

OFFICIAL STATEMENT DATED JANUARY 20, 2000

*Delivery of the Bonds is subject to receipt of the opinion of Bond Counsel, to the effect that, assuming continuing compliance by the Authority with certain covenants contained in the Bond Resolution described herein and subject to the matters described under "TAX EXEMPTION" herein, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as herein described, corporations. See "TAX EXEMPTION" herein.*

**NEW ISSUE - Book-Entry-Only**

**RATINGS: Moody's: "Aa1"  
Standard & Poor's: "AA"  
Fitch: "AA+"**



**TEXAS PUBLIC FINANCE AUTHORITY**  
**\$16,310,000**  
**State of Texas**  
**General Obligation Park Development Bonds**  
**(Texas Parks and Wildlife Department Projects)**  
**Series 2000**

**Dated: January 15, 2000**

**Due: October 1, as shown below**

The Texas Public Finance Authority State of Texas General Obligation Park Development Bonds (Texas Parks and Wildlife Department Projects), Series 2000 (the "Bonds"), are general obligations of the State of Texas being issued by the Texas Public Finance Authority (the "Authority"). Payment of the Bonds is additionally secured by a pledge of net income, if any, from park entrance fees (including fees from conservation permits). See "THE BONDS - Source of Payment of the Bonds." The Bonds are being issued to pay the costs to acquire additional State park sites and to improve, develop, beautify and equip already acquired State park sites, and to pay the costs of issuing the Bonds. See "THE PROJECT" herein.

Interest on the Bonds will accrue from January 15, 2000, and will be payable on April 1 and October 1 of each year, commencing October 1, 2000, calculated on the basis of a 360-day year composed of 12 months of 30 days each. The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or an integral multiple thereof. The Bonds are initially issuable only to Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-system described herein. Such book-entry-system may be discontinued under certain conditions as described herein under "BOOK-ENTRY-ONLY SYSTEM." So long as the book-entry-system is in effect, beneficial ownership of any stated maturity of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. So long as DTC is the securities depository for the Bonds, no physical delivery of the Bonds will be made to the purchaser of the beneficial interest therein. Principal of and interest on the Bonds will be payable to Cede & Co., or such other nominee as may be designated by DTC, which is required to make distributions of the payments to the participating members of DTC for subsequent remittance to the beneficial owners. See "THE BONDS" and "BOOK-ENTRY-ONLY SYSTEM" herein.

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

**MATURITY SCHEDULE**

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2000	\$ 635,000	5.500%	4.100%	2010	\$ 825,000	5.500%	5.410%
2001	825,000	5.500	4.150	2011	825,000	5.600	5.520
2002	825,000	5.500	4.670	2012	825,000	5.600	5.590
2003	825,000	5.500	4.800	2013	825,000	5.600	5.690
2004	825,000	5.500	4.920	2014	825,000	5.700	5.790
2005	825,000	5.500	5.020	2015	825,000	5.800	5.880
2006	825,000	5.500	5.125	2016	825,000	5.900	5.930
2007	825,000	5.500	5.200	2017	825,000	5.900	5.980
2008	825,000	5.500	5.270	2018	825,000	6.000	6.030
2009	825,000	5.500	5.350	2019	825,000	6.000	6.080

(plus accrued interest from January 15, 2000)

**The Bonds are subject to optional redemption as described herein. See "THE BONDS--Optional Redemption."**

*The Bonds are offered for delivery when, as, and if issued and accepted by the Initial Purchaser, and subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by Mayor, Day, Caldwell & Keeton, L.L.P., Bond Counsel. It is expected that the Bonds will be delivered on or about February 15, 2000, through the facilities of DTC.*

# **STATE OF TEXAS**

**George W. Bush**  
Governor

**Rick Perry**  
Lieutenant Governor

**John Cornyn**  
Attorney General

**Carole Keeton Rylander**  
Comptroller of Public Accounts

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## **TEXAS PUBLIC FINANCE AUTHORITY**

**Daniel H. Branch**  
Chairman

**Daniel T. Serna**  
Vice Chairman

**Cynthia L. Meyer**  
Secretary

**Helen Huey**  
Member

**John C. Kerr**  
Member

**H. L. Bert Mijares, Jr.**  
Member

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**Kimberly K. Edwards**  
Executive Director

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**First Southwest Company**  
and  
**Walton Johnson & Company**

**Co-Financial Advisors**

# SALE AND DISTRIBUTION OF THE BONDS

## Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. 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, shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

Certain information set forth in this Official Statement has been furnished by the Authority, the Texas Parks and Wildlife Department, the State of Texas and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Initial Purchaser.

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.

## Marketability

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

The Authority has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds after their sale by the Authority. Information regarding reoffering yields or prices is the responsibility of the Initial Purchaser.

## Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY AND THE STATE OF TEXAS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. 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.

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 Authority 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.

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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.

<b>Issuer</b>	Texas Public Finance Authority.
<b>Offering</b>	Texas Public Finance Authority State of Texas General Obligation Park Development Bonds (Texas Parks and Wildlife Department Projects), Series 2000.
<b>Maturity</b>	October 1 of each of the years and in the principal amounts set forth on the cover page of this Official Statement. See "THE BONDS."
<b>Interest</b>	Payable semiannually on April 1 and October 1 of each year, commencing October 1, 2000. See "THE BONDS."
<b>Redemption</b>	The Bonds are subject to optional redemption prior to maturity in whole or, from time to time, in part as described herein. See "THE BONDS – Optional Redemption."
<b>The Project</b>	The Bonds are being issued to pay costs to acquire additional State park sites and to improve, develop, beautify and equip already acquired State park sites, and to pay the costs of issuing the Bonds. See "THE PROJECT."
<b>The Department</b>	The Texas Parks and Wildlife Department (the "Department") is an agency of the State of Texas, responsible for, among other things, maintaining all recreational, natural and historical State parks, administering the laws relating to game, fish, oysters and marine life, and protecting the State's fish and wildlife resources. See "THE TEXAS PARKS AND WILDLIFE DEPARTMENT."
<b>Source of Payment</b>	The Bonds are general obligations of the State of Texas. Payment of the Bonds is additionally secured by a pledge of net income from park entrance fees (including fees from conservation permits). See "THE BONDS—Source of Payment of the Bonds."
<b>Ratings</b>	Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and Fitch IBCA, Inc. ("Fitch") have assigned ratings to the Bonds as shown on the cover page hereof.
<b>Legality</b>	The issuance of the Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Mayor, Day, Caldwell & Keeton, L.L.P., Bond Counsel. See "LEGAL MATTERS."

