Mode or the Weekly Mode, by wire transfer of immediately available funds to the account specified by the owner in a written direction received by the Paying Agent on or prior to a Record Date or, if no such account number is furnished, by check mailed by the Paying Agent to the owner at the address appearing on the books required to be kept by the Paying Agent, and (ii) in the case of Variable Rate Bonds in the Term Rate Mode and Fixed Rate Mode, by check or draft mailed by the Paying Agent to the owner at the address appearing on the applicable Record Date in the books required to be kept by the Paying Agent, except that in the case of an owner of \$1,000,000 or more in aggregate principal amount of the Variable Rate Bonds, upon the written request of such owner to the Paying Agent, received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds. Any such direction or request shall remain in effect until revoked or revised by such owner by an instrument in writing delivered to the Paying Agent. The principal and the redemption price on each Variable Rate Bond shall be payable on its Principal Payment Date, upon surrender thereof at the designated office for payment of the Paying Agent or its successors or assigns, and such banking institution is hereby appointed as Paying Agent and Tender Agent for the Variable Rate Bonds. The payment of the Purchase Price of Variable Rate Bonds on any Purchase Date or Mandatory Purchase Date, as the case may be, shall be made by wire transfer in immediately available funds by the Tender Agent, or, if the owner has not provided wire transfer instructions, by check mailed to the owner at the address appearing in the books kept by the Paying Agent.

Section 1.02. VARIABLE RATE BOND DATES. Each Variable Rate Bond shall be initially dated as provided in the Award Certificate and shall also show the date of authentication thereof and shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is prior to the first Interest Payment Date, in which event such Variable Rate Bond shall bear interest from such date as provided in the Award Certificate, until the entire principal amount thereof is paid; provided however, if, at the time of authentication of the Variable Rate Bond, interest is in default or overdue thereon, such Variable Rate Bond shall bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full.

Section 1.03. INTEREST CALCULATION AND DETERMINATION. (a) Interest Calculation. Interest on the Variable Rate Bonds that are in the Commercial Paper Mode, the Daily Mode or Weekly Mode shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed to the Interest Payment Date. Interest on Variable Rate Bonds in the Auction Rate

Mode with an Auction Period over 180 days, the Term Rate Mode or Fixed Rate Mode shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on Variable Rate Bonds in the Auction Rate Mode with an Auction Period of 180 days or less shall be calculated on the basis of a 360-day year for the actual number of days elapsed to the Interest Payment Date.

(b) Paying Agent Records Conclusive. The interest rates for the Variable Rate Bonds contained in the records of the Paying Agent shall be conclusive and binding upon the Commission, the Remarketing Agent, the Tender Agent, the Auction Agent, all Broker-Dealers, the Liquidity Facility Issuer and the Owners of the Variable Rate Bonds.

(c) Purchased Bonds. Notwithstanding Section 1.01 of this Exhibit "D", until remarketed in accordance with this Seventh Supplement, Variable Rate Bonds that constitute Purchased Bonds shall bear interest at the Purchased Bonds Rate and interest, principal and other amounts due thereon shall be payable at such times and in such manner as set forth in the Liquidity Facility.

(d) Maximum Rate. No Variable Rate Bond may bear interest at an interest rate higher than the Maximum Rate.

Section 1.04. PAYMENTS ON HOLIDAYS. If the date for payment of the principal of, premium, if any, or interest on the Variable Rate Bonds is not a Business Day, then the date for such payment shall be the next succeeding Business Day and payment on such succeeding Business Day shall have the same force and effect as if made on the nominal date of payment, without accrual of additional interest.

ARTICLE II DETERMINATION OF INTEREST RATES AND INTEREST PERIODS

Section 2.01. DETERMINATION OF INTEREST RATES AND INTEREST PERIODS DURING COMMERCIAL PAPER MODE. (a) Commercial Paper Rates. Interest Periods in a Commercial Paper Mode shall be of such duration, of at least one day and not more than 270 days, ending on a day next preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of this Section 2.01; provided, however, no Interest Period shall extend beyond the date which is five days prior to the Expiration Date of the Liquidity Facility. In making the determinations with respect to Interest Periods, subject to the limitations imposed by the preceding sentence, the Remarketing Agent shall on each Rate Determination Date select for each Variable Rate Bond then subject to such adjustment the Interest Period which, if implemented on such Rate Determination Date, would result in the Remarketing Agent being able to remarket such Variable Rate Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate; provided that if on any Rate Determination Date, the Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such Variable Rate Bond, then the Remarketing Agent shall select the Interest Period which, in the judgment of the Remarketing Agent, would permit such Variable Rate Bond to achieve such lower average interest cost; provided, however, that if the Remarketing Agent has received notice from the Commission that any Variable Rate Bond is to be

changed from the Commercial Paper Mode to any other Mode or if it is to be purchased pursuant to Section 4.05 hereof, the Remarketing Agent shall, with respect to such Variable Rate Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date.

(b) Determination of Rate and Notice. By 1:00 p.m. on each Rate Determination Date, the Remarketing Agent shall, with respect to each Commercial Paper Rate Bond that is subject to adjustment on such date, determine an interest rate for the Interest Period then selected for such Variable Rate Bond and, no later than 1:00 p.m., shall give notice by Electronic Means to the Commission, the Paying Agent/Registrar and the Tender Agent of the applicable Interest Period, Purchase Date and interest rate.

(c) Agreement to Rate, Interest Period and Purchase Date. By acceptance of any Commercial Paper Rate Bond, the Owner thereof shall be deemed to have agreed, during each Interest Period, to the interest rate (including the Alternate Rate, if applicable), Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such Variable Rate Bond to the Tender Agent for purchase on the next succeeding Purchase Date at the Purchase Price. Such Owner further acknowledges that if funds for such purchase are on deposit with the Tender Agent on such Purchase Date, such Owner shall have no rights under the Master Resolution or this Seventh Supplement other than to receive the payment of such Purchase Price and that interest shall cease to accrue to such owner on such Purchase Date.

Section 2.02. DETERMINATION OF INTEREST RATE DURING DAILY MODE.

The interest rate for any Variable Rate Bond in the Daily Mode shall be the rate of interest per annum determined by the Remarketing Agent on or before 10:00 a.m. on the Rate Determination Date as the minimum rate of interest that, in the sole judgment of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Variable Rate Bonds in the Daily Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the rate available once a week by Electronic Means to the Commission, the Paying Agent/Registrar and the Tender Agent by 11:00 a.m., on the Rate Determination Date. With respect to any day that is not a Business Day, the interest rate shall be the same rate as the interest rate established for the immediately preceding Business Day. The determination of each interest rate by the Remarketing Agent shall, in the absence of manifest error, be conclusive and binding upon the Remarketing Agent, the Tender Agent, the Paying Agent, the Liquidity Facility Issuer, the Commission and the Owners of the Variable Rate Bonds.

Section 2.03. DETERMINATION OF INTEREST RATE DURING INITIAL MODE AND WEEKLY MODE.

(a) Weekly Mode. The interest rate for Variable Rate Bonds in a Weekly Mode for each Interest Period shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the sole judgment of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Variable Rate Bonds in the Weekly Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the rate available by Electronic Means to the Commission, the Paying Agent/Registrar and the Tender Agent by 4:00 p.m., on the Business Day immediately succeeding the Rate Determination Date. The Interest Period while Variable Rate Bonds are in the Weekly Mode will

begin on and include Wednesday, and continue through and include the next succeeding Tuesday. The determination of each interest rate by the Remarketing Agent shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Paying Agent, the Liquidity Facility Issuer, the Commission and the Owners of the Variable Rate Bonds.

(b) Initial Mode. The Variable Rate Bonds shall bear interest at the Initial Rate for the Initial Mode. At the end of the Initial Mode, the Variable Rate Bonds shall be subject to mandatory tender, without right of retention, pursuant to Section 6.03. Thereafter, the Variable Rate Bonds shall bear interest in the Daily Mode or the Weekly Mode unless a different Mode is designated by the Department Representative pursuant to Section 4.07. The Initial Rate shall be the rate of interest per annum determined by the Remarketing Agent as the minimum rate of interest that, in the sole judgment of the Remarketing Agent, would, under the existing market conditions, result in the sale of the Variable Rate Bonds in the Initial Mode at a price equal to the principal amount thereof, plus accrued interest, if any. The determination of the Initial Rate by the Remarketing Agent shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Paying Agent/Registrar, the Liquidity Facility Issuer, the Commission and the Owners of the Variable Rate Bonds.

Section 2.04. DETERMINATION OF INTEREST RATE AND INTEREST PERIODS DURING TERM RATE MODE AND FIXED RATE MODE.

(a) Term Rates. The Term Rate to be effective for the Interest Period commencing on any Mode Change Date after which Variable Rate Bonds will bear interest at a Term Rate or any Purchase Date while Variable Rate Bonds are in the Term Rate Mode shall be determined by the Remarketing Agent. No later than 4:00 p.m. on the Business Day next preceding the Mode Change Date or the Purchase Date, as the case may be, the Remarketing Agent shall determine the Term Rate and shall make the Term Rate available by Electronic Means to the Commission, the Paying Agent/Registrar and the Tender Agent. The Term Rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Variable Rate Bonds at a price equal to the principal amount thereof on the Rate Determination Date taking into consideration the duration of the Interest Period, which shall be established by the Commission acting through the Department Representative.

