

OFFICIAL STATEMENT
DATED JUNE 22, 2010

NEW ISSUE - Book-Entry-Only

RATINGS: Fitch: "AAA"
Moody's: "Aaa"
Standard & Poor's: "AA+"
(See "RATINGS" herein)

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions and the Bonds are not "specified private activity bonds" for the purposes of the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations and other tax consequences.



TEXAS PUBLIC FINANCE AUTHORITY

\$180,490,000
State of Texas
General Obligation Refunding Bonds,
Series 2010A

\$153,050,000
State of Texas
General Obligation Refunding Bonds,
Series 2010B

Dated Date: July 14, 2010

Due: October 1, as shown on pages ii and iii

Interest Accrues from Date of Delivery

The Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010A (the "Series 2010A Bonds") and the Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010B (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Bonds") are general obligations of the State of Texas (the "State") being issued by the Texas Public Finance Authority (the "Authority") under the authority of the Constitution and general laws of the State, including Article III, Sections 49-h, 49-l, 50-f and 50-g of the Texas Constitution and Chapters 1201, 1207, 1371, 1401 and 1403 of the Texas Government Code. Proceeds of the Series 2010A Bonds will be used for (i) refunding certain outstanding general obligation commercial paper notes of the State issued by the Authority (the "Refunded Notes"), as further identified on Schedule I attached hereto, to achieve long term fixed rate financing and (ii) paying the costs associated with the issuance of the Series 2010A Bonds. See "PLAN OF FINANCE" herein. Proceeds of the Series 2010B Bonds will be used for (i) refunding certain outstanding general obligation bonds of the State issued by the Authority (the "Refunded Bonds" and, together with the Refunded Notes, the "Refunded Obligations"), as further identified on Schedule II attached hereto, to achieve a debt service savings and (ii) paying the costs associated with the issuance of the Series 2010B Bonds. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from the Date of Delivery, will be payable on October 1, 2010, and on each April 1 and October 1 thereafter until maturity or, with respect to the Series 2010A Bonds, prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the initial purchasers named below (the "Underwriters") or the beneficial owners of the Bonds. Interest on and principal of the Bonds will be payable by the Authority (which will act as the initial Paying Agent/Registrar) to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System."

The Series 2010A Bonds are subject to redemption prior to maturity as set forth in the section "DESCRIPTION OF THE BONDS - Optional Redemption." The Series 2010B Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of, and are secured by the full faith and credit of, the State. See "DESCRIPTION OF THE BONDS - Source of Payment of the Bonds" herein. For general information regarding the State, including information concerning outstanding general obligation debt of the State, see Appendix A hereto.

MATURITY SCHEDULES

(See Pages ii and iii)
CUSIP Prefix: 882722

The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State and the approving opinions of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., Dallas, Texas. See "LEGAL MATTERS." The Bonds are expected to be available for initial delivery through the facilities of DTC on or about July 14, 2010 (the "Date of Delivery").

BARCLAYS CAPITAL

CABRERA CAPITAL MARKETS, LLC
JEFFERIES & COMPANY, INC.
LOOP CAPITAL MARKETS

PIPER JAFFRAY & Co.

CITI
RAMIREZ & Co., INC.
MORGAN KEEGAN & COMPANY, INC.

MATURITY SCHEDULES
\$180,490,000
TEXAS PUBLIC FINANCE AUTHORITY
STATE OF TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2010A

Maturity (October 1)	Principal Amount	Interest Rate	Initial Yield⁽¹⁾	CUSIP No. Suffix⁽²⁾
2013	\$ 10,030,000	5.00 %	1.16 %	SU6
2014	10,030,000	5.00	1.53	SV4
2015	10,030,000	5.00	1.89	SW2
2016	10,030,000	5.00	2.31	SX0
2017	10,030,000	5.00	2.65	SY8
2018	10,030,000	5.00	2.89	SZ5
2019	8,030,000	5.00	3.13	TA9
2019	2,000,000	4.00	3.13	TN1
2020	9,530,000	5.00	3.27	TB7
2020	500,000	4.00	3.27	TP6
2021	10,025,000	5.00	3.39 ⁽¹⁾	TC5
2022	10,025,000	5.00	3.54 ⁽¹⁾	TD3
2023	10,025,000	5.00	3.63 ⁽¹⁾	TE1
2024	10,025,000	5.00	3.71 ⁽¹⁾	TF8
2025	10,025,000	5.00	3.76 ⁽¹⁾	TG6
2026	10,025,000	5.00	3.84 ⁽¹⁾	TH4
2027	10,025,000	5.00	3.91 ⁽¹⁾	TJ0
2028	10,025,000	5.00	3.98 ⁽¹⁾	TK7
2029	10,025,000	5.00	4.05 ⁽¹⁾	TL5
2030	10,025,000	5.00	4.12 ⁽¹⁾	TM3

(Interest accrues from Date of Delivery)

OPTIONAL REDEMPTION...The Series 2010A Bonds maturing on and after October 1, 2021, are subject to redemption at the option of the Authority, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Authority may select, on October 1, 2020, or on any date thereafter, at a redemption price equal to par plus accrued interest to the date fixed for redemption. See “DESCRIPTION OF THE BONDS – Optional Redemption.”

⁽¹⁾ Yields shown are calculated to the earlier of the maturity or the first call date of October 1, 2020.

⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Authority, the Financial Advisor, nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

\$153,050,000
TEXAS PUBLIC FINANCE AUTHORITY
STATE OF TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2010B

Maturity (October 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix⁽¹⁾
2013	\$ 24,060,000	5.00 %	1.16 %	UA7
2013	350,000	3.00	1.16	UB5
2014	21,695,000	5.00	1.53	TQ4
2014	2,575,000	3.00	1.53	TV3
2015	22,630,000	5.00	1.89	TR2
2015	3,500,000	4.00	1.89	TW1
2016	22,620,000	5.00	2.31	TS0
2016	3,500,000	4.00	2.31	TX9
2017	25,660,000	5.00	2.65	TT8
2017	430,000	3.25	2.65	TY7
2018	22,530,000	5.00	2.89	TU5
2018	3,500,000	4.00	2.89	TZ4

(Interest accrues from Date of Delivery)

NO OPTIONAL REDEMPTION...The Series 2010B Bonds are not subject to redemption prior to maturity. See “DESCRIPTION OF THE BONDS – Redemption.”

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Authority, the Financial Advisor, nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

STATE OF TEXAS

Rick Perry
Governor

David Dewhurst
Lieutenant Governor

Greg Abbott
Attorney General

Susan Combs
Comptroller of Public Accounts

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS

Gary E. Wood – Chair
Ruth C. Schiermeyer – Vice-Chair
D. Joseph Meister – Secretary
Gerald Alley – Member

Rodney K. Moore – Member
Robert T. Roddy, Jr. – Member
Massey Villarreal – Member

CERTAIN APPOINTED OFFICERS

Dwight D. Burns, Executive Director
Susan Durso, General Counsel
John Hernandez, Deputy Director

CONSULTANTS

Financial Advisor

Coastal Securities, Inc.
San Antonio, Texas

Bond Counsel

McCall, Parkhurst & Horton L.L.P.
Austin, Texas

For additional information regarding the Authority, please contact:

Mr. Tim Kelley
Coastal Securities, Inc.
600 Navarro, Suite 350
San Antonio, TX 78205
(210) 487-7000

USE OF INFORMATION

This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Authority’s and the Comptroller’s undertakings to provide certain information on a continuing basis.

Certain information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES SET FORTH ON PAGES ii AND iii HEREOF, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

None of the Authority, the Financial Advisor, nor the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Commission assumes no responsibility for registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AGENCY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The statements contained in the Official Statement, and in other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority’s expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in the Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. See “LEGAL MATTERS – Forward-Looking Statements” herein.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the Appendices hereto. No one is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement (including the Appendices). Certain defined terms used in this Summary Statement are defined elsewhere in this Official Statement.