## OFFICIAL STATEMENT

relating to

**TEXAS PUBLIC FINANCE AUTHORITY**

**\$16,310,000**

**State of Texas**

**General Obligation Park Development Bonds  
(Texas Parks and Wildlife Department Projects)**

**Series 2000**

### INTRODUCTION

The purpose of this Official Statement (which includes the cover page, Summary Statement and attached Appendices) is to furnish information concerning the offering of the Texas Public Finance Authority State of Texas General Obligation Park Development Bonds (Texas Parks and Wildlife Department Projects), Series 2000 (the "Bonds"), which are being issued by the Authority pursuant to Article III, Section 49-e of the Texas Constitution (the "Constitutional Provision"); the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code (formerly Article 601d, Texas Revised Civil Statutes Annotated, as amended) (the "Enabling Act"); Chapter 21, Texas Parks and Wildlife Code, as amended (the "Parks and Wildlife Code"); and Chapter 1201, Texas Government Code, as amended (formerly Article 717k-6, Texas Revised Civil Statutes Annotated, as amended) (the Constitutional Provision, the Enabling Act, the Parks and Wildlife Code and such other statutes together constituting the "Authorizing Law"), and pursuant to a resolution adopted by the Authority (the "Bond Resolution"). The Parks and Wildlife Code was amended, effective January, 1992, to provide that all bonds issued pursuant to the Constitutional Provision (together with the Bonds, the "Park Development Bonds") are to be issued by the Authority on behalf of the Texas Parks and Wildlife Department (the "Department"). Capitalized terms used herein and not defined shall have the meaning assigned in the Bond Resolution. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS—Selected Definitions."

The Bonds are being issued to pay costs to acquire additional State park sites and to improve, develop, beautify and equip already acquired State park sites, and to pay the costs of issuing the Bonds. See "THE PROJECT."

**The Bonds are general obligations of, and are secured by the full faith and credit of, the State of Texas. The Bonds are additionally secured by a pledge of net income, if any, from park entrance fees (including fees from conservation permits). See "THE BONDS--Source of Payment of the Bonds" herein. For general information regarding the State of Texas, including information concerning outstanding general obligation bonds of the State of Texas, see Appendix A hereto.**

**SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds including accrued interest will be applied approximately as follows:

**Sources**

Par Amount of Bonds	\$16,310,000.00
Accrued Interest on the Bonds	76,541.67
Bid Premium, if any, on the Bonds	<u>5,729.55</u>
Total	\$16,392,271.22

**Uses**

Deposit to Project Fund	\$16,231,500.00
Deposit to Interest and Sinking Fund	82,271.22
Costs of Issuance	<u>78,500.00</u>
Total	\$16,392,271.22

**THE AUTHORITY**

The Authority is a public authority and body politic and corporate created in 1984 by an act of the Texas Legislature (the "Legislature"). 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.

The Authority is currently governed by a board of directors (the "Authority Board") composed of six members appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. The current members of the Authority Board, the office held by each member, the occupation of each member, and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Position</u>	<u>Occupation</u>	<u>Term Expires (February 1)</u>
Daniel H. Branch	Chairman	Attorney at Law	2001
Daniel T. Serna	Vice Chairman	Certified Public Accountant	2003
Cynthia L. Meyer	Secretary	Certified Public Accountant and Business Owner	2003
Helen Huey	Member	Independent Business Consultant	2005
John C. Kerr	Member	Attorney at Law	2001
H.L. Bert Mijares, Jr.	Member	Architect	2005

The Authority employs an Executive Director (the "Executive Director") who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. The Executive Director is Kimberly K. Edwards.

Pursuant to constitutional amendments approved by Texas voters in November of 1987, 1989, 1991 and 1993, the State is authorized to issue general obligation bonds to finance the acquisition and the construction/renovation or improvements of facilities operated by correctional, mental health, and law enforcement agencies of the State. The Legislature has from time to time directed the Authority to issue bonds for these purposes.

Pursuant to the Enabling Act and Chapter 1401, Texas Government Code (formerly Article 601d-1, Texas Revised Civil Statutes Annotated, as amended), the Authority issues general obligation and revenue bonds for designated State agencies and maintains the Master Lease Purchase Program, a revenue commercial paper program, to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Department, the General Services Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Texas Department of Health, the Texas Military Facilities Commission (formerly, the National Guard Armory Board), the Texas State Technical College System, Midwestern State University, Stephen F. Austin State University and Texas

Southern University. It has also issued general obligation bonds for the Department, the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Juvenile Probation Commission, the Texas National Research Laboratory Commission (the "Superconducting Super Collider Project") and the Texas Youth Commission.

In September 1997, the Authority was granted exclusive bond issuing authority for the Texas Low-Level Radioactive Waste Disposal Authority. In 1999, however, the Texas Low-Level Waste Disposal Authority was abolished and all of its duties and responsibilities were transferred to the Texas Natural Resource Conservation Commission. S.B. 7, Acts 76th Legislature, R.S. (1999), which was effective September 1, 1999, and which provides for the deregulation of electric utilities, includes a provision permitting the Authority to issue bonds on behalf of joint power municipal utilities created before November 1, 1979, for the purpose of financing stranded costs of such utilities.

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.

### **Sunset Review**

The Texas Sunset Act (Chapter 325, Texas Government Code) provides that virtually all agencies of the State, including the Authority, are subject to periodic review by the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority, as amended by the Legislature in 1997, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

In the event the Authority is abolished pursuant to the Texas Sunset Act, the Governor is required to designate an appropriate state agency to carry out the Authority's covenants contained in the Bonds and in the documents authorizing the Bonds. In such event, Bond Counsel believes that (1) the Bonds would remain valid and binding obligations, subject to all applicable terms and conditions of the laws and proceedings authorizing the Bonds, and (2) such designated agency would be obligated and authorized to carry out all such covenants and to provide payment from the sources pledged to the Bonds in accordance with the terms thereof until the Bonds are paid in full.