(b) Fixed Rate. The Fixed Rate to be effective for the Interest Period commencing on any Mode Change Date after which Variable Rate Bonds will bear interest at a Fixed Rate shall be determined by the Remarketing Agent. No later than 4:00 p.m. on the Business Day next preceding the Mode Change Date, the Remarketing Agent shall determine the Fixed Rate and shall make the Fixed Rate available by Electronic Means to the Commission, the Paying Agent/Registrar and the Tender Agent. The Fixed Rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Variable Rate Bonds at a price equal to the principal amount thereof on the Rate Determination Date taking into consideration the duration of the Interest Period.

(c) Failure to Establish Term Rate or Fixed Rate. If, for any reason, a Term Rate or Fixed Rate cannot be established on a Purchase Date, the Variable Rate Bonds, other than Variable Rate Bonds in an Auction Rate Mode, will be changed automatically to the Weekly Mode on the Purchase Date; provided, however, that a Liquidity Facility must be in effect.

Section 2.05. ALTERNATE RATE FOR INTEREST CALCULATION. If the Remarketing Agent fails to determine the interest rate(s) or Interest Periods with respect to the Variable Rate Bonds, or if the method of determining the interest rate(s) or Interest Periods with respect to the Series 2006-B Bonds shall be held to be unenforceable by a court of law of competent jurisdiction, then the Variable Rate Bonds shall thereupon (until such time as the Remarketing Agent again makes such determination, or until there is delivered to the Commission and the Remarketing Agent a Favorable Opinion of Bond Counsel) bear interest and operate as follows: the Variable Rate Bonds constituting maturing Commercial Paper Rate Bonds shall be converted to the Weekly Mode and Variable Rate Bonds in the Daily Mode, Term Rate Mode and Weekly Mode shall bear interest at the Alternate Rate for subsequent weekly periods.

Section 2.06. DETERMINATION OF INTEREST RATE AND AUCTION PERIOD DURING AUCTION RATE MODE. (a) Auction Rate. During any Auction Rate Mode, the Variable Rate Bonds shall bear interest at the Auction Period Rate for each Auction Period determined as set forth in this Section 2.06 and Exhibit "E" hereto. The provisions of such Exhibit "E" shall be deemed to be incorporated in this Article II. The initial Auction Period immediately after any change in the Mode applicable to the Variable Rate Bonds to an Auction Rate Mode shall commence from and include the Mode Change Date and shall expire on the date determined and certified to the Paying Agent (with a copy to the Auction Agent) by a Department Representative on or before the Mode Change Date. The initial Auction Date immediately after any change in the Mode applicable to the Variable Rate Bonds to an Auction Rate Mode shall be the date determined and certified to the Paying Agent (with a copy to the Auction Agent) by a Department Representative on or before the Mode Change Date. The Auction Period Rate for any initial Auction Period immediately after any change in the Mode applicable to the Variable Rate Bonds to an Auction Rate Mode shall be the rate of interest per annum determined and certified to the Paying Agent (with a copy to the Commission) by the Broker-Dealer on a date not later than the Mode Change Date as the minimum rate of interest which is determined by the appointed Broker-Dealer, provided that such interest rate shall not exceed the Maximum Rate. After the initial Auction Period, the first Auction Period following the initial Auction Period shall be an Auction Period set forth in a certificate of a Department Representative relating thereto. Thereafter, each Auction Period shall be an Auction Period set forth in a certificate of a Department Representative relating thereto, unless such Auction Period is changed to a daily, 7-day, 28-day, 35-day, three-month, six-month or a Special Auction Period in accordance with Exhibit "E" hereto. For any other Auction Period that is not an initial Auction Period, the Auction Period Rate shall be the rate of interest determined in accordance with Exhibit "E" hereto.

(b) Auction Period. All Variable Rate Bonds in the Auction Rate Mode shall be in the same Auction Period, provided that in the event that the Variable Rate Bonds are issued in subseries bearing additional designations in accordance with Section 2.01 of this Seventh Supplement and different CUSIP numbers, Variable Rate Bonds of any such subseries shall be in the same Auction Period and references herein to Variable Rate Bonds shall be deemed to refer to Variable Rate Bonds of such subseries, all as shall be set forth in an Award Certificate of a Department Representative at initial issuance of the Variable Rate Bonds and thereafter in a certificate of the Department Representative.

Section 2.07. CHANGES IN MODE. (a) Changes. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode, the Variable Rate Bonds may be changed to a different Mode at the times and in the manner hereinafter provided. Any Variable Rate Bonds converted to a Fixed Rate Mode shall not be changed to any other Mode except as provided in Section 4.04 of this Exhibit "D".

(b) Notice of Intention to Change Mode. The Commission shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, together with the proposed Mode Change Date. Such notice shall be given at least 20 days prior to the Mode Change Date if the Current Mode is the Auction Rate Mode, the Initial Mode, the Daily Mode, the Weekly Mode or the Commercial Paper Mode; such notice shall be given at least 35 days prior to the Mode Change Date if the Current Mode is the Term Rate Mode with a duration of six months or more.

(c) General Provisions Applying to Changes from One Mode to Another.

(i) The Mode Change Date must be a Business Day.

(ii) Additionally, the Mode Change Date:

A. From the Commercial Paper Mode shall be the last Purchase Date for the Commercial Paper Rate Bonds with respect to which a change is to be made;

B. From a Term Rate Mode or the Initial Mode shall be the Purchase Date of the current Interest Period;

C. From an Auction Rate Mode shall be an Interest Payment Date; provided, however, in the case of a Special Auction Period of 92 or more days, such date shall be the Interest Payment Date following the last day of such Special Auction Period;

D. From a Fixed Rate Mode pursuant to Section 6.04 hereof shall be the Purchase Date of the current Interest Period; and

E. From a Daily Mode to a Weekly Mode or from a Weekly Mode to a Daily Mode shall be a Business Day.

(iii) On or prior to the date the Department Representative provides the notice to the Notice Parties pursuant to Section 2.07(b) of this Exhibit "D", the Department Representative shall deliver to the Notice Parties a counsel's opinion to the effect that such counsel expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date; provided, however, a Favorable Opinion of Bond Counsel

is not required for a Mode Change Date from the Initial Mode to the Daily Mode or Weekly Mode that immediately follows.

(iv) No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Paying Agent and the Remarketing Agent two (2) Business Days prior to the Mode Change Date, or such later time as is acceptable to the Commission, the Paying Agent, any Broker-Dealer and the Remarketing Agent:

A. Except in the case of a change in Mode pursuant to Section 4.04(c) of this Exhibit "D" or a change from the Initial Mode to the Daily Mode or the Weekly Mode that immediately follows, a Favorable Opinion of Bond Counsel dated the Mode Change Date;

B. With respect to a change in the Mode from an Auction Rate Mode to any other Mode, a certificate of an authorized officer of the Tender Agent to the effect that all of the Variable Rate Bonds tendered or deemed tendered have been purchased at a price equal to the Purchase Price thereof; and

C. With respect to a change in Mode to the Daily Mode, Weekly Mode, Commercial Paper Rate Mode or Term Rate Mode of less than one year, a Liquidity Facility with the necessary Liquidity Amount for such New Mode.

(v) If all conditions to the Mode Change are met, the Interest Period(s) or the Auction Period for the New Mode shall commence on the Mode Change Date and the Interest Rate(s) (together, in the case of a change to the Commercial Paper Mode, with the Interest Period(s)) shall be determined by the Remarketing Agent or the Auction Agent, as the case may be, in the manner provided in Sections 2.01, 2.02, 2.03, 2.04, 2.05 and 2.06 of this Exhibit "D", as applicable.

(vi) With respect to a change in the Mode from any Mode other than an Auction Rate Mode to any other Mode, in the event the foregoing conditions of this Section 2.07(c) have not been satisfied by the Mode Change Date, then the New Mode shall not take effect (although, except in the case of a failed conversion from an Auction Mode, any mandatory purchase shall be made on such date if notice has been sent to the Owners stating that such Variable Rate Bonds would be subject to mandatory purchase on such date). If the failed change in Mode was from the Commercial Paper Mode, the Variable Rate Bonds shall remain in the Commercial Paper Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Mode Change Date in accordance with Section 2.01 of this Exhibit "D". If the failed change in Mode was from the Daily Mode, the Variable Rate Bonds shall remain in the Daily Mode, and if the failed change in Mode was from the Weekly Mode, the Variable Rate Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Sections 2.02 and 2.03, respectively, of this Exhibit "D" on and as of the failed Mode

Change Date. If the failed change in Mode was from the Term Rate Mode, then the Variable Rate Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the Variable Rate Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Mode Change Date in accordance with Section 2.04(a).

(vii) With respect to a change in the Mode from an Auction Rate Mode to any other Mode, in the event the foregoing conditions have not been satisfied, the Variable Rate Bonds that are subject to the Mode Change Notice will continue to bear interest in the Auction Rate Mode and the Auction Period Rate for the Auction Period commencing on the failed Mode Change Date shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period until the next succeeding Auction Date when the Auction Period Rate shall be established according to the provisions hereof.