Issuer	Texas Public Finance Authority.
Offering	State of Texas General Obligation Refunding Bonds, Series 2010A in the aggregate principal amount of \$180,490,000 and State of Texas General Obligation Refunding Bonds, Series 2010B in the aggregate principal amount of \$153,050,000.
Maturity	The Series 2010A Bonds are scheduled to mature on October 1 in each of the years 2013 through 2030, with the maturities in 2019 and 2020 being bifurcated maturities. The Series 2010B Bonds are scheduled to mature on October 1 in each of the years 2013 through 2018, with each of such maturities being bifurcated maturities.
Interest	Interest on the Bonds will accrue from the Date of Delivery and will be payable on October 1 and April 1 of each year, commencing October 1, 2010, until maturity or, with respect to the Series 2010A Bonds, prior redemption. See “DESCRIPTION OF THE BONDS.”
Redemption	The Series 2010A Bonds are subject to redemption in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, prior to maturity as described herein. The Series 2010B Bonds are not subject to redemption prior to maturity. See “DESCRIPTION OF THE BONDS – Optional Redemption.”
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co, the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to a book-entry-only system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest on and principal of the Bonds will be paid to Cede & Co., which will distribute the payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System.”
Purpose	<p>The Series 2010A Bonds are being issued for the purpose of (i) refunding a portion of the outstanding general obligation commercial paper notes of the State issued by the Authority as shown on Schedule I (the “Refunded Notes”) for the purpose of achieving long term fixed rate financing, and (ii) paying the costs associated with the issuance of the Series 2010A Bonds. See “PLAN OF FINANCE.”</p> <p>The Series 2010B Bonds are being issued for the purpose of (i) refunding a portion of the outstanding general obligation bonds of the State issued by the Authority as shown on Schedule II (the “Refunded Bonds” and, together with the Refunded Notes, the “Refunded Obligations”) for a debt service savings, and</p>

(ii) paying the costs associated with the issuance of the Series 2010B Bonds. See “PLAN OF FINANCE.”

Source of Payment

The Bonds are general obligations of the State, issued under the applicable Authorizing Law (defined herein). See “DESCRIPTION OF THE BONDS – Source of Payment of the Bonds.”

Ratings

Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch Ratings have assigned ratings of “Aaa”, “AA+” and “AAA”, respectively, to the Bonds. See “RATINGS.”

Legality

The issuance of the Bonds is subject to the approval of the Attorney General of the State and the opinions of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. See “LEGAL MATTERS.”

OFFICIAL STATEMENT

relating to

TEXAS PUBLIC FINANCE AUTHORITY

\$180,490,000
State of Texas
General Obligation Refunding Bonds,
Series 2010A

\$153,050,000
State of Texas
General Obligation Refunding Bonds,
Series 2010B

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, pages ii and iii, the Summary Statement, and the attached Appendices) is to furnish information concerning the offering of \$180,490,000 Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010A (the “Series 2010A Bonds”) and the \$153,050,000 Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010B (the “Series 2010B Bonds” and, together with the Series 2010A Bonds, the “Bonds”), which are being issued by the Authority pursuant to Article III, Sections 49-h, 49-l, 50-f and 50-g of the Texas Constitution (the “Constitutional Provisions”); the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended (the “TPFA Enabling Act”); and Chapters 1201, 1207, 1371, 1401 and 1403, Texas Government Code, as amended (the Constitutional Provisions, Enabling Act and any regulations promulgated by the Authority thereunder, and the other statutes cited above together constituting the “Authorizing Law”), and pursuant to the Bond Resolution (defined below).

This Official Statement contains summaries and descriptions of the plan of finance, the Bonds, the Authority, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Authority’s and the Comptroller’s respective undertakings to provide certain information on a continuing basis.

PLAN OF FINANCE

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the Constitution and the Authorizing Law, and additionally pursuant to the bond resolution (the “Resolution”) adopted by the Board of Directors of the Authority (the “Board”) on June 8, 2010. As permitted by Chapter 1207, Texas Government Code, as amended, the Board, in the Resolution, delegated to certain designated officials (the “Pricing Committee”) the authority to establish and approve the final terms of sale of the Bonds through the execution of one or more “Pricing Certificates”, which Pricing Certificates have been finalized and executed in connection with the sale of the Bonds (the Resolution and the Pricing Certificates are jointly referred to herein as the “Bond Resolution”).

Purpose of the Bonds

Series 2010A Bonds... The Series 2010A Bonds are being issued for the purpose of (i) refunding a portion of the outstanding general obligation commercial paper notes of the State issued by the Authority as shown on Schedule I (the “Refunded Notes”) for the purpose of achieving long term fixed rate financing, and (ii) paying the costs associated with the issuance of the Series 2010A Bonds.

Series 2010B Bonds... The Series 2010B Bonds are being issued for the purpose of (i) refunding a portion of the outstanding general obligation bonds of the State issued by the Authority as shown on Schedule II (the “Refunded

Bonds” and, together with the Refunded Notes, the “Refunded Obligations”) for a debt service savings, and (ii) paying the costs associated with the issuance of the Series 2010B Bonds.

Payment of Refunded Obligations

The Refunded Notes... The principal and interest due on the Refunded Notes are to be paid on the maturity dates of such Refunded Notes from funds to be deposited with the Texas Treasury Safekeeping Trust Company (the “Escrow Agent”) in accordance with the Escrow Agreement for the Refunded Obligations (the “Escrow Agreement”) between the Authority and the Escrow Agent. A portion of the proceeds of the sale of the Series 2010A Bonds will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Notes. Such funds will be held by the Escrow Agent in a separate special escrow account (the “Note Escrow Account”) and used to pay at maturity the Refunded Notes and/or to purchase noncallable United States Treasury obligations or other noncallable direct obligations of the United States of America (the “Escrowed Securities”). Under the Escrow Agreement, the Note Escrow Account is irrevocably pledged to the payment of the principal of and interest on the Refunded Notes. Such maturing principal of and interest on the Escrowed Securities will not be available to pay debt service on the Bonds. All of the Refunded Notes will be paid on their respective maturity dates which shall occur within 60 days of the Date of Delivery.

The Refunded Bonds... The principal of and interest on the Refunded Bonds are to be paid on the scheduled interest payment dates and redemption dates from funds to be deposited pursuant to the Escrow Agreement. A portion of the proceeds of the sale of the Series 2010B Bonds will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a separate special escrow account (the “Bond Escrow Account” and collectively with the Note Escrow Account, the “Escrow Fund”) and used to purchase Escrowed Securities. Under the Escrow Agreement, the Bond Escrow Account is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay debt service on the Bonds.

By the deposit of the Escrowed Securities and/or cash with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have entered into firm banking and financial arrangements for the discharge, defeasance and final payment of the Refunded Obligations in accordance with applicable law and the terms of the resolutions authorizing their issuance. Bond Counsel will render an opinion to the effect that, in reliance upon the report of Grant Thornton LLP, and as a result of such firm banking and financial arrangements, such Refunded Obligations will be deemed to be no longer outstanding except for the purpose of receiving the funds provided therefor by, and are secured solely by and payable solely from, the Escrow Fund pursuant to the Escrow Agreement.

The Authority has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, of any additional amounts required to pay the principal of and interest on such Refunded Obligations if the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Grant Thornton LLP, a firm of certified public accountants, will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. See “VERIFICATION OF MATHEMATICAL ACCURACY” herein.

Sources and Uses of Funds

The proceeds from the sale of the Series 2010A Bonds will be applied approximately as follows:

Sources of Funds	
Principal Amount of Series 2010A Bonds	\$ 180,490,000.00
Original Issue Premium	<u>21,762,719.10</u>
Total	<u>\$ 202,252,719.10</u>
Uses of Funds	
Deposit to Note Escrow Account	\$ 201,153,557.33
Costs of Issuance ⁽¹⁾	<u>1,099,161.77</u>
Total	<u>\$ 202,252,719.10</u>

The proceeds from the sale of the Series 2010B Bonds will be applied approximately as follows:

Sources of Funds	
Principal Amount of Series 2010B Bonds	\$ 153,050,000.00
Original Issue Premium	<u>21,512,396.95</u>
Total	<u>\$ 174,562,396.95</u>
Uses of Funds	
Deposit to Bond Escrow Account	\$ 173,774,488.99
Costs of Issuance ⁽¹⁾	<u>787,907.96</u>
Total	<u>\$ 174,562,396.95</u>

⁽¹⁾ Includes Underwriters' Discount.

THE AUTHORITY

The Authority is a public authority and body politic and corporate originally created in 1984 by an act of the Texas Legislature as the Texas Public Building Authority. The Authority (formerly known as the Texas Public Building Authority) succeeded to the ownership of all property of and all lease and rental contracts entered into by the Texas Public Building Authority, and all of the obligations contracted or assumed by the Texas Public Building Authority became obligations of the Authority.

Board of Directors

The Authority is currently governed by the Board, which is composed of seven members appointed by the Governor with the advice and consent of the State Senate. The Governor designates one member to serve as Chair at the will of the Governor. Board members whose terms have expired continue to serve on the Board until a successor therefor has qualified for office. The current members of the Board, the office held by each member and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
Gary E. Wood	Chair	2015
Ruth C. Schiermeyer	Vice-Chair	2013
D. Joseph Meister	Secretary	2013
Gerald Alley	Member	2013
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2011
Massey Villarreal	Member	2011

Executive Director

The Authority employs an Executive Director who is charged with managing the affairs of the Authority, subject to and under the direction of the Board. The Executive Director is Dwight D. Burns, who has been employed in that position since May 2009.

Authority's Enabling Act

Under the TPFA Enabling Act, the Authority's power is limited to financing and refinancing project costs for State agencies and institutions and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including its authority to construct buildings. The TPFA Enabling Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation.