### **Relationship With Other State Agencies**

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Department or any other agency or institution of the State to carry out its statutory authority, including its authority to construct buildings. The 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. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of any project.

The Authority is directed by law to deposit the proceeds of the sale of its bonds in the State Treasury for the account of the state agency at whose request those bonds were issued. Once the funds are so deposited and the Comptroller has certified that funds are available, and after payment of costs of issuance of such bonds as specified by the Authority, the appropriate state agency may begin the project for which the bonds were issued. The owners of the Authority's bonds have no rights to the project funds so held in the State Treasury. See "THE BONDS - Source of Payment of the Bonds" and "- Flow of Funds."

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 of Public

Accounts. 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. The Bonds have been approved by the Texas Bond Review Board.

### **Other State General Obligation Bonds**

Various State entities, including the Authority, have issued general obligation bonds of the State; in some instances, such State entities have authority to issue additional general obligation bonds. See "STATE DEBT" in Appendix A hereto. Article VII, Section 19 of the Texas Constitution extends the State's full faith and credit to the Texas Tomorrow Fund and establishes the fund as a constitutionally protected fund. The Texas Tomorrow Fund is dedicated to the prepayment of higher education tuition and fees.

### **Year 2000 Issues**

The Texas Department of Information Resources ("DIR") has established a Year 2000 Project Office to implement and oversee Year 2000 compliance for all state agencies and universities. In compliance with DIR requirements, in May 1999, the Authority completed and submitted to the DIR a report on the Authority's Year 2000 readiness. A copy of the Authority's complete report may be obtained directly from the Authority, and a complete description of the State's Year 2000 efforts can be found in Appendix A. To date, the Authority has not experienced any disruption in business operations during the Year 2000 transition.

## **THE TEXAS PARKS AND WILDLIFE DEPARTMENT**

### **General**

The Department is an agency of the State established pursuant to Section 11.011 of the Parks and Wildlife Code and has under its control and custody all recreational, natural, and historical areas designated as State parks except as otherwise provided by law. The Department is also responsible for, among other things, administering the laws relating to game, fish, oysters, and marine life and has primary responsibility for protecting the State's fish and wildlife resources.

The Department is under the policy and directions of the Texas Parks and Wildlife Commission (the "Commission"). The Commission consists of nine members appointed for six-year staggered terms by the Governor of the State with the advice and consent of two-thirds of the members of the State Senate present and voting. The current members of the Commission and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires (January 31)</u>
Lee M. Bass	Chairman	2001
Carol E. Dinkins	Vice Chair	2003
Ernest Angelo, Jr.	Member	2003
John Avila, Jr.	Member	2003
Richard W. (Dick) Heath,	Member	2001
Al Henry	Member	2005
Katherine Armstrong Idsal	Member	2005
Nolan Ryan	Member	2001
Mark E. Watson	Member	2005

The Commission is responsible for providing outdoor recreational opportunities by managing and protecting wildlife and wildlife habitat and acquiring and managing park land and historic areas.

The Department employs an Executive Director who is charged with managing the affairs of the Department, subject to and under the direction of the Commission. Andrew Sansom is the Executive Director of the Department.



## **Sunset Review**

The Department is subject to review under the Texas Sunset Act. The next scheduled review of the Department under the Texas Sunset Act is during the next legislative session in 2001. The Department's enabling act provides that if the Department is not continued in existence, the Department will cease to exist on September 1, 2001; however, the Texas Sunset Act provides that the Department will exist until September 1 of the following year (September 1, 2002) in order to conclude its business.

## **THE PROJECT**

The Project to be financed for the Texas Parks and Wildlife Department through the issuance of the Bonds by the Authority is authorized by Article III, Section 49-e of the Texas Constitution, Chapter 21 of the Parks and Wildlife Code, and H.B. 1, 76<sup>th</sup> Legislature, Article VI, Natural Resources-Parks and Wildlife Department. Proceeds of the Bonds will be used to pay costs to acquire additional State park sites and to improve, develop, beautify and equip already acquired State park sites, and to pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS."

## **THE BONDS**

### **Description of the Bonds**

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of Bonds will not receive physical delivery of the bond certificates. The Bonds will be issuable in fully registered form and purchases of Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest at the rates shown on the cover page of this Official Statement, calculated on the basis of a 360-day year composed of 12 months of 30 days each. Interest on the Bonds will be payable semiannually on each April 1 and October 1 (each an "Interest Payment Date"), commencing October 1, 2000. The Bonds will mature in the principal amounts and on the dates shown on the cover page of this Official Statement. The Bonds will be dated and will bear interest from January 15, 2000.

### **Optional Redemption**

The Bonds maturing on or after October 1, 2010 will be subject to redemption, in whole or in part from time to time, at the option of the Authority on October 1, 2009 and on any date thereafter at a redemption price equal to the principal amount to be redeemed plus accrued but unpaid interest to, but not including, the date of redemption.

### **Notice of Redemption**

Not less than thirty (30) nor more than forty-five (45) days prior to a redemption date for any Bond, a notice of redemption will be sent by United States mail, first-class, postage prepaid, in the name of the Authority to each Bond Owner of a Bond to be redeemed in whole or in part at the address of such Bond Owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notices shall state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than all the outstanding Bonds are to be redeemed, the numbers of Bonds or portions thereof to be redeemed. So long as the Bonds remain in book-entry form, the Authority shall only be required to mail such notice of redemption to the securities depository (or its nominee), initially DTC. Any notice of redemption so mailed will be conclusively presumed to have been duly given, whether or not the 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 Bonds or portions thereof to be redeemed. When Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as herein provided, the 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 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

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

### **Source of Payment of the Bonds**

***Constitutional Appropriation Bonds.*** The Bonds are a general obligation of the State, issued under the applicable Authorizing Law. The following excerpt from the Constitutional Provision is applicable to the Bonds:

While any of the bonds authorized by this provision, or any interest on any such bonds, is outstanding and unpaid, there is hereby appropriated out of the first moneys coming into the Treasury in each fiscal year, not otherwise appropriated by this Constitution, an amount which is sufficient to pay the principal and interest on such bonds that mature or become due during such fiscal year, less the amount in the interest and sinking fund at the close of the prior fiscal year, which includes any receipts derived during the prior fiscal year by said Parks and Wildlife Department, or its said successor, from admission charges to State Parks, as the Legislature may prescribe by general law.