(d) Serial Bonds. The Commission may, in the notice given pursuant to Section 2.07(b) of this Exhibit "D" in connection with any Mode change of Variable Rate Bonds to the Term Rate Mode or Fixed Rate Mode, provide for serial maturities of all or some of the Variable Rate Bonds subject to such Mode change. The principal amount of and interest on such serial bonds and the maturity dates thereof shall be set forth in the notice given pursuant to Section 2.07(b) of this Exhibit "D". The interest rate for such serial bonds maturing on a particular date may be different from the interest rate or rates established for other Variable Rate Bonds.

(e) No Partial Mode Changes. All Variable Rate Bonds shall be in the same Mode, provided that in the event that the Variable Rate Bonds are issued or converted or remarketed in subseries bearing additional designations in accordance with Section 2.01 of this Seventh Supplement, Variable Rate Bonds of any such subseries shall be in the same Mode and references herein to Variable Rate Bonds shall be deemed to refer to Variable Rate Bonds of such subseries, all as shall be set forth in an Award Certificate of a Department Representative at initial issuance of the Variable Rate Bonds and thereafter in a certificate of the Department Representative; and, provided, further, that in the event that the Variable Rate Bonds are converted and remarketed in subseries, the Commission shall obtain prior written confirmation from each Rating Agency that the then current ratings of the Variable Rate Bonds will not be reduced or withdrawn.

ARTICLE III REDEMPTION OF VARIABLE RATE BONDS

Section 3.01. OPTIONAL REDEMPTION. (a) Commercial Paper Mode. Variable Rate Bonds in the Commercial Paper Mode shall be subject to redemption at the option of the Commission (acting through the Department Representative), in whole or in part, on their respective Purchase Dates at the redemption price (100 percent of the principal amount), plus accrued interest, if any, to the Redemption Date.

(b) Auction Rate Mode. Variable Rate Bonds in the Auction Rate Mode shall be subject to redemption at the option of the Commission (acting through the Department Representative), in

whole or in part, on any Interest Payment Date immediately following an Auction Period, at the redemption price (100 percent of the principal amount), plus accrued interest, if any, to the Redemption Date; provided, however, that in the event of a partial redemption of the Variable Rate Bonds in an Auction Rate Mode, the aggregate principal amount of Variable Rate Bonds in an Auction Rate Mode which will remain outstanding shall be equal to or more than \$10,000,000 unless otherwise consented to by each affected Broker-Dealer.

(c) Daily Mode or Weekly Mode. Variable Rate Bonds in the Daily Mode or Weekly Mode shall be subject to redemption at the option of the Commission (acting through the Department Representative), in whole or in part, on any Business Day, at the redemption price (100 percent of the principal amount), plus accrued interest, if any, to the Redemption Date.

(d) Term Rate Mode Less Than Four Years. Variable Rate Bonds in a Term Rate Mode during an Interest Period that is less than four years shall be subject to redemption at the option of the Commission (acting through the Department Representative), in whole or in part on their individual Purchase Dates, at the redemption price (100 percent of the principal amount), plus interest accrued, if any, to the Redemption Date.

(e) Term Rate Mode Four Years or Greater and Fixed Rate Mode. Variable Rate Bonds in the Term Rate Mode during an Interest Period that is equal to or greater than four years or Variable Rate Bonds in the Fixed Rate Mode are subject to redemption at the option of the Commission (acting through the Department Representative), in whole or in part, on any date following the No Call Period at the redemption prices (plus accrued interest, if any), both as set forth below:

OPTIONAL REDEMPTION DURING TERM RATE MODE
AND FIXED RATE MODE

Duration of Interest Period in Term Rate Mode or Fixed Rate Mode	No Call Period (commencing on the date of commencement of the Term Rate or Fixed Rate Mode Interest Period)	<u>Redemption Price</u>
Greater than or equal to 11 years	8 years	100%
Greater than or equal to 8 years and less than 11 years	6 years	100%
Greater than or equal to 4 years and less than 8 years	3 years	100%
Duration of Interest Period in Fixed Rate Mode less than 4 years	Subject to optional redemption at any time	100%

(f) Alteration of Rights. The Commission may, in connection with a change to a Term Rate Mode or Fixed Rate Mode, or on any Purchase Date for Variable Rate Bonds bearing interest at a Term Rate, alter its rights as described above in Section 3.01(e) of this Exhibit "D" to redeem any

Variable Rate Bonds on and prior to the Mode Change Date or Purchase Date, as the case may be, without the consent of the Owners of the Variable Rate Bonds; provided, however, that notice describing the alteration shall be submitted to the Tender Agent, the Paying Agent, the Liquidity Facility Issuer, and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to each of them.

(g) Purchase in Lieu of Redemption. Notwithstanding anything in this Seventh Supplement to the contrary, if and to the extent that the Variable Rate Bonds are subject to optional redemption pursuant to this Seventh Supplement, all or a portion of the Variable Rate Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent at the direction of the Department Representative on the date which would be the redemption date if such Variable Rate 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 Variable Rate Bonds on the redemption date for the account of and at the direction of the Department Representative who shall give the Paying Agent notice at least ten (10) days prior to the scheduled redemption date forty-five (45) days prior to the scheduled redemption date for Variable Rate Bonds in Fixed Rate Mode) accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent is so directed to purchase Variable Rate Bonds in lieu of optional redemption, no notice to the Owners of Variable Rate Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Variable Rate Bonds if such Variable Rate Bonds had been redeemed rather than purchased. Each Variable Rate 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. Variable Rate Bonds to be purchased under this Section 3.01(g) which are not delivered to the Paying Agent 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. If purchased from funds other than bond proceeds, the Commission shall cause to be delivered a preference opinion with respect to funds used to purchase Variable Rate Bonds.

(h) Redemption of Purchased Bonds. Purchased Bonds are subject to redemption, at the option of the Commission (acting through a Department Representative), in whole or in part on any Business Day, at a redemption price equal to the principal amount of the Purchased Bonds to be redeemed plus accrued interest, if any, thereon to the redemption date. Purchased Bonds shall also be subject to mandatory redemption in accordance with the terms of the Liquidity Facility. Notice of redemption, identifying the principal amount of Purchased Bonds to be redeemed, shall be given by a Department Representative to the Paying Agent, the Liquidity Facility Issuer and the Owner of the Purchased Bonds (if other than the Liquidity Facility Issuer) at such Owner's last address appearing on the Security Register for the Variable Rate Bonds, ten (10) days before the redemption date. Notwithstanding any provision of this Seventh Supplement to the contrary, no additional notice of redemption need be provided. All Purchased Bonds so called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been deposited with the Paying Agent and, thereafter, except as provided in the Liquidity Facility, the Liquidity Facility Issuer shall have no rights in respect thereof except to receive payment of the redemption price from the Paying Agent and a new Purchased Bond for any unredeemed portion of

such Purchased Bond. If less than all of the Purchased Bonds are to be redeemed, the Paying Agent shall select the Purchased Bonds or portions thereof to be redeemed by lot in Authorized Denominations, unless ownership of such Purchased Bonds is then determined by a book entry at a securities depository, in which event the selection of the Purchased Bonds or portions thereof to be redeemed shall be made in accordance with arrangements among the Commission, the Paying Agent and the securities depository. If there shall be called for redemption less than the entire principal amount of a Purchased Bond, the Commission shall execute and the Paying Agent shall authenticate and deliver (without charge to the Owner) Purchased Bonds in any Authorized Denominations, upon surrender of such called Purchased Bonds in exchange for the unredeemed principal amount of such Purchased Bond. If less than all of the Variable Rate Bonds shall be redeemed, the Commission shall redeem all Purchased Bonds prior to the redemption of any other Variable Rate Bonds.

(i) Initial Mode. Variable Rate Bonds in the Initial Mode are not subject to optional redemption.

Section 3.02. REDEMPTION FROM AMORTIZATION INSTALLMENTS. (a) Mandatory Redemption. The Variable Rate Bonds may be subject to mandatory redemption and payment prior to maturity on such dates and in such years, at such price(s) plus accrued interest to the redemption date in accordance with any mandatory amortization installment schedule to be approved by a Department Representative prior to the issuance of the Variable Rate Bonds, which schedule shall be set forth in the Award Certificate.

(b) Credit for Optional Redemption. The Paying Agent shall make timely selection of such Variable Rate Bonds or portions thereof to be so redeemed in Authorized Denominations of principal amount in such equitable manner as the Paying Agent may determine and shall give notice thereof without further instructions from the Commission. At the option of the Commission, to be exercised on or before the 45th day next preceding each amortization installment redemption date, the Commission may: (i) deliver Variable Rate Bonds to the Paying Agent for cancellation; or (ii) elect to receive a credit in respect to the mandatory redemption obligation under this Section 3.02 for any Variable Rate Bonds which prior to such date have been paid (other than through the operation of the requirements of this Section 3.02) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation under this Section 3.02. Each Variable Rate Bond of a maturity so delivered or previously purchased or redeemed shall be credited at 100 percent of the principal amount thereof on the obligation to redeem Variable Rate Bonds of such maturity on the next mandatory redemption date applicable to Variable Rate Bonds of such maturity that is at least 45 days after receipt by the Paying Agent of such instructions from the Commission, and any excess of such amount shall be credited on future mandatory redemption obligations for Variable Rate Bonds of such maturity in chronological order or such other order as the Commission may designate, and the principal amount of Variable Rate Bonds of such maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this Section 3.02 shall be reduced accordingly. If the Commission intends to exercise any option granted by the provisions of this clause (b) of Section 3.02, the Commission will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Paying Agent a written

certificate indicating to what extent the provisions of said clauses (a) or (b) are to be complied with in respect to such mandatory redemption payment.