Pursuant to the TPFA Enabling Act and Chapters 1401 and 1403, Texas Government Code, as amended, the Authority issues general obligation bonds and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers five commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two general obligation commercial paper programs for certain general State government construction projects; a general obligation commercial paper program for the Colonia Roadway program; and a general obligation commercial paper program for the Cancer Prevention and Research Institute of Texas (the "CPRIT"). In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code, as amended.

The Authority has issued revenue bonds on behalf of the Texas Parks & Wildlife Department, the Texas Facilities Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Texas Health & Human Services Commission, the Texas Department of Agriculture, the Texas Department of State Health Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission, the Texas Historical Commission, Midwestern State University, Texas Southern University and the Stephen F. Austin State University. It has also issued general obligation bonds for the Texas Parks & Wildlife Department, the Texas Facilities Commission, the Texas Department of State Health Services, the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, the Texas Juvenile Probation Commission, and the CPRIT.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the TPFA Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of any of them.

Sunset Review

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The next scheduled review of the Authority is during the Texas legislative session in 2011. The TPFA Enabling Act, as amended by the 80th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act also provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

Pursuant to the Sunset Act, the Texas Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by various State agencies, including the Authority. Accordingly, in the event that a future sunset review were to result in the Authority being abolished, the Governor would be required by law to designate an appropriate State agency that would continue to carry out all covenants contained in the Bonds and in all other obligations, including lease, contract and other written obligations of the Authority. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from a State general obligation pledge, revenues or otherwise, until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, amounts sufficient to pay debt service on the Bonds would be automatically appropriated pursuant to the Texas Constitution and the general obligation pledge securing the payment of principal of and interest on the Bonds would remain in full force and effect.

In connection with the 2011 Sunset review of the Authority, the Sunset Advisory Commission, which is comprised of members of the Texas Senate and the Texas House of Representatives as well as public members, by a report dated as of April 2010 has recommended that the Authority be continued as an independent agency for 12 years. The continuation of the operations of the Authority must be accomplished through legislation filed and enacted by the 82nd Legislature which will convene in January 2011.

Other State General Obligation Bonds

Various State entities, including the Authority, have issued general obligation bonds or other obligations of the State. In some instances, such State entities have authority to issue additional general obligation debt. See Appendix A - "State Debt".

Bond Review Board Approval of the Bonds

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Texas Bond Review Board and approved on June 10, 2010.

Retirement Plan of the Authority

The Authority participates in joint contributory retirement plans of the State (collectively the "Plan") administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and law enforcement and custodial officers. For more detailed information on the ERS and other State sponsored retirement plans, their respective funding and liabilities, see Appendix A attached hereto.

Gubernatorial Budget Reduction Request

On January 15, 2010, the Governor, the Lieutenant Governor and the Speaker of the House Joe Straus issued a joint request to all executive, legislative, and judicial agencies of the State (individually, a "State Agency" and, collectively, the "State Agencies"), requesting that each State Agency submit a plan ("Savings Plan") to identify savings in priority increments totaling 5% of general revenue and general revenue-dedicated appropriations for the 2010-11 biennium. The request exempts (i) certain State programs and services and (ii) debt service payments on previously issued obligations.

With respect to the Authority, such 5% reduction equates to approximately \$56,360 for the 2010-11 biennium. In order to achieve the requested reductions, on February 15, 2010, the Authority submitted a plan identifying potential 5% reductions by proposing reductions in various areas, including administrative and support services, professional service contracts, equipment and maintenance renewals and staff salaries and benefits. The Authority has been instructed to transfer its identified savings into an appropriation reduction account at the State Treasury by August 2010.

On May 27, 2010, the Governor, the Lieutenant Governor and the Speaker of the House issued a letter directing the process by which each State Agency will develop its legislative appropriations request for the 2012-2013 biennial budget. The letter also directs agencies to submit a supplemental schedule detailing how they would reduce their baseline request by an additional 10% (in 5% increments) in general revenue-related funding. Exceptions to the baseline request limitation include amounts necessary to satisfy debt service requirements for bond authorizations. The Authority is currently analyzing how such potential budgetary limitation may affect the Authority's operations for the 2012-2013 biennium.

Estimated 2012-2013 Budget Deficit

On May 11, 2010, the Assistant Director of the State's Legislative Budget Board reported to the Texas House Appropriations Committee that the current estimated gap between expected expenditures and available general revenue funds is \$15 to \$18 billion in fiscal years 2012 and 2013. The Governor has questioned this estimation, and further review by the State is necessary before a final estimate can be reached. The Texas Constitution requires that Texas maintain a balanced budget.

Article III, Section 49-g of the State Constitution establishes the Economic Stabilization ("rainy day") Fund which can be used to help balance the State's budget. If an estimate of anticipated revenues for a succeeding biennium prepared by the State Comptroller is less than the revenues that are estimated at the same time by the Comptroller to be available for the current biennium, the Legislature may, by a three-fifths vote of the members present in each house, appropriate for the succeeding biennium from the Economic Stabilization Fund an amount not to exceed this difference. In addition to such appropriation authority, the State Legislature may, by a two-thirds vote of the members present in each house, appropriate amounts from the Economic Stabilization Fund at any time and for any purpose. In her Biennial Revenue Estimate for 2010-2011 (published in January 2009), the State Comptroller estimated that the ending balance in such fund would be approximately \$9 billion at the end of fiscal year 2011. No assurances can be given as to whether the State Legislature will appropriate all or a portion of the Economic Stabilization Fund or as to what type of savings plan or other actions the Texas Legislature may take during the 2011 Legislative Session to balance the budget.

DESCRIPTION OF THE BONDS

General

The Bonds are dated the Date of Delivery, and mature on October 1 in each of the years and in the amounts and will bear interest at the per annum rates shown on page ii (with respect to the Series 2010A Bonds) and page iii (with respect to the Series 2010B Bonds) hereof. Interest on the Bonds will accrue from the Date of Delivery, will be payable on April 1 and October 1 of each year, commencing October 1, 2010, until maturity or, with respect to the Series 2010A Bonds, prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a maturity.

If the specified date for any payment on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the City of Austin, Texas, the designated payment office for the Paying Agent/Registrar for the Bonds (the "Designated Payment Office"), such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Source of Payment of the Bonds

The Bonds are general obligations of the State and are backed by the full faith and credit of the State. The Bonds are issued under the applicable Authorizing Law, including the Constitutional Provisions. Funds available pursuant to the Constitutional Provisions are the sole security for payment of the Bonds. The Refunded Obligations were issued pursuant to the authority of Article III, Section 49-h ("Section 49-h"), Section 49-l ("Section 49-l"), Section 50-f ("Section 50-f") and Section 50-g ("Section 50-g") of the Texas Constitution.

The following excerpts set forth the appropriation language of the Constitutional Provisions:

Section 49-h:

While any of the bonds or interest on the bonds is outstanding and unpaid, there is appropriated out of the first money coming into the treasury in each fiscal year, not otherwise appropriated by this constitution, the amount sufficient to pay the principal of and interest on the bonds that mature or become due during the fiscal year, less any amount in any sinking fund at the end of the preceding fiscal year that is pledged to payment of the bonds or interest.

Section 49-l:

While any of the bonds or notes or interest on the bonds or notes is outstanding and unpaid, there is appropriated out of the general revenue fund in each fiscal year an amount sufficient to pay the principal of and interest on the bonds and notes that mature or become due during the fiscal year, including an amount sufficient to make payments under a related credit agreement.

Section 50-f:

While any of the bonds or interest on the bonds authorized by this section is outstanding and unpaid, from the first money coming into the state treasury in each fiscal year not otherwise appropriated by this constitution, an amount sufficient to pay the principal and interest on the bonds that mature or become due during the fiscal year and to make payments that become due under a related credit agreement during the fiscal year is appropriated, less the amount in the sinking fund at the close of the previous fiscal year.

Section 50-g:

While any of the bonds or interest on the bonds authorized by this section is outstanding and unpaid, from the first money coming into the state treasury in each fiscal year not otherwise appropriated by this constitution, an amount sufficient to pay the principal and interest on bonds that mature or become due during the fiscal year and to make payments that become due under a related credit agreement during the fiscal year is appropriated, less the amount in the sinking fund at the close of the previous fiscal year.

Flow of Funds

Under the terms of the Bond Resolution, the Authority will create for each separate series of the Bonds: (i) an Interest and Sinking Fund, (ii) a Costs of Issuance Fund, and (iii) a Rebate Fund (if such Fund is determined to be necessary). The Escrow Fund will be created by the Escrow Agent pursuant to the Escrow Agreement.