***Other Sources for Payment of Bonds.*** In addition to the constitutionally appropriated funds described in the preceding paragraph, the Authority will credit to the Interest and Sinking Fund (Fund 0409), which secures the payment of debt service on all Park Development Bonds, including the Bonds, (1) Net Income from Entrance Fees and (2) earnings from investments of the Park Development Fund (Fund 0408).

The Net Income described in the foregoing paragraph is defined in the Bond Resolution to be Entrance Fees less the expenses incurred in collecting such Entrance Fees. Entrance Fees are defined in the Bond Resolution to be the fees (including fees from conservation permits) the Department is required to charge and collect for entrance to or at the gates of State Parks, whenever feasible and so long as any Park Development Bonds, including the Bonds, are outstanding. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS."

The Authority may also transfer Sporting Goods Sales Tax Proceeds to the Interest and Sinking Fund (Fund 0409), however such Sporting Goods Sales Tax Proceeds are not pledged to secure payment of debt service on the Bonds. Sporting Goods Sales Tax Proceeds are defined in the Bond Resolution to be the portion of sales tax proceeds to be credited to the Department under Section 151.801, Texas Tax Code, for further credit by the Department into the Conservation and Capital Account (Account 5004). The Department receives not more than \$32 million of the total sales tax collected each year. The amount of such tax deposited into the Conservation and Capital Account (Account 5004) is determined by a formula and is limited to \$1 million per year.

### **Flow of Funds**

Under the terms of the Bond Resolution the Authority will create, if necessary, a Rebate Fund. The Interest and Sinking Fund (Fund 0409) has been created in the State Treasury pursuant to the Constitutional Provision and the Parks and Wildlife Code.

Pursuant to the Bond Resolution, the Authority will deposit into the Interest and Sinking Fund Net Income from Entrance Fees, earnings from investments of the Park Development Fund and funds made available for such purpose by legislative appropriation pursuant to the Constitutional Provision, not later than the second Business Day preceding each date on which any Bond Obligations come due and otherwise in accordance with the Funds Management Agreement. In addition, the Authority may transfer Sporting Goods Sales Tax Proceeds on deposit in the Conservation and Capital Account (Account 5004) to the Interest and Sinking Fund to pay Bond Obligations as they become 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 and the Funds Management Agreement) to be withdrawn for the payment of Bond Obligations, the 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 the Interest and Sinking Fund) to pay such Bond Obligations shall be transmitted to the appropriate payee(s) for such purpose from funds made available under the Constitutional Provision, at such time as will cause such Bond Obligations to be timely paid.

The costs of issuance of the Bonds will be paid from the proceeds of the Bonds deposited in the Park Development Fund established in the State Treasury as soon as practicable after the delivery of the Bonds.

The Rebate Fund, if established, is for the purpose of complying with provisions of the Code that require the Authority to pay over 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 would be for the sole benefit of the United States of America and would not be subject to the claim of any Bond Owner. From time to time the Authority would 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 Funds Management Agreement may be invested (and reinvested) by the Comptroller in investments authorized by law.

#### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act initially 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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, but Beneficial Owners are 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 interest in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Beneficial Owners of the Bonds may wish to take certain steps to ensure the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 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. (or other DTC nominee) will consent or vote with respect to the Bonds. 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).

Principal and interest 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 Paying Agent/Registrar on the payable 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 (nor its nominee), the Paying Agent/Registrar or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such 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 is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities 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 securities 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 transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Bond Resolution.

In reading this Official Statement it should be understood that while the Bonds are in book-entry-only form, 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, and is not to be construed as a representation, by the Authority or the Initial Purchaser.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

## **DESCRIPTION OF THE TRANSACTION DOCUMENTS**

### **Selected Definitions**

In addition to the definitions appearing elsewhere in this Official Statement, 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 these terms in the singular number shall include the plural and vice versa.

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

*Authority Regulations* - the regulations of the Authority in Part X, Title 34, Texas Administrative Code.

*Board* - the Board of Directors of the Authority.

*Bond Counsel* - an attorney or firm of attorneys nationally recognized as experienced in the field of bonds of governmental issuers engaged by the Board to render services to the Authority as bond counsel.

*Bond Obligations* - the principal, premium (if any), and interest payment obligations of the Authority under any Bond(s).

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

*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 the principal office for payment of the Paying Agent/Registrar is located are not authorized by law or executive order to close.

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

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

*Closing Date* - the date of the Closing.

*Code* - the Internal Revenue Code of 1986, as amended, together with all published proposed, temporary or final regulations promulgated thereunder and revenue rulings and procedures issued with respect thereto by the United States Department of the Treasury or the Internal Revenue Service.

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

*Conservation and Capital Account (Account 5004)* - the Texas Parks and Wildlife Conservation and Capital Account (Account 5004) established as a separate account within the State General Revenue Fund in accordance with Section 11.043 of the Parks and Wildlife Code, which account consists of the amount of credits made to the Department under Section 151.801, Texas Tax Code (herein called the Sporting Goods Sales Tax Proceeds), after the allocations described in Section 11.043(b), Parks and Wildlife Code.

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

*Department* - the Texas Parks and Wildlife Department and any successor thereto.

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

*Entrance Fees* - the fees (including fees from conservation permits) the Department is required to charge and collect for entrance to or at the gates of State Parks pursuant to Section 21.111(a) of the Parks and Wildlife Code, whenever feasible and so long as any of the Park Development Bonds, including the Bonds, are outstanding, a portion of which fees less the expenses incurred in collecting them, the Department has irrevocably pledged to the payment of the principal of and interest on the Park Development Bonds, including the Bonds.