Section 3.03. REDEMPTION IN PART. In the event of redemption of less than all the Variable Rate Bonds, then, subject to the provisions of this Section 3.03 below, the Variable Rate Bonds or portions thereof to be redeemed shall be selected by the Paying Agent by lot in such manner as the Paying Agent in its discretion may determine; provided, however, the Variable Rate Bonds to be redeemed shall be in Authorized Denominations; and provided, further, any Variable Rate Bonds which are Purchased Bonds shall be redeemed prior to any other Variable Rate Bonds. To the extent that the principal amount of Purchased Bonds redeemed exceeds any semiannual installment amount required to be paid by the Commission as described in the Award Certificate, such excess amount of Purchased Bonds redeemed shall be credited towards the Commission's next semiannual installment. New Variable Rate Bonds representing the unredeemed balance of the principal amount thereof shall be issued to the Bondholder thereof, without charge therefor. Any new Variable Rate Bond issued pursuant to this Section 3.03 shall be executed by the Commission and authenticated by the Paying Agent and shall be in any Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of such Variable Rate Bond surrendered. The Commission may designate in writing to the Paying Agent the partial redemption of an entire subseries of Variable Rate Bonds. Otherwise, to the extent that a particular maturity of Variable Rate Bonds is in multiple subseries and is redeemed in part, the Paying Agent shall, partially redeem Variable Rate Bonds of such maturity on a pro-rata basis from each subseries.

Section 3.04. NOTICE OF REDEMPTION AND DEFEASANCE. (a) (i) Unless waived by any Owner of the Variable Rate Bonds to be redeemed, the Department Representative shall give notice of redemption or defeasance to the Paying Agent and each other Notice Party at least thirty-five (35) days prior to a Redemption Date in the case of a redemption (unless a lesser period is acceptable to the Paying Agent) and on the defeasance date in the case of a defeasance and the Paying Agent shall give notice of redemption or of defeasance of Variable Rate Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date and within thirty (30) days after a defeasance date to each registered securities depository and to any national information service that disseminates such notices. In addition, in the event of a redemption caused by an advance refunding of the Variable Rate Bonds, the Paying Agent shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual Redemption Date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent shall also send a notice of prepayment or redemption to the registered owner of any Variable Rate Bond who has not sent the Variable Rate Bonds in for redemption sixty (60) days after the Redemption Date.

(ii) Each notice of redemption or defeasance, whether required in the FORM OF BONDS or in this Section, shall contain a description of the Variable Rate Bonds to be redeemed or defeased including the complete name of the Variable Rate Bonds, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption or defeasance, the redemption

price, if any, the name of the Paying Agent, and the address at which the Bonds may be redeemed or paid, including a contact person telephone number.

(iii) All redemption payments made by the Paying Agent to the Owners of the Bonds shall include a CUSIP number relating to each amount paid to such Owner.

The failure of any Owner of Variable Rate Bonds to receive notice given as provided in this Section 3.04, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Variable Rate Bonds. Any notice mailed as provided in this Section 5.04 shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives such notice.

So long as DTC is effecting book-entry transfers of the Variable Rate Bonds, the Paying Agent shall provide the notices specified in this Section 3.04 only to DTC. It is expected that DTC shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a participant, or failure on the part of a nominee of a beneficial owner of a Variable Rate Bond to notify the beneficial owner of the Variable Rate Bond so affected, shall not affect the validity of the redemption of such Variable Rate Bond.

(b) Conditional Notice. With respect to any optional redemption of the Variable Rate Bonds, unless certain prerequisites to such redemption required by the Master Resolution or this Seventh Supplement have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Variable Rate Bonds to be redeemed shall have been received by the Paying Agent prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Commission, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Commission shall not redeem such Variable Rate Bonds and the Paying Agent shall give notice, in the manner in which the notice of redemption was given, to the effect that the Variable Rate Bonds have not been redeemed.

(c) Notice of Redemption for the Auction Rate Mode. If any Variable Rate Bonds are to be redeemed and such Bonds are held by DTC, the Commission shall include in the notice of the call for redemption delivered to DTC (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date and (ii) an instruction to DTC to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the DTC Participants whose positions shall be redeemed and the principal amount of such Variable Rate Bonds in the Auction Rate Mode to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Paying Agent/Registrar immediately after such determination of the (1) positions of the DTC Participants in such Variable Rate Bonds immediately prior to such Auction settlement, (2) the position of the DTC Participants in such Variable Rate Bonds in the Auction Rate Mode immediately following such Auction settlement, and

(3) the DTC Redemption Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Paying Agent/Registrar shall send a copy of such notice to the Auction Agent.

ARTICLE IV PURCHASE OF VARIABLE RATE BONDS

Section 4.01. OPTIONAL TENDER OF VARIABLE RATE BONDS IN DAILY MODE AND WEEKLY MODE; NO OPTIONAL TENDER FOR INITIAL MODE. (a) Daily Mode. Subject to the provisions of Section 4.09 of this Exhibit "D", any Variable Rate Bond (or portions thereof in an Authorized Denomination) in the Daily Mode is subject to purchase, on the demand of the Owner thereof, at a price equal to the Purchase Price on any Business Day (such purchase to be made on the Business Day upon which such demand is made), upon irrevocable notice to the Tender Agent and the Remarketing Agent by Electronic Means not later than 11:00 a.m. on the Purchase Date therefor, at their respective designated offices) which states the CUSIP number and principal amount of such Variable Rate Bond being tendered and the Purchase Date. Such tender notice, once transmitted to the Tender Agent, shall be irrevocable with respect to the tender for which such tender notice was delivered and such tender shall occur on the Business Day specified in such Tender Notice. The Tender Agent shall, as soon as practicable, notify the Paying Agent of the principal amount of Variable Rate Bonds being tendered. The contents of any such irrevocable telephonic tender notice shall be conclusive and binding on all parties.

(b) Weekly Mode. Subject to the provisions of Section 4.09 of this Exhibit "D", the Owners of Variable Rate Bonds in a Weekly Mode may elect to have such Variable Rate Bonds (or portions thereof in an Authorized Denomination) purchased at a price equal to the Purchase Price upon delivery of an irrevocable written notice to the Tender Agent and Remarketing Agent by Electronic Means at their respective designated offices, not later than 4:00 p.m. on a Business Day not less than seven days before the Purchase Date specified by the Owner. Such notice shall (i) state the CUSIP number and the principal amount of such Variable Rate Bond being tendered and (ii) state that such Variable Rate Bond shall be purchased on the Purchase Date so specified by the Owner. The Tender Agent shall notify the Paying Agent by the close of business on the next succeeding Business Day of the receipt of any notice pursuant to this paragraph.

(c) Notice and Ownership. Notwithstanding anything herein to the contrary, during any period that the Variable Rate Bonds are registered in the name of DTC or a nominee thereof pursuant to this Seventh Supplement, (i) any notice of tender delivered pursuant to this Section 4.01 shall also (a) provide evidence satisfactory to the Tender Agent and the Remarketing Agent that the party delivering the notice is the beneficial owner or a custodian for the beneficial owner of the Variable Rate Bonds referred to in the notice, and (b) if the beneficial owner is other than a DTC participant, identify the DTC participant through whom the beneficial owner will direct transfer; (ii) on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC participant, cause its DTC participant to direct) the transfer of said Variable Rate Bond on the records of DTC; and (iii) it shall not be necessary for Variable Rate Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Variable Rate Bonds had been so delivered, and the Purchase Price thereof shall be paid to

DTC. In accepting a notice of tender of any Variable Rate Bond pursuant to this Section 4.01, the Paying Agent and the Tender Agent may conclusively assume that the Person providing the notice of tender is the beneficial owner of the Variable Rate Bonds being tendered and therefore entitled to tender them. The Paying Agent and Tender Agent assume no liability to anyone in accepting a notice of tender from a Person whom it reasonably believes to be such a beneficial owner of the Variable Rate Bonds.

Section 4.02. MANDATORY PURCHASE AT END OF COMMERCIAL PAPER MODE INTEREST PERIODS. Subject to Section 4.09 of this Exhibit "D", each Variable Rate Bond in the Commercial Paper Mode shall be subject to mandatory tender for purchase on its Purchase Date at the Purchase Price. No notice of such mandatory purchase shall be given to the Owners of the Variable Rate Bonds.

Section 4.03. MANDATORY PURCHASE ON ANY MODE CHANGE DATE. Subject to Section 4.09, the Variable Rate Bonds to be changed to any Mode from any other Mode are subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price.

