Section 49-n, Article III, of the Texas Constitution (constitutional provision) provides that the Texas Legislature may authorize the Texas Transportation Commission (commission) to issue bonds and other public securities and enter into bond enhancement agreements that are payable from revenue deposited to the credit of the State Highway Fund (highway fund) to fund state highway improvement projects. The constitutional provision further provides for the appropriation of amounts from highway fund revenues that are sufficient to pay the principal of and interest on such bonds or other public securities and any cost related to the bonds and other public securities, including payments under bond enhancement agreements.

Pursuant to the constitutional provision, the Texas Legislature enacted Section 222.003, Texas Transportation Code, as amended (enabling act), which authorizes the commission to issue bonds and other public securities secured by a pledge of and payable from revenue deposited to the credit of the highway fund.

The enabling act provides that: (i) the aggregate principal amount of such bonds and other public securities may not exceed $6 billion; (ii) the commission may issue bonds or other public securities in an aggregate principal amount of not more than $1.5 billion each year; (iii) $1.2 billion of the aggregate principal amount of such bonds or other public securities must be issued to fund projects (safety projects) that reduce accidents or correct or improve hazardous locations on the state highway system; and (iv) bonds and other public securities and credit agreements may not have a principal amount or terms that are expected to cause annual expenditures with respect thereto to exceed 10 percent (10%) of the amount deposited to the credit of the highway fund in the immediately preceding year.

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

Pursuant to the enabling act, the commission has adopted rules, codified at 43 TAC §§15.170-15.174, that prescribe criteria for selecting projects (including safety projects) eligible for funding under the enabling act.

Pursuant to Minute Order No. 110472, dated March 30, 2006, the commission approved a master resolution, as amended (master resolution), establishing a financing program for bonds, other public securities and credit agreements secured by and payable from revenue deposited to the credit of the highway fund to provide a financing structure to facilitate the commission's exercise of the powers and authority conferred by the enabling act and pursuant to which the commission is authorized to issue obligations (senior obligations), including bonds, notes and other public securities, and execute credit agreements, secured by and payable from a pledge of and lien on revenues deposited to the credit of the highway fund, as provided by the master resolution. Under the master resolution, the commission has approved seven supplemental resolutions that authorized the issuance of nine series of Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, designated as Series 2006, Series 2006-A, Series 2006-B, Series 2007, Series 2008, Taxable Series 2010 (Build America Bonds - Direct Payment), Series 2014-A, Series 2014-B, and Series 2015 (collectively, the "outstanding senior obligations").

There currently remains authority to issue up to $700,148,786.56 principal amount (remaining authorization) of additional bonds and other public securities pursuant to the enabling act.

The commission has determined that it is in the best interest of the state to approve an eighth supplemental resolution to the master resolution (eighth supplement) to authorize the issuance of additional senior obligations in an amount not to exceed the remaining authorization (additional senior obligations), in one or more series, to fund state highway improvement projects (new money bonds) and to authorize the issuance of additional senior obligations, in one or more series, to refund certain outstanding senior obligations (refunding bonds) and to prescribe the terms, provisions and covenants related to the additional senior obligations. As provided by the eighth supplement, additional senior obligations may be issued at prices and in principal amounts, bearing interest at rates and maturing on dates, subject to the limitations contained in the eighth supplement, and additional senior obligations issued to refund outstanding senior obligations shall provide any of the following: (i) net present value debt service savings of not less than 3% of the principal amount of the refunded senior obligations; (ii) long-term fixed rates for refunded variable rate bonds; (iii) alternative variable rate financing for refunded variable rate bonds; or (iv) any combination thereof.

Under the eighth supplement, the department representative, defined in the eighth supplement to include the chief financial officer of the department and the innovative financing/debt management officer, is authorized to determine the timing and method of sale for each series of additional senior obligations as well as the price and other terms of each series of additional senior obligations, as prescribed in each award certificate for additional senior obligations.

Under the eighth supplement, the department representative is authorized to price all or a portion of the additional senior obligations as variable rate bonds, including variable rate demand bonds, index bonds, and put bonds, and bonds with other interest rate structures, which may require the use of liquidity provider(s), remarketing agent(s), calculation agent(s), tender agent(s) and other entities to perform various functions in connection with any such bonds and structures.

The commission has determined that it is in the best interest of the state to authorize the department representative to enter into any memoranda and agreements (collectively, management agreements) as are deemed necessary or appropriate by the department representative to permit timely payment of obligations issued or incurred pursuant to the master resolution and the eighth supplement and to provide for the management and administration of the highway fund and any other funds and accounts established and maintained in connection with or related to such obligations.