*Event of Taxability* - any act or omission that could cause any interest on any of the Bonds not to be excludable under section 103(a) of the Code from the gross income of the owner of the Bond for federal income tax purposes.

*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.

*Financing Agreement* - the financing agreement (including any amendments thereto) between the Authority and the Department providing the terms and conditions under which the financing provided to the Department with the proceeds of the Bonds is to be undertaken.

*Fiscal Year* - the fiscal year of the State of Texas from time to time adopted by the Legislature, presently beginning on September 1 of each calendar year and ending on August 31 of the immediately next following calendar year.

*Fund* - any of the Funds.

*Funds* - collectively, the Interest and Sinking Fund, the Park Development Fund and the Series 2000 Bonds Rebate Fund.

*Funds Management Agreement* - the funds management agreement (including any amendments thereto) between the Authority and the Comptroller providing for the administration of the proceeds of the Bonds and the availability of State money for the payment of the Bond Obligations.

*Government Obligations* - any of the following:

- (1) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America;
- (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 Board adopts or approves the proceedings authorizing the issuance of refunding bonds (or on the date that a committee of the Board appointed to act on behalf of the Board in connection with the sale and delivery of refunding bonds takes action to authorize such sale and delivery), 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 Board adopts or approves the proceedings authorizing the issuance of refunding bonds (or on the date that a committee of the Board appointed to act on behalf of the Board in connection with the sale and delivery of refunding bonds takes action to authorize such sale and delivery), are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or
- (4) such other investments as may be authorized by Chapter 1207, Texas Government Code, or any successor thereto, for the investment of escrow deposits.

*Initial Purchaser* - the Persons who initially purchase the Bonds from the Authority.

*Interest and Sinking Fund or Interest and Sinking Fund (Fund 0409)* - the fund established with the Comptroller pursuant to the Constitutional Provision and Section 21.105 of the Parks and Wildlife Code, to be used exclusively for paying (1) the principal of Park Development Bonds, including the Bonds, as they mature, (2) the interest on Park Development Bonds, including the Bonds, as it becomes due, and (3) exchange and collection charges incurred in connection with Park Development Bonds, including the Bonds, and into which are credited (a) accrued interest received in the sale of the Park Development Bonds, including the Bonds, (b) Net Income transferred from the Parks Fee Trust Account (Account 0965), and (c) earnings from investments of the Park Development Fund (Fund 0408); and the balance of which Interest and Sinking Fund (Fund 0409) is transferred to the state parks account (Account 0064) after all Park Development Bonds, including the Bonds, have been paid.

*Interest Payment Date* - April 1 and October 1 of each year commencing October 1, 2000.

*Legislature* - the Legislature of the State of Texas.

*Net Income* - Entrance Fees less the expenses incurred in collecting such Entrance Fees.

*Park Development Fund or Park Development Fund (Fund 0408)* - the fund established with the Comptroller pursuant to the Constitutional Provision and Section 21.101(a) of the Parks and Wildlife Code, to be used exclusively by the Department for: (i) acquiring state park sites, (ii) improving, developing, beautifying and equipping already acquired state park sites, and (iii) paying the costs of issuing Park Development Bonds, including the Bonds, into which the proceeds derived from the sale of Park Development Bonds, including the Bonds, shall be deposited in an amount sufficient to pay Project Costs and Costs of Issuance. On the Closing Date, proceeds of the Bonds deposited in such fund will be assigned two separate appropriation numbers with an amount equal to the Costs of Issuance being assigned one appropriation number and the balance of the proceeds of the Bonds being assigned a separate appropriation number in accordance with the Uniform Statewide Accounting System.

*Parks Fee Trust Account (Account 0965)* - the special fund established with the Comptroller pursuant to Section 21.111 of the Parks and Wildlife Code, into which the Department is required to deposit Net Income so long as any Park Development Bonds, including the Bonds, are outstanding, an amount of which money on deposit therein the Department is required to credit to the Interest and Sinking Fund (Fund 0409).

*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.

*Project Completion Amount* - the aggregate amount of the Project Costs, which may be changed from time to time as a result of an amendment to the description of the Projects as described in the Bond Resolution.

*Project Costs* - any costs associated with the Projects that are authorized under the Authorizing Law and the Authority Regulations to be paid with proceeds of the Bonds.

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

*Register* - the official registration records for the Bonds maintained by the registrar for the Bonds pursuant to the Bond Resolution.

*Securities Depository* - initially DTC, or any Person acting as a securities depository for Book-Entry Bonds.

*Series 2000 Bonds Rebate Fund or Rebate Fund* - if required, the fund established with the Comptroller pursuant to the Bond Resolution for the purpose of making any payment that is required to be paid with respect to the Bonds to the United States government pursuant to the Code.

*Sporting Goods Sales Tax Proceeds* - the portion of proceeds to be credited to the Department under Section 151.801 of the Texas Tax Code for further credit by the Department into the Conservation and Capital Account (Account 5004), pursuant to Section 11.043 of the Parks and Wildlife Code.

*State* - the State of Texas.

*State Parks* - all sites operated as parks by the Department.

*Transaction Documents* - collectively, the Bond Resolution; the Memorandum of Understanding, dated as of June 1, 1992, between the Department and the Authority, regarding the Authority issuing bonds on behalf of the Department; the Financing Agreement; and the Funds Management Agreement.

*Treasury* - the funds of the State subject to the custody and control of the Comptroller.

## **The Bond Resolution**

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

***Ownership.*** A Bond Owner is deemed to be the absolute owner of such 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 other 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 any transfer, exchange or replacement of a Bond shall occur on the books and records of such Securities Depository. All required notices to Bond Owners will be given to the Securities Depository.

***Transfer, Exchange, and Replacement of Bonds.*** 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 representative) 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 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, aggregate principal amount and interest rate upon surrender to the Paying Agent/Registrar by the Bond Owner (or the Bond Owner's duly authorized representative) 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 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.