Section 4.04. MANDATORY PURCHASE AT END OF TERM RATE PERIOD OR WHEN SUBJECT TO OPTIONAL REDEMPTION OF VARIABLE RATE BONDS IN FIXED RATE MODE. (a) Term Rate Mode. Subject to Section 4.09 of this Exhibit "D", the Variable Rate Bonds in the Term Rate Mode are subject to mandatory tender for purchase on each Purchase Date at the Purchase Price; provided, however, that, if Variable Rate Bonds in the Term Rate Mode with a duration of either six months or twelve months shall continue for an equal duration after the Purchase Date, the holders of such Variable Rate Bonds may elect to continue to hold such Variable Rate Bonds by providing notice of retention of such Variable Rate Bonds in writing to the Tender Agent at least 7 days prior to the Purchase Date.

(b) Fixed Rate Mode. Any Variable Rate Bond in a Fixed Rate Mode which is subject to optional redemption pursuant to Section 3.01 of this Exhibit "D" may be subject, at the option of the Commission, to mandatory purchase in lieu of redemption on the date of redemption thereof pursuant to Section 5.01(g) hereof. Subject to receipt of a Favorable Opinion of Bond Counsel, such Variable Rate Bonds may be converted to such Mode as the Department Representative shall direct.

Section 4.05. MANDATORY PURCHASE UPON EXPIRATION DATE, TERMINATION DATE AND SUBSTITUTION DATE OF LIQUIDITY FACILITY. Subject to Section 4.09 of this Exhibit "D", the Variable Rate Bonds shall be subject to mandatory tender for purchase on:

(i) The second Business Day preceding the Expiration Date of a Liquidity Facility, which second Business Day is hereinafter referred to as an "Expiration Tender Date;"

(ii) The fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Liquidity Facility, which day is hereinafter referred to as a "Termination Tender Date," if the Liquidity Facility permits a draw thereon on the Termination Tender Date; and

- (iii) The Substitution Date for a Liquidity Facility.

Section 4.06. NOTICE OF MANDATORY TENDER FOR PURCHASE. (a) Expiration Tender Date. The Tender Agent shall, at least 15 calendar days prior to the Expiration Tender Date with respect to the Variable Rate Bonds, give notice to the Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of the Variable Rate Bonds on such Expiration Tender Date, if it has not theretofore received confirmation that the Expiration Date has been extended.

(b) Termination Tender Date. The Tender Agent shall, at least 15 calendar days prior to the Termination Tender Date with respect to Variable Rate Bonds, give notice to the Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of the Variable Rate Bonds on such Termination Tender Date if it has not theretofore received a notice executed by the Commission and the provider in connection with a Liquidity Facility stating that the event which resulted in the establishment of the Termination Tender Date has been cured.

(c) Substitution Date. The Tender Agent shall, at least 30 calendar days prior to any Substitution Date with respect to a Liquidity Facility relating to any Variable Rate Bonds, give notice to the Owners, the Liquidity Facility Issuer, and the Remarketing Agent of the mandatory tender of such Variable Rate Bonds on such Substitution Date.

(d) Purchase Date or Mode Change Date. The Tender Agent shall, at least 30 calendar days prior to any Purchase Date for Variable Rate Bonds in a Term Rate Mode or any Mode Change Date if the Current Mode is the Term Rate Mode, and at least 15 days prior to any Mode Change Date if the Current Mode is the Auction Rate Mode, the Initial Mode, the Daily Mode, the Weekly Mode or the Commercial Paper Mode, give notice to the Variable Rate Bond Owners and each other Notice Party of the mandatory tender for purchase of such Variable Rate Bonds on such Purchase Date or Mode Change Date, as applicable.

(e) Notice of Mandatory Tender. Notice of any mandatory tender of Variable Rate Bonds shall state that such Variable Rate Bonds are to be purchased pursuant to Section 4.02, 4.03, 4.04 or 4.05 of this Exhibit "D", as applicable, and such notice shall be provided by the Tender Agent or caused to be provided by the Tender Agent by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Variable Rate Bonds at the respective addresses shown on the registration books kept by the Tender Agent. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Purchase Date, the Purchase Price, the place and manner of payment, the source of funds and, except as permitted in Section 4.04(a) of this Exhibit "D" for the Variable Rate Bonds in a certain Term Rate Mode, that the Owner has no right to retain such Variable Rate Bonds and that no further interest will accrue to such Owner from and after the Mandatory Purchase Date. Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Variable Rate Bonds shall in addition specify the conditions that have to be satisfied pursuant to Section 2.07 of this Exhibit "D" hereof in order for the new Mode to become effective and the consequences that the failure to satisfy any of such conditions would have. In the event a mandatory tender of Variable Rate Bonds shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms

and conditions of the applicable mandatory tender for purchase shall control. The Tender Agent shall give a copy of any notice of mandatory tender given by it to the other Notice Parties. Any notice mailed as provided in this Section 4.06 shall be conclusively presumed to have been duly given, whether or not the Owner of the Variable Rate Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Tender Agent to give a notice as provided in this Section 4.06 shall not affect the obligation of the Tender Agent to purchase the Variable Rate Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

Section 4.07. PURCHASE FUND. A Purchase Fund shall be established by the Commission in connection with the delivery to the Tender Agent of the Liquidity Facility, which Fund shall be held by the Tender Agent and may have such separate accounts as shall be established upon written direction of the Commission to the Tender Agent. Such Purchase Fund and accounts therein shall be used for the purpose of depositing moneys obtained from (a) the remarketing of Variable Rate Bonds and (b) draws under a Liquidity Facility, and such deposited moneys shall be used solely to pay the Purchase Price of Variable Rate Bonds or to reimburse a Liquidity Facility Issuer for a drawing on the Liquidity Facility to pay the Purchase Price of Variable Rate Bonds. Amounts deposited in the Purchase Fund shall be held by the Tender Agent either: (i) uninvested in the case of draws under the Liquidity Facility or (ii) invested by the Tender Agent in Federal Securities as directed by the Commission in the case of other funds which funds shall not be commingled with any other funds held by the Tender Agent and any investment shall have a maturity so that funds are available for payment of the Purchase Price of Variable Rate Bonds when needed but in no event shall the maturity of any investment exceed 30 days, whichever is earlier. All amounts on deposit in the Purchase Fund are pledged solely to the Owners tendering Variable Rate Bonds and to the Liquidity Facility Issuer to repay draws under the Liquidity Facility, as applicable, and are specifically excluded from the provision of Section 2 of the Master Resolution.

Section 4.08. REMARKETING OF VARIABLE RATE BONDS; NOTICES. (a) The Remarketing Agent for the Variable Rate Bonds shall offer for sale and use its best efforts to find purchasers for (i) all Variable Rate Bonds or portions thereof as to which notice of tender pursuant to Section 4.01 of this Exhibit "D" has been given, (ii) all Variable Rate Bonds required to be tendered for purchase and (iii) all Purchased Bonds. Variable Rate Bonds shall be remarketed at one hundred percent (100%) of principal thereof plus accrued interest thereon. No Variable Rate Bonds shall be remarketed for sale to the Commission or in the Daily Mode, Weekly Mode, Commercial Paper Rate Mode or Term Rate Mode of less than one year following an Expiration Tender Date or a Termination Tender Date until an Alternate Liquidity Facility has been obtained by the Commission.

- (b) (i) The Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 12:00 noon on the Purchase Date or Mandatory Purchase Date of the registration instructions (i.e., the names of the tendering Owners and the names, addresses and taxpayer identification numbers of the purchasers, the desired Authorized Denominations and, in the case of Variable Rate Bonds in the Commercial Paper Mode, the Daily Mode or the Weekly Mode, any account number

for payment of principal and interest furnished by a purchaser to the Remarketing Agent) with respect thereto; and

(ii) Unless otherwise permitted by DTC and the book-entry-only system applicable to the Variable Rate Bonds, the Tender Agent shall authenticate and have available for delivery to the Remarketing Agent prior to 1:30 p.m. on the Purchase Date or Mandatory Purchase Date new Variable Rate Bonds for the respective purchasers thereof.

(c) (i) On the Business Day immediately preceding the Purchase Date or Mandatory Purchase Date, the Tender Agent shall notify the Liquidity Facility Issuer by Electronic Means of the principal amount of Variable Rate Bonds (other than Variable Rate Bonds in the Daily Mode) to be tendered on the next Business Day for which, as of 4:00 p.m. on the immediately preceding Business Day, the Remarketing Agent did not have commitments for purchase pursuant to notice received from the Remarketing Agent or Tender Agent; provided, however, that the failure of the Remarketing Agent to provide such notice shall not, in and of itself, negate the obligation of the Liquidity Facility Issuer to purchase Variable Rate Bonds in accordance with and subject to the terms and provisions of the Liquidity Facility.

(ii) The Remarketing Agent shall at or before 12:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, (A) notify the Commission and the Tender Agent by Electronic Means of the amount of tendered Variable Rate Bonds that were not successfully remarketed, and (B) confirm to the Tender Agent the transfer of the Purchase Price of remarketed Variable Rate Bonds to the Tender Agent in immediately available funds, such confirmation to include the pertinent Fed Wire reference number.

(iii) In the event that all of the tendered Variable Rate Bonds (and Variable Rate Bonds that are deemed tendered) are not successfully remarketed, the Tender Agent shall at or before 12:30 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, notify the Liquidity Facility Issuer, in accordance with the terms of the Liquidity Facility, by Electronic Means of the amount necessary to be drawn upon the Liquidity Facility to pay the Purchase Price of such tendered Variable Rate Bonds (and Variable Rate Bonds that are deemed tendered) (for which remarketing proceeds are not then on deposit in the Purchase Fund) not successfully remarketed. No drawings under the Liquidity Facility shall be made for Variable Rate Bonds held by or on behalf of the Commission, or for Purchased Bonds.