Pursuant to the Bond Resolution, the Authority will deposit or cause to be deposited into the Interest and Sinking Fund an amount that is sufficient (together with any other funds on deposit therein) to provide for the timely payment of the Bond Obligations, from funds that are available for such purpose under the Constitutional Provisions, not later than the second Business Day preceding each date on which any such Bond Obligations come due. The Authority may make any such deposit on an earlier date so long as such date is not earlier than the 50th day before the date that the Bond Obligations for which such deposit is made come due. If, on any date that funds in the Interest and Sinking Fund are required (pursuant to the Bond Resolution) to be withdrawn for the payment of Bond Obligations, and such Interest and Sinking Fund does not contain sufficient funds for such purpose, an amount of immediately available funds sufficient (together with the funds then on deposit in such Interest and Sinking Fund) to pay such Bond Obligations will be transmitted to the appropriate payee(s) for such purpose from funds made available under the Constitutional Provisions, at such time as will cause such Bond Obligations to be timely paid.

The costs of issuance for the Bonds will be paid from the Costs of Issuance Fund. Any money on deposit in the Costs of Issuance Fund after all Costs of Issuance have been paid will be deposited into the Interest and Sinking Fund.

The Rebate Fund is to be established for purposes of complying with provisions of sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") that require the Authority to pay to the federal government any excess earnings (generally, the portion of investment income attributable to a yield on investments that is higher than the yield on the Bonds) received from investment of the proceeds of the Bonds, and certain money held in connection with the Bonds. The Rebate Fund will be established only if it is necessary in accordance with the provisions of the Bond Resolution. The Rebate Fund will be for the sole benefit of the United States of

America and will not be subject to the claim of any Bond Owner. From time to time the Authority will transfer to the Rebate Fund the amounts to be paid to the federal government pursuant to the Code.

Money held in the Funds pursuant to the Bond Resolution may be invested and reinvested by the Comptroller in Eligible Investments.

All money required to be deposited into the Escrow Fund will be, on the Date of Delivery of the Bonds, immediately paid to the Escrow Agent for the account of the Authority pursuant to the Escrow Agreement. The Authority anticipates that the money initially deposited into the Escrow Fund and invested in Escrowed Securities (as defined in the Escrow Agreement) will be sufficient to pay the principal of and interest on the Refunded Obligations on the redemption dates.

Tax Covenants

In the Bond Resolution, the Authority states its intention that the interest on the Bonds be excludable from gross income for purposes of federal income taxation pursuant to the Code and applicable regulations. The Authority covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Authority covenants and agrees in the Bond Resolution to comply with each requirement of the Bond Resolution relating to the treatment of interest on the Bonds for federal income tax purposes; provided, however, that the Authority will not be required to comply with any particular requirement if the Authority has received an opinion of nationally recognized bond counsel acceptable to the Authority that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Authority has received an opinion of such counsel to the effect that compliance with some other requirement set forth in the Bond Resolution will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such counsel's opinion will constitute compliance with the corresponding requirement specified in the Bond Resolution.

Defaults and Remedies

If the Authority defaults in the payment of the principal of or interest on the Bonds or the redemption price on the Series 2010A Bonds when due, or if it fails to make payments into any Fund or Funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Bond Owners may seek a writ of mandamus to compel Authority officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Bond Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and such remedy rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from time to time. The Bond Resolution does not provide for the appointment of a trustee to represent the interest of the Bond Owners upon any failure of the Authority to perform in accordance with the terms of the Bond Resolution or upon any other condition; accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Bond Owners. The opinion of Bond Counsel will note that the rights of the Bond Owners are subject to applicable provisions of bankruptcy, reorganization and other similar matters affecting the rights of creditors generally, and may be limited by general principles of equity that permit the exercise of judicial discretion.

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Payment Office, the Authority will execute, and the Paying Agent/Registrar, initially the Authority, will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority will execute, and the Paying Agent/Registrar will authenticate and deliver the Bonds, which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the

Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Limitation on Transfer

The Paying Agent/Registrar will not be required to transfer or exchange any Bond: (i) between a Record Date and the related Interest Payment Date; (ii) during the 30-day period preceding the maturity date of such Bond; or (iii) which has been selected for redemption in whole or in part (applicable only to the Series 2010A Bonds).

Record Date for Interest Payment

The regular record date (“Record Date”) for determining the party entitled to the receipt of the interest payable on the Bonds on any interest payment date means the fifteenth day of the month immediately preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within ten days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the person in whose name such Bonds is registered on such Record Date, and will be paid to the person in whose name this Bond (or one or more predecessor Bonds) is registered at the close of business on a special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Holders of the Bonds not less than 15 days prior to the special Record Date.

Optional Redemption

The Series 2010A Bonds scheduled to mature on and after October 1, 2021 are subject to redemption prior to maturity at the option of the Authority on October 1, 2020 or on any date thereafter, in whole or in part from time to time, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part within a maturity, the particular Series 2010A Bonds or portion thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

Series 2010A Bonds may be redeemed only in principal amounts of \$5,000 or integral multiples thereof. If a Series 2010A Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2010A Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2010A Bonds for redemption, the Paying Agent/Registrar will treat each Series 2010A Bond as representing that number of Series 2010A Bonds of \$5,000 denomination that is obtained by dividing the principal amount by \$5,000. Upon surrender of any Series 2010A Bond for redemption in part, the Paying Agent/Registrar will authenticate and deliver for exchange therefor a Series 2010A Bond or Series 2010A Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Series 2010A Bond so surrendered.

The Series 2010B Bonds **are not** subject to redemption prior to maturity.

Notice of Redemption

Notice of any redemption identifying the Series 2010A Bonds to be redeemed in whole or in part is required to be given by the Paying Agent/Registrar at least 30 days but not more than 45 days prior to the date fixed for redemption by sending notice to DTC (or any successor securities depository for the Series 2010A Bonds) as long as a book-entry-only registration (“Book-Entry-Only System”) is used for the Series 2010A Bonds or, if the Series 2010A Bonds subsequently are issued in certificate form, notice of redemption will be sent by United States mail, first class postage prepaid, to the registered owners of the Series 2010A Bonds to be redeemed in whole or in part at the address shown in the registration books kept by the Paying Agent/Registrar. See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” herein.

In addition, the Paying Agent/Registrar will give notice of redemption of Series 2010A Bonds at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. The Paying Agent/Registrar will also send a notice of prepayment or redemption

to the registered owner of any Series 2010A Bond who has not sent the Series 2010A Bonds in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the Series 2010A Bonds to be redeemed, including the complete name of the Series 2010A Bonds, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the Series 2010A Bonds may be redeemed, including a contact person and telephone number.

Any notice of redemption so mailed as provided in the Bond Resolution will be conclusively presumed to have been duly given, whether or not the Series 2010A Bond Owner receives such notice by the date fixed for redemption, and due provisions shall be made with the Paying Agent/Registrar for payment of the redemption price of the Series 2010A Bonds or portions thereof to be redeemed. When the Series 2010A Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as provided in the Bond Resolution, the Series 2010A Bonds or portions thereof so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest that would otherwise accrue after the redemption date on any Series 2010A Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

With respect to any optional redemption of the Series 2010A Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Series 2010A Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money 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 are not fulfilled, such notice will be of no force and effect, the Authority will not redeem such Series 2010A Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Series 2010A Bonds have not been redeemed.

Purchase in Lieu of Redemption

Any money held in the Interest and Sinking Fund for application to the redemption of the Series 2010A Bonds may instead be applied, at the Authority's discretion, to purchase one or more Series 2010A Bonds of the same maturity as those Series 2010A Bonds for the redemption of which such money is held if:

- (1) the total cost to effect such purchase that is to be paid with such money (including brokerage and other charges) is less than the amount of the Bond Obligations owing on the purchased Series 2010A Bonds on the purchase date;
- (2) such purchase is consummated before notice of such redemption is given to the Bond Owners; and
- (3) upon such purchase, the Series 2010A Bond(s) so purchased are surrendered to the Paying Agent/Registrar for cancellation.

An amount of money equal to the principal amount of Series 2010A Bonds so purchased shall be credited toward the particular redemption of Series 2010A Bonds for which such money was held.

Redemption Through the Depository Trust Company

The Paying Agent/Registrar, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption (with respect to the Series 2010A Bonds), notice of proposed amendment to the Bond Resolution, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Series 2010A Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Series 2010A Bonds by the Authority will reduce the outstanding principal amount of such Series 2010A Bonds held by DTC. In such event, DTC may

implement, through its Book-Entry-Only System, a redemption of such Series 2010A Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Series 2010A Bonds from the Beneficial Owners. Any such selection of Series 2010A Bonds to be redeemed will not be governed by the Bond Resolution and will not be conducted by the Authority as Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Series 2010A Bonds for redemption. See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” herein.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2010A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, but the Authority takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority, the Financial Advisor, or the Underwriters.

Effect of Termination of Book-Entry-Only System; Notices. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Authority, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under “DESCRIPTION OF THE BONDS – Transfer, Exchange, and Registration” herein.

THE PAYING AGENT/REGISTRAR AND THE AUTHORITY, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE BOND RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE. NEITHER THE AUTHORITY NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

The following terms that appear as capitalized terms in this Official Statement shall have the following meanings, unless the context otherwise requires. A reference to any of such terms in the singular number shall include the plural and vice versa.