**Security for the Bonds.** The Park Development Bonds, including the Bonds, having been made general obligations of the State of Texas pursuant to the Constitutional Provision and the Parks and Wildlife Code, the full faith and credit of the State of Texas and the Net Income from Entrance Fees are irrevocably pledged for the faithful performance of all covenants, recitals and stipulations contained in the Bond Resolution and in the Bonds, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and interest on the Park Development Bonds, including the Bonds, when due.

A continuing appropriation has been made by the Constitutional Provision, effective so long as any of the Park Development Bonds, including the Bonds, or interest thereon is outstanding and unpaid, from the first money coming into the Treasury in each Fiscal Year, not otherwise appropriated by the Constitution, of an amount sufficient to pay the principal of and interest on Park Development Bonds, including the Bonds, and due to be paid in such Fiscal Year. The principal of and interest on the Park Development Bonds, including the Bonds, are payable from such appropriated money and from such other money as is available to the Authority and the Department for such purpose.

**Creation or Maintenance of Funds.** The following Funds shall be created or maintained by the Authority or the Department pursuant to State law and the Transaction Documents, except that the Series 2000 Bonds Rebate Fund shall only be created, if, as a result of any calculation called for by the Bond Resolution, there exist excess arbitrage profits with respect to the Bonds in an amount greater than zero: (a) the Interest and Sinking Fund (Fund 0409); (b) the Park Development Fund (Fund 0408); and (c) the Series 2000 Bonds Rebate Fund.

The Funds shall be maintained by the Comptroller in the Treasury, separate from any other funds, and shall be held in trust for application as provided by the Bond Resolution and the Funds Management Agreement. The Executive Director shall provide the Comptroller with such instructions as are necessary to effect the proper application of the Funds.

**Application of Constitutionally Appropriated Funds.** From (1) Net Income, if any, in the Parks Fee Trust Account (Account 0965), (2) earnings from investments of the Park Development Fund (Fund 0408), and (3) money that is made available for such purpose by legislative appropriation pursuant to the Constitutional Provision, the Authority shall cause to be deposited into the Interest and Sinking Fund (Fund 0409) an amount that is sufficient (together with any other money on deposit therein) to provide for the timely payment of Bond Obligations. Such deposits shall be made not later than the second Business Day preceding each date on which any Bond Obligations come due and otherwise in accordance with the Funds Management Agreement. In addition, the Authority may transfer Sporting Goods Sales Tax Proceeds on deposit in the Conservation and Capital Account (Account 5004) to the Interest and Sinking Fund (Fund 0409) to pay Bond Obligations as they become 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 money in the Interest and Sinking Fund (Fund 0409) is required (pursuant to the Bond Resolution and the Funds Management Agreement) to be withdrawn for the payment of Bond Obligations, the Interest and Sinking Fund (Fund 0409) does not contain sufficient money for such purpose, an amount of immediately available money sufficient (together with the money then on deposit in the Interest and Sinking Fund (Fund 0409)) to pay such Bond

Obligations shall be transmitted to the appropriate payee(s) for such purpose from money made available under the Constitutional Provision, at such time as will cause such Bond Obligations to be timely paid.

***Application of Interest and Sinking Fund (Fund 0409).*** The money on deposit in the Interest and Sinking Fund (Fund 0409) shall be applied at such times and in such amounts as required for the timely payment of Bond Obligations and otherwise as provided in the Funds Management Agreement.

***Application of Park Development Fund (Fund 0408).*** On the Closing Date, proceeds of the Bonds deposited in the Park Development Fund (Fund 0408), excluding the Costs of Issuance, will be assigned a separate appropriation number in accordance with the Uniform Statewide Accounting System. Costs of Issuance will be paid upon warrant(s) drawn by the Authority from the amount in the Park Development Fund (Fund 0408) deposited for payment of the Costs of Issuance under a separate appropriation number obtained by the Authority. The Park Development Fund (Fund 0408) shall be applied (excluding Costs of Issuance) by the Department to pay Project Costs in accordance with the Financing Agreement and the Funds Management Agreement. Disbursement from the Park Development Fund (Fund 0408) for payment of Project Costs may not exceed the Project Completion Amount without the prior approval of the Executive Director (which approval shall be based on the existence of lawfully available funds). Once the amount of an Arbitrage Rebate Payment has been determined, such amount, if any, shall be transferred from the Park Development Fund (Fund 0408) to the Series 2000 Bonds Rebate Fund pending payment to the United States government.

Interest earned on amounts in the Park Development Fund (Fund 0408) shall be credited to the Interest and Sinking Fund (Fund 0409) and transferred for application to the payment of the next Bond Obligation coming due on the Bonds. The Park Development Fund (Fund 0408) shall otherwise be applied in accordance with State law.

***Application of Series 2000 Bonds Rebate Fund.*** The Authority shall remit to the Secretary of the Treasury from the Series 2000 Bonds Rebate Fund, the amount of the most recently calculated arbitrage rebate payment (if any). The Series 2000 Bonds Rebate Fund shall otherwise be applied in accordance with the Funds Management Agreement.

***Investment of Funds.*** The money on deposit in any Fund may be invested and reinvested only in Eligible Investments by the Comptroller in accordance with the Funds Management Agreement. The investment of amounts on deposit in each Fund shall be made under conditions that will timely provide money sufficient to satisfy the purpose(s) for which such Fund is intended. Except as otherwise required by the Bond Resolution, the proceeds received from the disposition of any investment acquired with money from any Fund, and any income received from any such investment, shall be deposited into such Fund and allocated by appropriation number in accordance with the Uniform Statewide Accounting System. Uninvested money (if any) in any Fund shall 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, shall 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) shall be transferred to the Authority, which shall 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 shall cease.

***Tax-Exempt Status.*** The Authority has covenanted in the Bond Resolution that it will not take any action 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 Transaction Documents 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 or on the written advice of the Attorney General of Texas, will not adversely affect the rights of any Bond Owner under the Transaction Documents, including without limitation, amendments, changes or modifications to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange, or similar types of agreements with respect to the Bonds.