(iv) The Liquidity Facility Issuer shall cause to be transferred to the Tender Agent immediately available funds by 2:30 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, in an amount equal to the Purchase Price requested by the Tender Agent pursuant to Section 4.08 (c)(iii) of this Exhibit "D". Immediately available funds received by the Tender Agent from the amount payable under the Liquidity Facility shall be deposited (to the extent a deposit of such funds

is necessary) into an account within the Purchase Fund established under Section 4.07 of this Exhibit "D" and designated the "Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series _____ (Multi-Modal Bonds) Purchase Account" until applied in accordance with this Seventh Supplement. Such funds shall be held and invested as set forth in Section 6.07 of this Exhibit "D".

Section 4.09. RIGHTS TO TENDER AND SOURCE OF FUNDS FOR PURCHASE OF VARIABLE RATE BONDS. (a) Except for purchases as provided in Sections 4.04(b), on or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Variable Rate Bonds, the Tender Agent shall purchase such Variable Rate Bonds from the Bondholders at the Purchase Price. Funds for the payment of such Purchase Price shall be derived in the order of priority indicated below:

- (i) Immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Variable Rate Bonds by the Remarketing Agent; and
- (ii) Immediately available funds transferred to the Tender Agent from amounts available under the Liquidity Facility.

The Commission shall have no obligation to transfer any funds or monies to the Tender Agent for the payment of the Purchase Price of the Variable Rate Bonds on a Purchase Date or a Mandatory Purchase Date, and the failure of the Commission to transfer such funds or monies shall not constitute an event of default under the Master Resolution, as supplemented by this Seventh Supplement.

(b) An Owner shall not have a right to optional tender under Section 6.01 of this Exhibit "D" so long as there exists an Immediate Termination Event or Suspension Event (both as defined in the Liquidity Facility).

Section 4.10. DELIVERY OF VARIABLE RATE BONDS. Except as otherwise required or permitted by the book-entry-only system of DTC, the Variable Rate Bonds sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Variable Rate Bonds by 3:00 p.m., on the Purchase Date or the Mandatory Purchase Date, as the case may be. The Variable Rate Bonds purchased with moneys provided by the Liquidity Facility Issuer shall be delivered at the direction of the Liquidity Facility Issuer or as otherwise provided in the Liquidity Facility. Such Purchased Bonds will not be released upon remarketing until the Tender Agent has received written notice from the Liquidity Facility Issuer that the principal commitment and interest commitment of the Liquidity Facility has been reinstated.

Section 4.11. DELIVERY AND PAYMENT FOR PURCHASED VARIABLE RATE BONDS; UNDELIVERED VARIABLE RATE BONDS. Except as otherwise required or permitted by the book-entry-only system of DTC, the Variable Rate Bonds purchased pursuant to this Seventh Supplement shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the

Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of Variable Rate Bonds purchased pursuant to Section 6.01 hereof shall be made only if such Variable Rate Bonds so delivered to the Tender Agent conform in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by 3:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, or, if the Bondholder has not provided or caused to be provided wire transfer instructions, by draft or check mailed to the Bondholder at the address appearing in the books required to be kept by the Tender Agent pursuant to this Seventh Supplement. If Variable Rate Bonds to be purchased are not delivered by the Bondholders to the Tender Agent by 12:00 noon on the Purchase Date or the Mandatory Purchase Date, as the case may be, the Tender Agent shall hold any funds received for the purchase of those Variable Rate Bonds in trust in a separate account within the Purchase Account created pursuant to Section 4.08(c)(iv) of this Exhibit "D" and shall pay such funds to the former Bondholders upon presentation of the Variable Rate Bonds subject to tender. Any such amounts shall be held uninvested and as otherwise provided in Section 4.07 of this Exhibit "D". Such undelivered Variable Rate Bonds shall be deemed tendered and cease to accrue interest as to the former Bondholders on the Purchase Date or the Mandatory Purchase Date, as the case may be, and moneys representing the Purchase Price shall be available against delivery of those Variable Rate Bonds at the designated office of the Tender Agent; provided, however, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Bondholder of any such Variable Rate Bond not presented for purchase for a period of two years after delivery of such funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by the Commission and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to the Commission free of any trust or lien and thereafter the former Bondholder of such Variable Rate Bond shall look only to the Commission and then only to the extent of the amounts so received by the Commission without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Variable Rate Bonds.

Notwithstanding anything to the contrary contained in this Article IV, for so long as DTC shall continue to act as securities depository for the Variable Rate Bonds, all tenders and deliveries of Variable Rate Bonds under the provisions of this Article IV shall be made pursuant to DTC's delivery order procedures as in effect from time to time.

ARTICLE V LIQUIDITY FACILITY

Section 5.01. LIQUIDITY FACILITY. (a) Initial Liquidity Facility. The reimbursement obligations of the Commission under the Liquidity Facility constitute Parity Debt under the Master Resolution secured by the Security on a parity with the Variable Rate Bonds, the previously issued Outstanding Parity Debt and all future Parity Debt.

(b) Alternate Liquidity Facility. At any time, the Commission may obtain or provide for the delivery to the Tender Agent of an Alternate Liquidity Facility with respect to the Variable Rate Bonds. Any such Liquidity Facility shall provide that a Termination Tender Date shall not occur unless the issuer thereof gives to the Commission, the Remarketing Agent and the Tender Agent

written notice thereof at least 30 days prior to the Termination Tender Date. On or prior to the date on which an Alternate Liquidity Facility is obtained or delivered to the Tender Agent, the Commission shall furnish to the Tender Agent and the Remarketing Agent (i) a Favorable Opinion of Bond Counsel, and (ii) opinion of counsel for the Alternate Liquidity Facility Issuer as to the validity and enforceability of the Alternate Liquidity Facility and that the Alternate Liquidity Facility is exempt from registration pursuant to the Securities Act of 1933, as amended, as well as like opinion of foreign counsel if the Liquidity Facility Issuer is not incorporated or formed in the United States. As provided in Section 4.05 hereof, all Outstanding Variable Rate Bonds will become subject to mandatory tender for purchase on the Substitution Date.

(c) Downgrade. The Commission shall obtain, in a reasonably timely manner, an Alternate Liquidity Facility with respect to the Variable Rate Bonds if the short-term credit rating category (without regard to gradations) of the Liquidity Facility Issuer of the then existing Liquidity Facility is downgraded to a rating below the highest short-term credit rating category (without regard to gradations) from at least two (2) nationally recognized rating agencies, unless no Liquidity Facility Issuer has short-term credit ratings of the required levels at a reasonable cost as determined by the Commission acting through the Department Representative. The short-term credit rating of the provider of such Alternate Liquidity Facility shall not be below the highest short-term credit rating category (without regard to gradations) then listed by Moody's, Fitch and S&P, respectively unless no Liquidity Facility Issuer has short-term credit ratings of the required levels at a reasonable cost as determined by the Commission acting through the Department Representative.

(d) Notice. The Commission shall deliver to the Paying Agent and the Tender Agent a copy of any Alternate Liquidity Facility obtained pursuant to this Article V on the effective date of such Alternate Liquidity Facility. In the event of an extension of the Expiration Date, the Commission shall give the Paying Agent, the Tender Agent and the Remarketing Agent a written notice of the new Expiration Date at least 16 days prior to the Expiration Tender Date. In the event of a substitution of a Liquidity Facility with an Alternate Liquidity Facility, the Commission shall give the Paying Agent, the Tender Agent and the Remarketing Agent a written notice of the Substitution Date at least 31 days prior to such Substitution Date. The Commission shall give the Paying Agent, Tender Agent and Remarketing Agent a written notice of any Termination Tender Date at least 30 days prior to such Termination Tender Date. The Commission shall give the Paying Agent and Tender Agent a written notice of its election to terminate the Liquidity Facility at least 30 days prior to the Expiration Tender Date resulting from its election to terminate such Liquidity Facility.

(e) Amount. The Liquidity Facility shall provide for draws thereon or borrowings therefrom, in the aggregate, in an amount at least equal to the Liquidity Amount for the related Variable Rate Bonds.

ARTICLE VI OTHER AGREEMENTS

Section 6.01. AUCTION AGENT. The Commission hereby authorizes the Department Representative to appoint and employ the services of an Auction Agent while the Variable Rate Bonds are in the Auction Rate Mode. The Commission shall have the right to remove the Auction

Agent as provided in the Auction Agreement. The Department Representative is authorized to approve the form of and to execute on behalf of the Commission any agreement(s) or instruments that may be necessary to carry out the purposes of, or required by this Section 6.01.

Section 6.02. BROKER-DEALERS. The Commission hereby authorizes the Department Representative to appoint and employ the services of one or more Broker-Dealers for the Variable Rate Bonds while they are in Auction Rate Mode. Such appointment shall be in writing and signed by the Department Representative. The Department Representative is authorized to approve the form of and to execute on behalf of the Commission any agreement(s) or instruments that may be necessary to carry out the purposes of, or required by this Section 6.02. Any Broker-Dealer Agreement shall contain appropriate provisions providing for the Commission's ability to remove or replace such Broker-Dealer.