Authority - the Texas Public Finance Authority or any successor thereto.

Authorizing Law - the Constitutional Provisions, the Texas Public Finance Authority Act (Chapter 1232, Texas Government Code, as amended) and any regulations promulgated by the Authority thereunder, the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended), and Chapters 1207, 1371, 1401 and 1403, Texas Government Code, as amended.

Beneficial Owner - each Person in whose name a Book-Entry Bond is recorded as the owner of a beneficial interest in such Bond by a participant in such book-entry system.

Blanket Letter of Representations - any representation letter of, or agreement delivered by, the Authority pursuant to the Bond Resolution or a prior bond resolution providing for administration of a book-entry system for the Bonds and any successive arrangements under which the Authority provides for the administration of a book-entry system for the Bonds or any other bonds.

Board - the Board of Directors of the Authority.

Bond Counsel - any law firm or firms experienced in matters relating to the issuance of tax-exempt obligations, which firm or firms are engaged by the Board to render services to the Authority as bond counsel.

Bond Enhancement Agreement - means any loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase, purchase or sale agreement, interest rate swap agreement, or commitment or other agreement authorized by the Authority in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of such Bonds, interest on the Bonds, or both, or as otherwise authorized by Chapter 1371, Texas Government Code, as amended.

Bond Obligations - the principal, premium, if any, and interest payment obligations of the Authority on any of the Bonds.

Bond Owner - the Person who is the registered owner of any Bond, as such ownership appears in the Register.

Bond Resolution - the Bond Resolution authorizing the issuance of the Bonds adopted by the Authority on June 8, 2010.

Bonds - the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010” authorized by the Bond Resolution.

Book-Entry Bond - any Bond administered under a book-entry system pursuant to the Bond Resolution and the Blanket Letter of Representations.

Business Day - any day that is a day on which the Comptroller is open for business and:

(1) while the Authority is the Paying Agent/Registrar, on which the Authority is open for business at its principal business office; or

(2) while a Person other than the Authority is the Paying Agent/Registrar, on which financial institutions in the city where a principal corporate trust office of the Paying Agent/Registrar is located are not authorized by law or executive order to close.

Chair - the Chair of the Board, or any member of the Board authorized to act as Chair.

Closing - the concurrent delivery of the Bonds to or upon the order of the Purchaser in exchange for payment therefor.

Code - the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Date of Delivery of the Bonds.

Comptroller - the Comptroller of Public Accounts of the State of Texas or any successor thereto.

Constitutional Provisions - Article III, Sections 49-h, 49-l, 50-f and 50-g of the Texas Constitution.

Continuing Disclosure Agreement - the Continuing Disclosure Agreement dated August 17, 1995, as amended by the First Amendment dated January 25, 2010, between the Comptroller and the Texas Bond Review Board.

Costs of Issuance - the “costs of issuance,” as provided in the Authorizing Law, incurred in connection with the issuance of the Bonds.

Costs of Issuance Fund - the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010 Costs of Issuance Fund(s)” created pursuant to the Bond Resolution.

Eligible Investments - means any securities or obligations in which the Comptroller is authorized by law to invest the money on deposit in the Funds.

Escrow Agent - the Comptroller acting by and on behalf of the Texas Treasury Safekeeping Trust Company, as escrow agent under the Escrow Agreement, and any successor thereto as therein permitted.

Escrow Agreement - the Escrow Agreement (including any amendments thereto) between the Authority and the Escrow Agent providing for the payment for the Refunded Bonds and the Refunded Notes, if applicable, of money sufficient to pay debt service thereon.

Escrow Fund - the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds Series 2010 Escrow Fund” created by the Escrow Agent pursuant to the Escrow Agreement.

Event of Taxability - any act or omission that could cause any amount payable with respect to any of the Bonds, which is treated as interest under the Code, not to be excludable under section 103(a) of the Code from the gross income of the Bond Owner.

Executive Director - the Executive Director of the Authority, or any member of the staff of the Authority authorized by the Board to perform the duties of the Executive Director.

Fund - any of the Funds.

Funds - collectively, the Interest and Sinking Fund, the Costs of Issuance Fund, and the Rebate Fund, if any.

General Counsel - the general counsel of the Authority.

Government Obligations - any of the following:

(1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;

(2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent;

(3) 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 governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and

(4) such other investments now or hereafter authorized by Chapter 1207, Texas Government Code, as amended, for the investment of escrow deposits.

Interest and Sinking Fund - the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010 Interest and Sinking Fund(s)” created pursuant to the Bond Resolution.

Interest Payment Date - October 1 and April 1 of each year commencing October 1, 2010.

Legislature - the Legislature of the State.

Paying Agent/Registrar - initially, the Authority, or any financial institution appointed by the Authority in accordance with the Bond Resolution as the paying agent/registrar for the Bonds.

Person - any individual, partnership, corporation, trust, or unincorporated organization or any governmental entity.

Pricing Certificate - means the certificate(s) executed by the Pricing Committee that set(s) forth the final terms of each series of the Bonds.

Pricing Committee - Gerald Alley, Gary Wood and Rodney Moore, the members of the Board who are authorized to act on behalf of the Board in selling and delivering the Bonds, with Ruth Schiermeyer and Joseph Meister designated as alternates.

Purchase Contract - the bond purchase contract among the Authority and the representative of the Purchasers pursuant to which the Bonds are sold to the Purchasers.

Purchase Price - the proceeds of the sale of the Bonds (including any premium that is paid to the Authority upon the Closing) but excluding underwriters’ discount and any original issue discount.

Purchasers or Underwriters - the Persons who initially purchase the Bonds from the Authority pursuant to the Purchase Contract.

Rebate Amount - the excess as of any date of the future value of all receipts on nonpurpose investments over the future value of all payments on nonpurpose investments all as determined in accordance with Section 1.148-3 of the federal income tax regulations.

Rebate Fund - the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2010 Rebate Fund” created pursuant to the Bond Resolution.

Record Date - the 15th day of the month immediately preceding each Interest Payment Date.

Refunded Bonds - the Outstanding General Obligation Bonds set forth in Schedule II attached to this Official Statement that are refunded for the purpose of achieving a debt service savings.

Refunded Notes - the then outstanding general obligation commercial paper notes set forth in Schedule I attached to this Official Statement that are refunded for the purpose of achieving long term fixed rate financing.

Refunded Obligations - collectively, the Refunded Bonds and Refunded Notes listed in Schedules I and II attached to this Official Statement.

Register - the official registration records for the Bonds maintained by the Paying Agent/Registrar for the Bonds pursuant to the Bond Resolution.

Securities Depository - initially the Depository Trust Company, or any Person acting as a securities depository for the Book-Entry Bonds.

State - the State of Texas.

Sufficient Assets - with respect to the Bond Obligations for any Bond or Bonds, any combination of the following:

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due; and
- (2) Government Obligations that (a) are not redeemable prior to maturity; and (b) mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay such Bond Obligations when due.

Transaction Documents - as used in the Bond Resolution, collectively, the Bond Resolution, the Escrow Agreement, the Purchase Contract, and the Bonds.

The Bond Resolution

The Bonds will be issued pursuant to the Bond Resolution and the following is a summary of certain provisions of the Resolution, adopted by the Authority on June 8, 2010, and the Pricing Certificate. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolution. Copies of the Bond Resolution are available for examination at the offices of the Authority.

Security for the Bonds. The Authority, pursuant to the Bond Resolution, has pledged as the sole security for the Bonds the funds that become available for payment of the Bonds pursuant to the Constitutional Provisions.

Ownership. A Bond Owner is deemed to be the absolute owner of such Bond Owner’s Bond(s) for all purposes of determining the obligations of the Authority with respect to such Bond(s) and the Authority is not bound to recognize the interest (beneficial or otherwise) of any Person, notwithstanding any notice to the Authority of such Person’s interest. While the Bonds are in book-entry form, the Securities Depository or its nominee will be treated as the Bond Owner for all purposes under the Bond Resolution, and all required notices to Bond Owners will be given only to the Securities Depository.

Transfer, Exchange, and Replacement of Bonds. For so long as the Bonds are Book-Entry Bonds, the Securities Depository will be treated as the Bond Owner for all purposes and any transfer, exchange, or replacement of a Bond will occur on the books and records of the Securities Depository.

In the event the book-entry-only system is discontinued, the transfer of a Bond will be made upon surrender of the Bond by the Bond Owner (or the Bond Owner's duly authorized attorney) to the Paying Agent/Registrar together with an endorsement or other evidence of transfer satisfactory to the Authority and the Paying Agent/Registrar. The Paying Agent/Registrar will authenticate and deliver to the transferee a new Bond (or Bonds) of the same tenor and aggregate principal amount of the Bonds and interest rate as the surrendered Bond. A transfer will be made without charge, except that any tax or other governmental charge imposed with respect to the transfer will be paid by the transferring Bond Owner.