***Defeasance.*** The Authority may provide for the irrevocable deposit into the Interest and Sinking Fund or in escrow with the Paying Agent/Registrar, or a financial institution or trust company designated by the Authority, of (1) an amount of money sufficient, without investment, or (2) Government Obligations not redeemable prior to maturity and maturing as to principal and interest in such amounts and at such times as will provide (without reinvestment) money sufficient to pay the Bond Obligations when due and all other amounts due under the Bond Resolution. Upon such a deposit, the benefits of the Bond Resolution and the covenants of the Authority including the Authority's obligation to pay debt service on the Bonds will be deemed discharged. If the Authority deposits money or Government Obligations sufficient 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 amount within a maturity) 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 shall determine.

The Paying Agent/Registrar, at the Executive Director's direction, may substitute, for money or Government Obligations deposited to defease Bonds, money or other Government Obligations if, upon such substitution, there shall remain an amount of money and Government Obligations sufficient to pay the Bond Obligations and other amounts due pursuant to the Bond Resolution, as described in the preceding paragraph. Any net proceeds realized from such a substitution will be paid to the Authority.

***No Individual Liability.*** No obligation imposed under the Bond Resolution, the Bonds, or any document executed by the Authority, the Department or the Comptroller in connection therewith shall be deemed to be the obligation, in an individual capacity, of any director, officer, employee, or agent of the Authority, the Department 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 shall be subject to any personal liability with respect thereto.

### **The Funds Management Agreement**

The following is a summary of certain provisions of the Funds Management Agreement providing for the administration of the proceeds of the Bonds and availability of funds for the payment thereof. This summary does not purport to be

comprehensive or definitive and is qualified in its entirety by reference to the Funds Management Agreement. A copy of the Funds Management Agreement is available for examination at the offices of the Authority.

***Establishment of Funds.*** The Authority is required to establish and maintain funds for the application of money with respect to the Bonds. See "THE BONDS - Flow of Funds."

***Deposit of Purchase Price.*** The Funds Management Agreement provides that the purchase price of the Bonds shall be deposited as follows: (a) any amount received as accrued interest on the Bonds, plus premium, if any, shall be deposited into the Interest and Sinking Fund; and (b) the remaining amount will be deposited to the Park Development Fund. From the amount deposited into the Park Development Fund, an amount equal to the Costs of Issuance shall be assigned a separate appropriation number within the Fund for the Authority's use in paying the Costs of Issuance.

***Investment Losses.*** Any losses from investment of any Fund shall be charged on a pro rata basis among the Funds subject to such Funds Management Agreement and other sources of money from which such investment was made. The Comptroller will not be held liable for any losses resulting from investments made in accordance with the Funds Management Agreement.

***Maintaining Tax-Exempt Status.*** The Comptroller shall take such action with respect to the Funds (including, without limitation, restricting the yield on investments of any Fund) as is requested by the Executive Director as being necessary to comply with Section 148 of the Code or to mitigate the effect of a violation thereof.

## RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services and Fitch IBCA, Inc. have assigned their municipal bond ratings to the Bonds as shown on the cover page hereof. An explanation of the significance of the ratings may be obtained from the respective rating agency. The ratings reflect only the views of such organizations at the time the ratings were given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## TAX EXEMPTION

In the opinion of Mayor, Day, Caldwell & Keeton, L.L.P., Houston, Texas, Bond Counsel, interest on the Bonds is (1) excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income of the owners thereof for federal income tax purposes and (2) is not includable in the alternative minimum taxable income of individuals or corporations, except as described below.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the Authority, the Department and the Comptroller with certain covenants of the Bond Resolution, the Financing Agreement, and the Funds Management Agreement, and has relied on representations by the Authority, the Department and the Comptroller with respect to matters solely within the knowledge of the Authority, the Department and the Comptroller which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the Authority file an information report with

the Internal Revenue Service. If the Authority, the Department or the Comptroller should fail to comply with covenants in the Bond Resolution, the Financing Agreement, and the Funds Management Agreement, or if their respective representations relating to the Bonds that are contained in the Bond Resolution, the Financing Agreement, and the Funds Management Agreement should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above and set forth below under "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS," Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisitions or disposition of the Bonds.

Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. Such prospective purchasers should consult their own tax advisors as to the consequences of investing in the Bonds.

If a tax-exempt obligation, such as the Bonds, was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue, the Code provides ordinary income tax treatment of gain recognized upon the disposition of such "market discount bond." 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 market discount). Such treatment applies to "market discount bonds" to the extent the gain from the disposition thereof exceeds the accrued market discount of such bonds unless a statutory de minimis rule applies. 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. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of the Bonds. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

## **TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS**

### **Discount Bonds**

Certain of the Bonds may be offered at initial offering prices which are less than the stated redemption prices at maturity of such Bonds. If the initial offering prices of the Bonds are lower than the stated redemption price payable at maturity, the Bonds of that maturity (the "Discount Bonds") will be considered to have "original issue discount" for federal income tax purposes. An initial owner who purchases a Discount Bond in the initial public offering of the Bonds at such an initial offering price will acquire such Discount Bond with original issue discount equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion

regarding interest on the Bonds under the caption "TAX EXEMPTION" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase Discount Bonds must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX EXEMPTION" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Authority or the State. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such 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 Discount Bonds.

### **Premium Bonds**

Certain of the Bonds may be offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If any of the Bonds of such maturities are sold to members of the public (which for this purpose excludes bond houses, brokers and similar person or organizations acting in the capacity of wholesalers or underwriters) at such initial offering prices, each of the Bonds of such maturities ("Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

### **THE BONDS AS LEGAL INVESTMENTS IN TEXAS**

Chapter 1201, Texas Government Code, as amended (formerly Texas Revised Civil Statutes Annotated, Article 717k-6, as amended), provides that obligations, such as the Bonds, are legal and authorized investments for an insurance company; a fiduciary or trustee; or a sinking fund of a municipality or other political subdivision or public agency of the State. Section 21.023, Parks and Wildlife Code, also provides that the Bonds, are legal and authorized investments for banks, savings banks, trust companies, building and loan and savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and sinking funds of cities, towns, villages, school districts, and other political subdivisions and public agencies of the State. The Bonds are also eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may need 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. See "RATINGS" herein.