Section 6.03. REMARKETING AGENT. The Remarketing Agent shall be a corporation or other legal entity organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to perform all duties imposed upon the Remarketing Agent by this Seventh Supplement, and shall be either (a) a member of the National Association of Securities Dealers, Inc. and registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, or (b) a national banking association, commercial bank or trust company. So long as the Variable Rate Bonds are held in the Book-Entry-Only System, the Remarketing Agent must be a DTC Participant in the Book-Entry-Only System with respect to the Variable Rate Bonds.

The Remarketing Agent shall perform all of the duties imposed upon it by this Seventh Supplement and the Remarketing Agreement, but only upon the terms and conditions set forth herein and the Remarketing Agreement, including the following:

(i) set the interest rates on the Variable Rate Bonds and perform the other duties provided for in Article IV hereof, and remarket Variable Rate Bonds as provided in Section 4.08 hereof and in the Remarketing Agreement;

(ii) hold all moneys delivered to it hereunder for the purchase of Variable Rate Bonds in trust solely for the benefit of the person or entity which shall have so delivered such moneys until the Variable Rate Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iii) keep such books and records as shall be consistent with customary industry practice that shall accurately reflect the transactions hereunder and to make such books and records available for inspection by the Commission and the Liquidity Facility Issuer at all reasonable times;

(iv) deliver any notices required by this Seventh Supplement to be delivered by the Remarketing Agent; and

(v) perform all other duties of the Remarketing Agent under this Seventh Supplement and the Remarketing Agreement.

The Remarketing Agent at any time may be removed or may resign and be discharged of the duties and obligations imposed upon the Remarketing Agent by this Seventh Supplement in accordance with the Remarketing Agreement.

Section 6.04. TENDER AGENT. The Tender Agent shall perform the duties imposed upon the Tender Agent under this Seventh Supplement and the Tender Agent Agreement, but only upon the terms and conditions set forth herein and in the Tender Agent Agreement, including the following:

(i) hold all Variable Rate Bonds delivered to it hereunder in trust for the benefit of the respective owners which shall have so delivered such Variable Rate Bonds until moneys representing the purchase price of such Variable Rate Bonds shall have been delivered to or for the account of or to the order of such owners;

(ii) hold all moneys delivered to it hereunder for the purchase of Variable Rate Bonds in trust in the Variable Rate Bonds Purchase Fund solely for the benefit of the person or entity which shall have so delivered such moneys until the Variable Rate Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iii) keep such books and records as shall be consistent with customary industry practice that shall accurately reflect the transactions hereunder and to make such books and records available for inspection by the Commission, the Remarketing Agent and the Liquidity Facility Issuer at all reasonable times;

(iv) deliver any notices required by this Seventh Supplement to be delivered by the Tender Agent; and

(v) perform all other duties of the Tender Agent under this Seventh Supplement.

The Tender Agent, with the written consent of the Commission and the Remarketing Agent (which consents shall not be unreasonably withheld), may appoint as its agent an alternate tender agent by an instrument in writing delivered to the Commission, the Remarketing Agent and the Liquidity Facility Issuer, to act as its agent in performing any of its duties as tender agent hereunder. Any alternate tender agent appointed pursuant to the provisions of this Section shall be a bank or trust company eligible under the law of the State to accept trusts and operate in a fiduciary capacity. Any Tender Agent shall have combined capital surplus and undivided profits of at least \$50,000,000. No alternate tender agent shall accept its appointment unless at the time of such acceptance such alternate tender agent shall be qualified and eligible under this Section.

Every alternate tender agent appointed hereunder shall execute and deliver to the Paying Agent, the Commission, the Remarketing Agent and the Liquidity Facility Issuer an instrument accepting such appointment, designating its principal office and accepting the duties and obligations imposed upon it hereunder. No appointment of an alternate tender agent pursuant to this Section shall become effective until the acceptance of appointment by the alternate tender agent hereunder.

The Paying Agent shall give notice of appointment of an alternate tender agent by mailing written notice of such event, within thirty (30) days of the appointment of an alternate tender agent, to the Commission, the Liquidity Facility Issuer, the Remarketing Agent, each Rating Agency maintaining a rating on the Variable Rate Bonds and the Owners of Variable Rate Bonds as their names and addresses appear in the Security Register maintained by the Paying Agent. Each notice shall include the name of the alternate tender agent and the address of its principal corporate trust office or designated payment office.

Section 6.05. TIME REFERENCES. All references to time herein shall be deemed to refer to Eastern Standard Time or Eastern Daylight Time, as applicable.

EXHIBIT "E"

AUCTION RATE MODE PROVISIONS

ARTICLE I Definitions

In addition to the words and terms elsewhere defined in the Master Resolution and the Seventh Supplement to which this Exhibit "E" is attached, the following words and terms as used in this Exhibit "E" and elsewhere in the Seventh Supplement have the following meanings with respect to the Bonds in an Auction Rate Mode unless the context or use indicates another or different meaning or intent:

"Agent Member" means a member of, or participant in, DTC who shall act on behalf of a Bidder.

"All Hold Rate" means, as of any Auction Date 60% of the Auction Index in effect on such Auction Date.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Exhibit "E".

"Auction Agreement" means an agreement between the Auction Agent and the Paying Agent pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit "E", with respect to the Bonds in an Auction Rate Mode as such agreement may from time to time be amended or supplemented.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to a series of the Bonds in an Auction Period other than a daily Auction Period or Special Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for such Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the Maturity Date for such Bonds; and provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (1) the Business Day next preceding the Conversion Date for such Bonds and (2) the Business Day next preceding the Maturity Date for the Bonds. The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

The first Auction Date for the Bonds is as established pursuant to a certificate of the Department Representative.

"Auction Period" means with respect to each series of Bonds in the Auction Rate Mode:

- (a) a Special Auction Period;
- (b) with respect to a series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day.
- (c) with respect to a series of the Bonds in a seven day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business day), (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period of the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);
- (d) with respect to a series of Bonds in a 28-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the day following the last day of the prior Auction Period if the Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the Auction Period does

not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 28 days beginning on a Friday (or the day following the last day of the prior Auction Period if the Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(e) with respect to a series of Bonds in a 35-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(f) with respect to a series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period (unless such first day of the month is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; and

(g) with respect to a series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period), beginning on the day following the last day of the prior Auction Period and ending on the next succeeding March 31 or September 30;

provided, however, that

(a) if there is a conversion of a series of Bonds with Auctions generally conducted on Fridays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and

shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion;

(b) if there is a conversion of a series of Bonds with Auctions generally conducted on Mondays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion;

(c) if there is a conversion of a series of Bonds with Auctions generally conducted on Tuesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(d) if there is a conversion of a series of Bonds with Auctions generally conducted on Wednesday (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period)

and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion; and

(e) if there is a conversion of a series of Bonds with Auctions generally conducted on Thursdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate because Sufficient Clearing Bids do not exist, the Auction Period shall automatically change to a seven-day Auction Period.

"Auction Index" shall have the meaning specified in Section 2.06 of this Exhibit "E".

"Auction Period Rate" means for each series of the Bonds, the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.03 of this Exhibit "E"; provided, however, in no event may the Auction Rate exceed the Maximum Rate.

"Auction Procedures" means the procedures for conducting Auctions for Bonds in an Auction Rate Mode set forth in this Exhibit "E".

"Auction Rate" means for each series of the Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of such Bonds are the subject of Submitted Hold Orders, the All Hold Rate with respect to such Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate with respect to such Bonds.

"Auction Rate Conversion Date" means with respect to any series of the Bonds, the date on which the Bonds of such series convert from an interest rate period other than an Auction Rate Period and begin to bear interest at an Auction Rate.

"Auction Rate Period" means after the Initial Period any period of time commencing on the day following the Initial Period to but not including a Conversion Date and the period from and including an Auction Rate Conversion Date to but excluding the next Conversion Date.

"Available Bonds" means for each series of the Bonds on each Auction Date, the aggregate principal amount of the Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit "E".

"Bidder" means each Existing Bondholder and Potential Bondholder who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit "E" that is a member of, or a direct participant in, DTC, that has been selected by the Commission, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

"Broker-Dealer Agreement" means an agreement among the Auction Agent, the Commission and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit "E", as such agreement may from time to time be amended or supplemented.

"Broker-Dealer Deadline" means with respect to an Order the internal deadline established by the Broker-Dealer through which a Bidder is placing an Order after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice to the Bidders. Notwithstanding the foregoing, the Broker-Dealer Deadline is implemented for the benefit of the Broker-Dealers and may be waived by any individual Broker-Dealer in any particular circumstance in the sole discretion of such Broker-Dealer.

"Code" means the Internal Revenue Code of 1986, as amended, and the income tax regulations promulgated thereunder.

"Conversion Date" means the date on which a series of the Bonds convert from one interest rate period to another interest rate period.

"Existing Owner" means a Person who is listed as the beneficial owner of the Bonds in the records of the Auction Agent; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Hold Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit "E".

"Initial Period" means the period as established in a certificate of a Department Representative.

"Interest Payment Date" with respect to each series of the Bonds bearing interest at Auction Rates, means such date as established in a certificate of a Department Representative for the Bonds and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period; (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Special Auction Period, or (ii) more than 182 days, each April 1 and October 1 and on the Business Day immediately following such Special Auction Period.