A Bond may be exchanged by the Bond Owner for a new Bond or Bonds (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate of the Bonds upon surrender to the Paying Agent/Registrar by the Bond Owner (or the Bond Owner's duly authorized attorney) of the Bond(s) as to which the exchange is desired. The Paying Agent/Registrar will authenticate and deliver to the surrendering Bond Owner the new Bond(s) in exchange for the surrendered Bond(s). The out-of-pocket expenses incurred by the Authority and the Paying Agent/Registrar in connection with making an exchange of Bonds and any tax or other governmental charge imposed with respect to the exchange will be paid by the Bond Owner.

The Paying Agent/Registrar is not required to transfer or exchange any Bond: (1) between a Record Date and the related Interest Payment Date, (2) during the 30-day period preceding the maturity date of the Bond, or (3) which has been selected for redemption in whole or in part.

At the request of the Bond Owner of a mutilated, lost, stolen, or destroyed Bond, the Bond will be replaced if, in the case of a mutilated Bond, the Bond Owner (or its duly authorized representative) surrenders the mutilated Bond to the Paying Agent/Registrar, or in the case of a lost, stolen, or destroyed Bond, the Bond Owner (1) furnishes the Authority and the Paying Agent/Registrar with evidence satisfactory to the Authority and the Paying Agent/Registrar that the loss, theft, or destruction has occurred, (2) provides indemnity or security satisfactory to the Authority and the Paying Agent/Registrar to save the Paying Agent/Registrar and the Authority harmless from any loss or damage with respect thereto, and (3) satisfies such other requirements as may reasonably be imposed by the Authority and the Paying Agent/Registrar. If a mutilated, lost, stolen, or destroyed Bond has matured or will mature within the 30-day period following the Bond Owner's request for a replacement Bond, the Bond (at the Authority's direction) may, if indemnity or security is provided as described above, be paid instead of delivering a replacement Bond. The out-of-pocket expenses incurred by the Authority and the Paying Agent/Registrar in connection with replacement of a Bond and any tax or other governmental charge imposed with respect to the replacement will be paid by the Bond Owner.

Creation of Funds. The Authority will create the following funds for each series of the Bonds: (i) the Interest and Sinking Fund, (ii) the Costs of Issuance Fund, and (iii) the Rebate Fund (if the Rebate Fund is determined to be necessary).

Application of Constitutionally Appropriated Funds. The Authority will cause to be deposited into the Interest and Sinking Fund an amount sufficient (together with any other money on deposit therein) to provide for the timely payment of the Bond Obligations, from money that is available for such purpose under the Constitutional Provisions, not later than the second Business Day preceding each date on which any Bond Obligations come due. The Authority may make any such deposit on an earlier date so long as such date is not earlier than the 50th day before the date the Bond Obligations for which such deposit is made come due. If, on any date that money in the Interest and Sinking Fund is required to be withdrawn for the payment of Bond Obligations, the Interest and Sinking Fund does not contain sufficient money for such purpose, an amount of immediately available money sufficient (together with money then on deposit in the Interest and Sinking Fund) to pay such Bond Obligations will be transmitted to the appropriate payee(s) for such purpose from money made available under the Constitutional Provisions, at such time as will cause such Bond Obligations to be timely paid.

Application of Interest and Sinking Fund. Amounts on deposit in the Interest and Sinking Fund will be applied at such times and in such amounts as required for the timely payment of Bond Obligations.

Investment of Funds. The money on deposit in any Fund may be invested and reinvested only in Eligible Investments by the Comptroller. The investments of each Fund will be made under conditions that will timely provide amounts sufficient to satisfy the purpose(s) for which such Fund is intended. The proceeds received from the disposition of any investment acquired with money from any Fund, and any income received from any such investment, are to be deposited into such Fund. Uninvested money (if any) in any Fund is to be secured in the manner and to the extent required by law.

Unclaimed Payments. Any funds held for the payment of Bond Obligations due on any Bond, which funds are unclaimed by the Bond Owner, will be set aside in an escrow fund, uninvested, and held for the exclusive benefit of the Bond Owner, without liability for any interest thereon. Any such funds remaining unclaimed for three years after such Bond Obligations became due (or such other period as specified by applicable law) will be transferred to the Authority, which will dispose of such funds pursuant to Title 6 of the Texas Property Code or other applicable law. After such disposal, all liability of the Authority and the Paying Agent/Registrar for the payment of such funds will cease. The Authority and the Paying Agent/Registrar will comply with the reporting requirements of Chapter 74 of the Texas Property Code, as amended, or other applicable law with respect to such unclaimed money.

Tax-Exempt Status. The Authority has covenanted in the Bond Resolution that it will not take any action or omit to take any action within its control, that could cause the interest on the Bonds to become includable in the gross income of the Bond Owners thereof for federal income tax purposes. Noncompliance with the provisions of the Bond Resolution relating to the tax-exempt status of the Bonds under the Code will only be permitted to the extent that, in the opinion of nationally recognized bond counsel, such noncompliance will not adversely affect the excludability of interest on the Bonds from the gross income of the Bond Owners thereof for federal income tax purposes.

Amendment. Except as provided below, the Bond Resolution may not be amended without the consent of the Bond Owners of at least a majority in aggregate principal amount of the outstanding Bonds affected by such amendment. The consent of the Bond Owners of all outstanding Bonds is required for any proposed amendment to the Bond Resolution that would:

- (1) permit a preference or priority of any Bond over another Bond; or
- (2) reduce the percentage of Bond Owners that is required to consent to an amendment of the Bond Resolution.

The consent of the Bond Owner of each affected outstanding Bond is required for any proposed amendment to the Bond Resolution that would:

- (1) change the time of any regularly scheduled payment of Bond Obligations, the principal amount of any Bond, the interest rate on any Bond, the currency in which Bond Obligations are required to be paid, or any of the other terms of the Bond Resolution governing the time, place, or manner of payment of Bond Obligations;
- (2) impair the security for any Bond; or
- (3) result in a reduction of any then existing rating on the Bonds.

Except as provided above, no Bond Owner consent is required for an amendment to the Bond Resolution if the amendment, in the opinion of nationally recognized bond counsel will not constitute an Event of Taxability and, if the amendment, in the opinion of nationally recognized bond counsel, will not adversely affect the rights of any Bond Owner under the Transaction Documents, including without limitation, amendments, changes, or modifications to facilitate the utilization of Bond Enhancement Agreements.

No amendment to the Bond Resolution will take effect until the Executive Director obtains an opinion of Bond Counsel to the effect that such amendment will not adversely affect the excludability of interest on any Bond from the gross income of the Bond Owner thereof for federal income tax purposes, and an opinion of Bond Counsel to the effect that such amendment will not violate the Bond Resolution, the Authorizing Law or other applicable law and,

upon obtaining the required Bond Owner consent (if any), will comply with the requirements of the Bond Resolution for such amendment.

Discharge of Claim Against Constitutional Provisions. The claim of the Bond Resolution against money provided under the Constitutional Provisions will be deemed discharged and of no further force and effect when the Bond Obligations on all Bonds have been discharged and all other amounts of money payable under the Bond Resolution have been paid or arrangements satisfactory to the Person to whom any such payment is due for making such payment have been made. The Bond Obligations on any Bond or Bonds will be deemed discharged when (i) such Bond Obligations have been paid pursuant to the terms of such Bonds or become due and money sufficient for the payment thereof has been deposited into the Interest and Sinking Fund or with the Paying Agent/Registrar; (ii) such Bonds have been canceled or surrendered to the Paying Agent/Registrar for cancellation; or (iii) such Bond Obligations have been discharged by a deposit of Sufficient Assets as described below.

Defeasance. The benefits of the Bond Resolution, and the covenants of the Authority contained therein in support of any Bond (or Bonds), will be deemed redeemed and discharged with respect to such Bond (or Bonds) when the following requirements have been satisfied:

- (1) the payment of the Bond Obligations with respect thereto has been provided for by irrevocably depositing Sufficient Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar or a financial institution or trust company designated by the Authority, which will be held in trust in a separate escrow account and applied exclusively to the payment of such Bond Obligations;
- (2) the Authority has received an opinion of Bond Counsel to the effect that: (a) such deposit of Sufficient Assets complies with State law and will not adversely affect the excludability of interest on any Bond from the gross income of the Bond Owner thereof for federal income tax purposes; and (b) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;
- (3) all amounts of money (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Bond Resolution with respect to such Bond(s) have been paid, or provision satisfactory to the Person to whom any such payment is or will be due for making such payment has been made; and
- (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.

If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Bonds, the particular maturity or maturities of Bonds (or, if less than all of a particular maturity, the principal amounts), will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines (provided that a portion of a Series 2010A Bond may be redeemed only in an integral multiple of \$5,000 principal amount).