In connection with the administration of the outstanding senior obligations issued as variable rate bonds and any related credit agreements, the commission has determined that it is in the best interest of the state to ratify and confirm the authority of the department representative, as defined in the eighth supplement, to take such actions as the department representative shall deem to be necessary or appropriate for the administration of such senior obligations, including actions as are necessary or appropriate (i) to obtain, amend or extend the term of any liquidity agreements therefor; (ii) to remarket, refinance or refund such outstanding senior obligations; (iii) to convert such outstanding senior obligations to an alternative variable rate mode under the supplemental resolution(s) therefor, including any amendments thereto; or (iv) any combination thereof.

The commission understands that an official statement or other offering document (collectively, official statement) will be distributed in connection with the public offering and sale of

each series of additional senior obligations or remarketed variable rate bonds, which official statement will include a description of the revenues deposited to the credit of the highway fund and other security and payment provisions related to the additional senior obligations or remarketed variable rate bonds.

IT IS THEREFORE ORDERED by the commission that the chairman and each member of the commission and the executive director of the department are authorized and directed to execute and deliver each series of additional senior obligations and such other documents and certificates as are necessary or appropriate to effect the intent of this order, and the department representative is authorized and directed to execute and deliver the eighth supplement, each purchase contract, if applicable, paying agent/registrar agreement, escrow agreement and similar agreement necessary or appropriate for any series of additional senior obligations (collectively, financing documents) in the form approved by the department representative or in substantially the form previously approved by the commission in connection with previously issued senior obligations, as applicable, with such changes as the department representative executing each such financing document may approve, such approval to be conclusively evidenced by the execution of such financing document; and, the department representative is authorized and directed to take any and all actions necessary or appropriate to effect the delivery of additional senior obligations in accordance with the terms and conditions of the financing documents.

IT IS FURTHER ORDERED by the commission that the department representative is authorized and directed to execute and deliver any liquidity agreement, remarketing agreement, purchase agreement, tender agent agreement, calculation agent agreement, and similar agreement necessary or appropriate for any additional senior obligations issued as variable rate bonds or bonds with other interest rate structures permitted by the eighth supplement or for outstanding senior obligations issued as variable rate bonds (collectively, variable rate documents), and the variable rate documents, in the form approved by the department representative or in substantially the form previously approved by the commission in connection with previously issued senior obligations, as applicable, are approved, with such changes as the department representative executing such variable rate document may approve, such approval to be conclusively evidenced by execution of such variable rate document. The department representative's authority to take such actions as are contemplated by the commission's prior delegation of continuing authority under the supplemental resolutions for the outstanding variable rate bonds, including authority to establish, alter, or consent to changes in interest rates, interest rate modes, and interest rate periods and to execute and enter into agreements, is hereby ratified, confirmed and approved.

IT IS FURTHER ORDERED by the commission that the department representative is authorized to execute and deliver such management agreements as are deemed necessary or appropriate to permit timely payment of obligations issued or incurred pursuant to the eighth supplement or the cash defeasance or redemption of a portion of the outstanding senior obligations and to provide for the management and administration of the highway fund and any other funds and accounts established and maintained in connection with or related to such obligations.

IT IS FURTHER ORDERED by the commission that any other agreements, instruments or ancillary documents necessary or appropriate in connection with the issuance of the additional senior obligations, the conversion or remarketing of outstanding senior obligations issues as variable rate bonds, and the performance of the terms and conditions of any financing document or variable

rate document are hereby approved; and, the department representative is authorized and directed to execute and deliver such agreements, instruments and documents.

IT IS FURTHER ORDERED by the commission that an official statement is approved for distribution in connection with the public offering and sale of each series of additional senior obligations or remarketed variable rate bonds in such form as the department representative may approve, and the department representative is authorized to execute the official statement for each series of additional senior obligations or remarketed variable rate bonds and to deem final the preliminary form of the official statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission (rule) with such omissions as are permitted by the rule.

IT IS FURTHER ORDERED by the commission that each member of the commission, the executive director, each department representative and the general counsel are authorized and directed to perform such acts and execute such documents, notices and other instruments, including certifications to underwriters, purchasers or remarketing agents, the attorney general, the comptroller, the Texas Bond Review Board and other parties, as may be necessary or appropriate to carry out the intent and purpose of this order and other orders of the commission relating to the state highway fund revenue financing program, the financing documents, and the variable rate documents.

Submitted and reviewed by:

Interim Chief Financial Officer

Recommended by:

James M Bass

Executive Director

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Minute Number | Date Passed