"LIBOR" means, on any date of determination for an Auction Period, the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Maximum Rate" has the meaning given in the Seventh Supplement.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in the Auction Agreement as the office of the Auction Agent to which notices, requests or communications should be sent.

"Securities Depository" or "DTC" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Commission which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit "E".

"Special Auction Period" means, with respect to a series of Bonds in an Auction Rate Mode, (a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a series of Bonds in an Auction Rate Mode with Auctions

generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business day, in which case on the next succeeding date which is followed by a Business Day, (ii) in the case of a series of Bonds in an Auction Rate Mode with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a series of Bonds in an Auction Rate Mode with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a series of Auction Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a series of Bonds in an Auction Rate Mode with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or (b) any period which is longer than 182 days, which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such series of Bonds in an Auction Rate Mode.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date for a series of Bonds not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date for a series of Bonds in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.03 of this Exhibit "E".

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.03 of this Exhibit "E".

"Submitted Order" has the meaning specified in subsection (b) of Section 2.03 of this Exhibit "E".

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.03 of this Exhibit "E".

"Sufficient Clearing Bids" means with respect to a series of Bonds, an Auction for which the aggregate principal amount of Bonds of such series that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the aggregate principal amount of Bonds of such series that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

"Winning Bid Rate" means with respect to a series of Bonds the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Period Rate would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds of such series.

ARTICLE II

Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period.

(ii) each Potential Owner may submit to a Broker-Dealer in writing, or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to determine the principal amount of the Bonds, if any, which each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b)(i) A Bid by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein;
or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.04 of this Exhibit "E" if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.04 of this Exhibit "E" if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.04 of this Exhibit "E" if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(iv) Anything herein to the contrary notwithstanding:

(A) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not \$25,000 or an integral multiple thereof shall be rounded down to the nearest \$25,000 and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(B) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(C) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(D) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline all Orders shall be irrevocable.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and, if requested, specifying with respect to each Order:

- (i) the name of the Bidder placing such Order;
- (ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;
- (iii) to the extent that such Bidder is an Existing Owner:
 - (A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;
 - (B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and
 - (C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner;
- (iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds of a particular series held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds of such series held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds of the series to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds of a series held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds of such series held by such Existing Owner over the principal amount of the Bonds of such series subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds of such series held by such Existing Owner over the principal amount of Bonds of such series held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds of such series held by such Existing Owner over the principal amount of Bonds of such series held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds of such series subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Bonds of such series equal to the excess of the principal amount of Bonds of such series held by such Existing Owner over the sum of the principal amount of the Bonds of such series considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Bonds of such series considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Neither the Commission, the Paying Agent, Tender Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

SECTION 2.03. *Determination of Auction Period Rate.*

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for each series of Bonds in an Auction Rate Mode, the Auction Agent shall advise the Broker-Dealers, the Tender Agent and the Paying Agent by telephone or other electronic communication acceptable to the parties of the All Hold Rate and the Auction Index for such series of the Bonds.

(b) Promptly after the Submission Deadline on each Auction Date for each series of Bonds in an Auction Rate Mode, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Tender Agent and the Paying Agent by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Tender Agent and the Paying Agent shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent shall fail to calculate or, for any reason (including, but not limited to, the lack of a duly appointed Broker-Dealer), fails to provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the next seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then in the next succeeding day which is followed by a Business Day) and the Auction Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence; an Auction shall be held on the last Business Day of the Auction Period as so extend to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no Auction Rate shall be extended for more than 35 days. If at the end of 35 days the Auction Agent fails to calculate or provide the Auction Rate, the Auction Rate shall be the Maximum Rate.

(e) In the event of a failed conversion, with respect to any series of the Bonds to a Daily Mode, a Weekly Mode, a Commercial Paper Mode, a Term Rate Mode or a Fixed Rate Mode or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Bonds are no longer maintained in book-entry-only form by DTC, then the Auction Rate shall be the Maximum Rate.

SECTION 2.04. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a series of the Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall

be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a series of the Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each series of the Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate with respect to Bonds shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate with respect to Bonds shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate with respect to Bonds shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate with respect to the Bonds shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal

amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase a principal amount of Bonds that is less than \$25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate such Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing such Bonds on such Auction Date.

SECTION 2.05. *Notice of Auction Period Rate.*

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall, if requested: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through DTC the amount necessary to purchase the principal amount of such Bonds to be purchased pursuant to such Bid (including, with respect to such Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through DTC the principal amount of such Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

SECTION 2.06. *Auction Index.*

(a) For Bonds in an Auction Rate Period of 35 days or less, the Auction Index is LIBOR. For Bonds in an Auction Period of more than 35 days, the Auction Index is equal to the yield on the United States Treasury security on the date the Auction Period began which has a maturity which most closely matches the last day of the Auction Period.

(b) If for any reason on any Auction Date the Auction Index shall not be determined as hereinabove provided in this Section 2.06, the Auction Index shall be the Auction Index for the Auction Period ending on such Auction Date.

(c) The determination of the Auction Index as provided herein shall be conclusive and binding upon the Commission, the Paying Agent, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

SECTION 2.07. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit "E", each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in such Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Mode, with respect to the Bonds, the provisions of the Seventh Supplement and the definitions contained therein and described in this Exhibit "E", including without limitation the definitions of Maximum Rate, All Hold Rate, Auction Index, Interest Payment Date and the Auction Period Rate, may be amended, pursuant to the Seventh Supplement by obtaining the consent of the Owners of all Outstanding Bonds as follows; provided, however, that no such amendments that adversely affect the rights, duties or obligations of the Auction Agent shall be made without the consent of the Auction Agent. If on the first Auction Date occurring at least 20 days after the date on which the Paying Agent mailed notice of such proposed

amendment to the Owners of the Outstanding Bonds as required by the Master Resolution, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Commission and the Paying Agent a Favorable Opinion of Bond Counsel, the proposed amendment shall be deemed to have been consented to by the Owners of all affected Outstanding Bonds bearing interest at an Auction Rate of such series.

(c) If DTC notifies the Commission that it is unwilling or unable to continue as Owner of the Bonds or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to DTC is not appointed by the Commission within 90 days after the Commission receives notice or becomes aware of such condition, as the case may be, the Commission shall execute and the Paying Agent shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be authorized in such names and authorized denominations as DTC, pursuant to instructions from the Agent Members or otherwise, shall instruct the Commission, Tender Agent and the Paying Agent.

(d) During an Auction Rate Mode, so long as the ownership of the Bonds is maintained in book-entry form by DTC, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

SECTION 2.08. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period. (i) During any Auction Rate Mode, the Commission may from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds of any series among daily, seven-days, 28-days, 35-days, three months, six months and a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds; provided, however, in the case of a change from a Special Auction Period, the date of such change shall be the Interest Payment Date immediately following the last day of such Special Auction Period. The Commission shall initiate the change in the length of the Auction Period by giving written notice to the Auction Agent, the Tender Agent, the Broker-Dealers and DTC that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Special Auction Period and shall be for all of the Bonds of a series in an Auction Rate Period.

(iii) The change in the length of the Auction Period for any series of the Bonds shall not be allowed unless Sufficient Clearing Bids existed at the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period for any series of the Bonds shall take effect only if (A) the Tender Agent, Paying Agent and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Commission consenting to the change in the length of the Auction Period specified in such certificate, (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period, and (C) delivery of a Favorable Opinion of Bond Counsel. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds for which there is to be a change in the length of the Auction Period except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) above is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any Auction Rate Mode, the Auction Agent, with the written consent of the Commission, may specify an earlier Auction Date for any series of Bonds (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on such Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Tender Agent, Paying Agent, the Commission, the Broker-Dealers and DTC. In the event the Auction Agent specifies an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Special Auction Period ends and the Interest Payment Date relating to a Special Auction Period shall be adjusted accordingly.

If an Auction is scheduled to occur for the next Interest Period on a date that was reasonably expected to be a Business Day, but such Auction does not occur because such date is later not considered to be a Business Day, the Auction shall nevertheless be deemed to have occurred, and the applicable Auction Rate in effect for the next Interest Period will be the Auction Rate in effect for the preceding Interest Period.

ARTICLE III

Auction Agent

Section 3.01. *Auction Agent.*

(a) The Auction Agent shall be appointed by the Paying Agent at the written direction of the Commission to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by an Auction Agreement delivered to the Commission, the Paying Agent and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Commission, the Tender Agent and the Paying Agent.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. *Qualifications of Auction Agent; Resignation; Removal.* The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of National Association of Securities Dealers having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Seventh Supplement and a member of, or a participant in, DTC. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Seventh Supplement by giving at least 90 days written notice to the Commission, each Broker-Dealer, the Tender Agent and the Paying Agent. The Auction Agent may be removed at any time by the Commission, by written notice, delivered to the Auction Agent, each Broker-Dealer and the Paying Agent. Upon any such resignation or removal, the Paying Agent shall appoint a successor Auction Agent meeting the requirements of this Section 3.02. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Paying Agent. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving 30 days written notice to the Commission and the Paying Agent even if a successor Auction Agent has not been appointed.