No Individual Liability. No obligation imposed under the Bond Resolution, the Bonds, or any document executed by the Authority or the Comptroller in connection therewith will be deemed to be the obligation, in an individual capacity, of any director, officer, employee, or agent of the Authority or the Comptroller, and no such director, officer, employee, or agent or any individual executing the Bonds or any such other document on behalf of any such entity will be subject to any personal liability with respect thereto.

Bond Enhancement Agreement. Pursuant to the Bond Resolution, to the extent permitted by law, the Authority may execute one or more Bond Enhancement Agreements for the Bonds. The Board has authorized the Executive Director to act on behalf of the Authority from time to time in negotiating and approving the details of any Bond Enhancement Agreements. The execution and delivery of any Bond Enhancement Agreement is subject to the approval of the Attorney General of Texas. Bond Owner consent is not necessary for the Authority to adopt a Bond Enhancement Agreement. Payments due under one or more Bond Enhancement Agreements will be made from funds made available for such purpose pursuant to the Constitutional Provisions.

The Escrow Agreement

The following is a summary of certain provisions of the Escrow Agreement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Escrow Agreement. Copies of the Escrow Agreement are available for examination at the offices of the Authority.

The Escrow Agreement is an agreement by and between the Authority and the Texas Treasury Safekeeping Trust Company, as escrow agent, whereby certain proceeds of the Bonds and any beginning cash balance will be deposited in the Escrow Fund (as defined in the Escrow Agreement) and invested in Escrowed Securities (as defined in the Escrow Agreement). Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) will be the property of the Escrow Fund as a special trust and irrevocable escrow fund, (b) will be applied in strict conformity with the terms of the Escrow Agreement, and (c) will be applied to the extent needed to pay the principal of and interest on the Refunded Bonds and the Refunded Notes, if applicable, respectively, on the redemption dates and maturity dates, respectively.

In the Escrow Agreement, the Authority represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to each place of payment for the Refunded Obligations at the times and in the amounts required by each place of payment for such Refunded Obligations. The Authority has also represented in the Escrow Agreement to timely deposit into the Escrow Fund, from any funds that are lawfully available therefor, additional money in the amounts required to make such payments.

GENERAL INFORMATION REGARDING THE STATE OF TEXAS

The Comptroller prepares a quarterly appendix (the “Bond Appendix”) that sets forth certain information regarding the State including its government, finances, retirement plans, economic profile, and other matters. The Bond Appendix is dated May 2010 and is incorporated herein as described in Appendix A. See “CONTINUING DISCLOSURE OF INFORMATION.” With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

The Texas 2009 Comprehensive Annual Financial Report for the year ended August 31, 2009 (the “2009 CAFR”) is currently on file with the Municipal Securities Rulemaking Board’s (the “MSRB”) Electronic Municipal Markets Access (“EMMA”) system. The 2009 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2009 CAFR may be found (i) using the MSRB’s internet website, www.emma.msrb.org, by using the muni search function and entering the term “State of Texas Comptroller” and (ii) at www.window.state.tx.us/fm/pubs/cafr.

Article III, Section 49-j of the Texas Constitution prohibits the Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000, if the resulting annual debt service exceeds 5% of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. Prior to the Date of Delivery of the Bonds, the Bond Review Board is expected to certify that the maximum annual debt service in any fiscal year on debt payable from the general revenue fund, including debt service on the Bonds, does not exceed 5% of an amount equal to the average of the amount of general revenue fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of State debt, for the three immediately preceding fiscal years. See Appendix A attached hereto.

LEGAL MATTERS

Legal Opinion

The delivery of the Bonds is subject to the Authority furnishing the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds and the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority, and the approving legal opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Bond Resolution, are valid and legally binding obligations of the Authority, subject to

applicable provisions of bankruptcy, reorganization and other similar matters affecting the rights of creditors or by general principles of equity which permit the exercise of judicial discretion, and, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The forms of Bond Counsel’s opinions are attached hereto as Appendix C. Bond Counsel was engaged by, and only represents, the Authority. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions “PLAN OF FINANCE” (except for the information under the subcaption “Sources and Uses of Funds,” as to which no opinion will be expressed), “DESCRIPTION OF THE BONDS” (except for the information under the subcaption “Book-Entry-Only System,” as to which no opinion will be expressed), “DESCRIPTION OF THE TRANSACTION DOCUMENTS,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaptions “Continuing Disclosure Undertaking of the Comptroller” and “Compliance with Prior Undertakings,” as to which no opinion will be expressed, and except for any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller, as to which no opinion will be expressed), and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds, the Escrow Agreement and the Bond Resolution and are correct as to matters of law. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., Dallas, Texas, whose legal fee is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Investments in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

The Authority has not made any investigation of other laws, rules, regulations or investment criteria that might apply to such institutions or entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and have not been registered or qualified under the securities acts of any other jurisdiction. The Authority does not assume any responsibility for registration or qualification of

the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Authority and the State, that are not purely historical, are forward-looking statements, including statements regarding the Authority's and the State's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority and the State on the date hereof, and the Authority and the State assume no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds," the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C - FORMS OF BOND COUNSEL'S OPINIONS."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Authority, including information and representations contained in the Authority's federal tax certificate, (b) covenants of the Authority contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith and (c) the verification report of Grant Thornton LLP as to the sufficiency of the Escrow Fund. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Authority with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretations thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Authority with respect to the Bonds or the projects financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of the Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the “Original Issue Discount Bonds”) may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (a) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (b) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF THE TREATMENT OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, both retroactively or prospectively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligations is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a *de minimis* amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

RATINGS

Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business and Fitch Ratings have assigned ratings of “Aaa”, “AA+” and “AAA”, respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that the ratings of the Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of any one or more of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. In the Bond Resolution, the Authority has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. The information will be available to investors by the MSRB through its EMMA system, free of charge at www.emma.msrb.org.

Annual Reports. The Authority, acting by and through the Comptroller, will provide certain updated financial information and operating data to the MSRB, in an electronic format as prescribed by the MSRB, annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in Appendix A. The Authority, acting by and through the Comptroller, will update and provide this information within six months after the end of each Fiscal Year ending in and after 2010. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

Material Event Notices. The Authority will provide timely notices of certain events to the MSRB. The Authority will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell the Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds; (viii) Series 2010A Bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Authority - *Annual Reports.*"

Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority has agreed to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government, and the Comptroller has agreed for the benefit of the holders of the Bonds to provide certain updated information and notices while the Bonds remain outstanding. The Authority and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe this agreement for so long as the Bonds may be paid from money drawn on the State's General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors designated by the SEC under the Rule to be provided such annual financial information and operating data and notices of specified material events (each, a "Repository"). Currently, the MSRB is the sole Repository under the Rule.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. This disclosure appendix is incorporated herein as described in "APPENDIX A – The State." The Comptroller intends to continue to prepare or supplement such an appendix quarterly, with the next quarterly update expected to be in August 2010, and to provide annual information in accordance with her disclosure agreement. In addition, the Comptroller currently publishes, but is not obligated to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Owners may subscribe to *Fiscal Notes* by writing to *Fiscal Notes*, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained by contacting the Comptroller's BBS Window on State Government via the Internet at www.cpa.state.tx.us or at www.window.state.tx.us.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to each Repository annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in APPENDIX A to this Official Statement in Tables A-1 through A-15 and Table A-32 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each fiscal year. Currently, the Comptroller will provide such updated information only to the MSRB as the sole Repository under the Rule.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current fiscal year end is August 31. Accordingly, it must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Material Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller - *Annual Reports*." Each notice described in this paragraph will be provided to the MSRB as the sole Repository under the Rule.

Availability of Information

The Authority and the Comptroller have agreed to provide the foregoing financial and operating information only as described above. The Authority and the Comptroller will be required to file their respective continuing disclosure information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Authority and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Authority's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person's continuing disclosure agreement or from any statement made pursuant to such person's agreement, although Owners of Bonds may seek a writ of mandamus to compel the Authority and the Comptroller to comply with their agreements.

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in the identity, nature, status, or type of operations of the Authority or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Authority, the Comptroller, and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of such Bonds. If the Authority or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Authority - *Annual Reports*" and "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller - *Annual Reports*" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Authority and the Comptroller may also amend their continuing disclosure agreements if the SEC amends or repeals the applicable provisions 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 such amendment would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

Compliance With Prior Undertakings

During the last five years, neither the Authority nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with the Rule.

NO LITIGATION

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority to deliver the Bonds or the validity of the Bonds. The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Bonds or the security for the Bonds. See Appendix A of this Official Statement. On the Date of Delivery of the Bonds to the Underwriters, the Authority will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending against the Authority, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or that would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

UNDERWRITING

Barclays Capital Inc., as the authorized representative of a group of underwriters (the “Underwriters”), has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the initial offering price of the Bonds shown on the inside cover page of this Official Statement less an underwriting discount of \$1,559,037.44 and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Piper Jaffray & Co. (“Piper”), one of the underwriters of the Bonds, has entered into an agreement (the “Distribution Agreement”) with Advisors Asset Management, Inc. (“AAM”) for the distribution of certain municipal securities offerings, including the Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commissions, exclusive of management fees, paid to Piper.

VERIFICATION OF MATHEMATICAL ACCURACY

Grant Thornton LLP (the “Verification Agent”) will verify from the information provided to them by the Financial Advisor, the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor’s schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Refunded Obligations and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is exempt from federal income tax. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from federal taxation of the interest on the Bonds.

FINANCIAL ADVISOR

Coastal Securities Inc. is acting as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Coastal Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its

responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Authority's records and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and Bond Resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and Bond Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Bond Resolution approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Authority, and authorizes its further use in the reoffering of the Bonds by the Purchaser.

This Official Statement has been approved by the Authority for distribution in accordance with the provisions of the Rule.

/s/ Dwight D. Burns

Dwight D. Burns
Executive Director,
Texas Public Finance Authority

Schedule I - Schedule of Refunded Notes

Issue Date	Maturity Date	Par Amount
Series 2002-A		
06/01/10	07/19/10	\$ 6,900,000.00
06/01/10	07/20/10	3,000,000.00
06/01/10	07/20/10	1,000,000.00
06/08/10	07/20/10	11,700,000.00
06/09/10	07/20/10	2,200,000.00
06/15/10	07/20/10	10,100,000.00
05/10/10	07/22/10	15,000,000.00
04/14/10	08/12/10	7,100,000.00
04/05/10	08/13/10	7,000,000.00
05/03/10	09/13/10	3,000,000.00
		<u>\$ 67,000,000.00</u>
Series 2002-B		
06/14/10	07/14/10	\$ 21,000,000.00
06/23/10	07/14/10	3,000,000.00
		<u>\$ 24,000,000.00</u>
Series 2008		
07/08/2010	07/14/2010	\$ 3,800,000.00
07/09/2010	07/14/2010	4,000,000.00
05/11/2010	07/14/2010	16,900,000.00
05/11/2010	07/14/2010	1,500,000.00
06/11/2010	07/14/2010	5,750,000.00
06/14/2010	07/14/2010	5,500,000.00
06/04/2010	07/20/2010	8,450,000.00
04/08/2010	08/09/2010	8,450,000.00
04/09/2010	08/09/2010	10,200,000.00
04/01/2010	08/10/2010	2,500,000.00
04/01/2010	08/12/2010	8,450,000.00
03/08/2010	08/13/2010	5,000,000.00
03/10/2010	08/13/2010	4,000,000.00
03/11/2010	08/13/2010	5,500,000.00
04/06/2010	08/16/2010	20,000,000.00
		<u>\$ 110,000,000.00</u>

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SCHEDULE II

SUMMARY OF REFUNDED BONDS

**Texas Public Finance Authority
State of Texas
General Obligation Refunding Bonds, Series 2002**

Dated Date	Maturity Date (October 1)	Interest Rate (%)	Principal Amount Outstanding (\$)	Refunded Principal Amount (\$)	Call Date	Call Price (%)
January 15, 2002	2013	5.375	24,760,000	24,760,000	October 1, 2012	100
	2014	5.375	24,760,000	24,760,000	October 1, 2012	100
	2015	4.750	24,760,000	24,760,000	October 1, 2012	100
	2016	4.750	24,760,000	24,760,000	October 1, 2012	100
	2017	5.000	24,760,000	24,760,000	October 1, 2012	100
	2018	5.000	24,760,000	24,760,000	October 1, 2012	100

**Texas Public Finance Authority
State of Texas
General Obligation and Refunding Bonds, Series 2003**

Dated Date	Maturity Date (October 1)	Interest Rate (%)	Principal Amount Outstanding (\$)	Refunded Principal Amount (\$)	Call Date	Call Price (%)
January 23, 2003	2015	5.375	4,000,000	1,950,000	October 1, 2013	100
	2016	5.375	4,000,000	1,950,000	October 1, 2013	100
	2017	5.250	3,995,000	1,950,000	October 1, 2013	100
	2018	5.500	3,995,000	1,950,000	October 1, 2013	100

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APPENDIX A

THE STATE OF TEXAS

The Bond Appendix dated May 2010 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained (i) using the MSRB's internet website, www.emma.msrb.org, by using the muni search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html> and will be updated from time to time by the Comptroller.

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APPENDIX B

DEBT SERVICE REQUIREMENTS

Fiscal Year	Series 2010-A Bonds			Series 2010-B Bonds			Combined Annual Debt Service (\$)
	Principal (\$)	Interest (%)	Annual Debt Service (\$)	Principal (\$)	Interest (%)	Annual Debt Service (\$)	
2011	0	6,424,643	6,424,643	0	5,340,942	5,340,942	11,765,585
2012	0	8,999,500	8,999,500	0	7,481,475	7,481,475	16,480,975
2013	0	8,999,500	8,999,500	0	7,481,475	7,481,475	16,480,975
2014	10,030,000	8,748,750	18,778,750	24,410,000	6,874,725	31,284,725	50,063,475
2015	10,030,000	8,247,250	18,277,250	24,270,000	5,686,975	29,956,975	48,234,225
2016	10,030,000	7,745,750	17,775,750	26,130,000	4,470,225	30,600,225	48,375,975
2017	10,030,000	7,244,250	17,274,250	26,120,000	3,198,975	29,318,975	46,593,225
2018	10,030,000	6,742,750	16,772,750	26,090,000	1,914,988	28,004,988	44,777,738
2019	10,030,000	6,241,250	16,271,250	26,030,000	633,250	26,663,250	42,934,500
2020	10,030,000	5,749,750	15,779,750				15,779,750
2021	10,030,000	5,260,750	15,290,750				15,290,750
2022	10,025,000	4,761,875	14,786,875				14,786,875
2023	10,025,000	4,260,625	14,285,625				14,285,625
2024	10,025,000	3,759,375	13,784,375				13,784,375
2025	10,025,000	3,258,125	13,283,125				13,283,125
2026	10,025,000	2,756,875	12,781,875				12,781,875
2027	10,025,000	2,255,625	12,280,625				12,280,625
2028	10,025,000	1,754,375	11,779,375				11,779,375
2029	10,025,000	1,253,125	11,278,125				11,278,125
2030	10,025,000	751,875	10,776,875				10,776,875
2031	10,025,000	250,625	10,275,625				10,275,625
	\$180,490,000	\$105,466,643	\$285,956,643	\$153,050,000	\$43,083,029	\$196,133,029	\$482,089,672

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**TEXAS PUBLIC FINANCE AUTHORITY
STATE OF TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010A
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$180, 490,000**

WE HAVE ACTED AS BOND COUNSEL for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the State of Texas (the "State") general obligation bonds described above (the "Bonds"). We have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds, in the resolution of the Authority adopted on June 8, 2010, authorizing the issuance of the Bonds and the Pricing Committee's Pricing Certificate as authorized in such resolution (the resolution and Pricing Certificate, collectively, the "Resolution"). Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State, certified copies of the proceedings of the Authority, and other pertinent documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Authority and the State relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, the Bonds constitute valid and legally binding general obligations of the State payable solely from money made available for such purpose pursuant to Article III, Sections 49-h, 49-l, 50-f and 50-g of the State Constitution.

IT IS FURTHER OUR OPINION, that, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes

under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under the section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, including the Verification Report of Grant Thornton LLP, the accuracy of which we have not independently verified, and assume compliance by the Authority with certain covenants, regarding the use and investment of the proceeds of the Bond and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Authority to comply with such covenants, interest on the Bond may become includable in gross income retroactively to the date of issuance of the Bond.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority

or the State, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and the Comptroller of Public Accounts as to the current outstanding indebtedness of the Authority and the State, and the sufficiency of the general obligation revenues pledged to the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

LAW OFFICES

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[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**TEXAS PUBLIC FINANCE AUTHORITY
STATE OF TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010B
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$153,050,000**

WE HAVE ACTED AS BOND COUNSEL for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the State of Texas (the "State") general obligation bonds described above (the "Bonds"). We have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds, in the resolution of the Authority adopted on June 8, 2010, authorizing the issuance of the Bonds and the Pricing Committee's Pricing Certificate as authorized in such resolution (the resolution and Pricing Certificate, collectively, the "Resolution"). Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

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BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Authority and the State relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, the Bonds constitute valid and legally binding general obligations of the State payable solely from money made available for such purpose pursuant to Article III, Sections 49-h and 50-f of the State Constitution.

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under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under the section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, including the Verification Report of Grant Thornton LLP, the accuracy of which we have not independently verified, and assume compliance by the Authority with certain covenants, regarding the use and investment of the proceeds of the Bond and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Authority to comply with such covenants, interest on the Bond may become includable in gross income retroactively to the date of issuance of the Bond.

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