The Authority has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which 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 made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### **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. 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 Attorney General of the State of Texas, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge is there any basis therefor) that (1) affects the existence of the Authority or the right of the present directors and officers of the Authority to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the Bonds are being issued, and (3) would have a material adverse effect upon the power of the Authority to issue the Bonds. See Appendix A to this Official Statement concerning legal proceedings to which the State is a party relating to its operations and governmental functions but unrelated to the Bonds or the security for the Bonds.

### **GENERAL INFORMATION REGARDING THE STATE OF TEXAS**

Appendix A to this Official Statement which was prepared by the Office of the Comptroller sets forth certain information regarding the State including its government, finances, economic profile, and other matters. 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 Appendix A, 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 1998 Comprehensive Annual Financial Report for the year ended August 31, 1998 (the "1998 CAFR") is currently on file with each nationally recognized municipal securities information repository ("NRMSIR"). The 1998 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein.

Article III, Section 49-j of the Texas Constitution prohibits the Texas 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 fund revenues for the three immediately preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. See APPENDIX A - State Debt.

## CONTINUING DISCLOSURE OF INFORMATION

### 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 her 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. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix ("Appendix A") quarterly for use in State agency securities offerings. This disclosure appendix is incorporated herein as described in Appendix A. The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement to the information vendors to whom the comptroller must provide annual information in accordance with her disclosure agreement. Quarterly updates to Appendix A will be available at <http://www.cpa.state.tx.us/treasops/bondapp.html> each calendar quarter. In addition, the Comptroller publishes, and intends to continue 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. Bondholders 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 from the Comptroller by calling 1-800-227-8392.

**Annual Reports.** The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors 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 to this Official Statement in Tables A-1 through A-14 and A-31 (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. The Comptroller will provide the updated information to each NRMSIR and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Comptroller may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. 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 by March 13 in each year (or March 12 in a leap year) unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID of the change.

### Material Event Notices

The Comptroller will also provide timely notice of any failure to provide information, data or financial statements in accordance with its agreement described above under "Continuing Disclosure Undertaking of the Comptroller--Annual



*Reports.*" Each notice described in this paragraph will be provided to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

In the Bond Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Bond Resolution make any provision for credit enhancement, liquidity enhancement or debt service reserve funds. In addition, the Authority will provide timely notice of any failure by the Comptroller to provide information, data or financial statements in accordance with its agreement described above under "--Continuing Disclosure Undertaking of the Comptroller--*Annual Reports.*" The Authority will provide each notice described in this paragraph to any SID and to either each NRMSIR or the MSRB.

#### **Availability of Information from NRMSIRs and SID**

The Authority and the Comptroller have agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State as a SID and recognized by the SEC as a qualified SID. The address of the Municipal Advisory Council is 600 W. Eighth Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

#### **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 holders 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 law, or 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 SEC Rule 15c2-12 and either the holders 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 the Bonds. The Authority and the Comptroller may also amend or repeal their agreement if the applicable provisions of the Rule are repealed or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Authority and the Comptroller may also amend their agreement in their discretion in any other manner or circumstance, but in either case only if and to the extent that their agreement, as supplemented or amended, would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (1) such provisions as so amended and (2) any amendments to or interpretations of the Rule. 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 "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.

### **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 SEC Rule 15c2-12, although neither entered into such an agreement before August 1995.

### **UNDERWRITING**

The Bonds have not been registered under the Securities Act of 1933, as amended (in reliance upon an exemption therefrom), or the securities laws of any jurisdiction. After requesting competitive bids for the Bonds, the Authority has accepted the bid tendered by Wachovia Securities Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the cover page of this Official Statement at a price of \$16,315,729.55 plus accrued interest from their date to the date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the Authority.

### **THE CO-FINANCIAL ADVISORS**

First Southwest Company and Walton Johnson & Company the ("Co-Financial Advisors") have acted as co-financial advisors to the Authority in connection with the issuance and sale of the Bonds. First Southwest Company also serves in other capacities with the Authority. All fees and other remuneration received in such other capacities are separate and distinct from the fees associated with the Bonds and are not contingent upon the sale and issuance of the Bonds. First Southwest Company also has a contract with Thomson Financial Municipals Group pursuant to which electronic bidding and electronic official statement dissemination capabilities are made available to municipal finance clients, such as the Authority, through Thomson Financial Municipal Group's Parity electronic bidding, and TFMG Prospectus. First Southwest Company will not receive any remuneration under such contract relating to or contingent upon the issuance and/or sale of the Bonds. The Co-Financial Advisors have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness (except for the information concerning the Co-Financial Advisors). Investors should not draw any conclusions as to the suitability of the Bonds from, or base any investment decisions upon, the fact that the Co-Financial Advisors have advised the Authority.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for 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 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 provisions.

### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds by the Authority are subject to the unqualified approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Mayor, Day, Caldwell & Keeton, L.L.P., Bond Counsel. The compensation paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. Bond Counsel's approving opinion will be rendered in substantially the form attached to this Official Statement as Appendix C.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the

information contained therein, except that in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions "THE BONDS," "DESCRIPTION OF THE TRANSACTION DOCUMENTS," "TAX EXEMPTION," "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS," "THE BONDS AS LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with prior Undertakings") and "LEGAL MATTERS" to verify that the information relating to the Bonds and the Transaction Documents contained under such captions in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate.

#### **MISCELLANEOUS**

References in this Official Statement to particular laws do not purport to be a complete statement or to describe all of the provisions thereof and in each case are qualified by reference to the entire law, a copy of which will be furnished by the Authority on request.

This Official Statement has been approved by the Authority.

#### **TEXAS PUBLIC FINANCE AUTHORITY**

By: /s/ Daniel H. Branch  
Chairman

**APPENDIX A**

**THE STATE OF TEXAS**

The Appendix A dated November 1999 is currently on file with each NRMSIR and the state SID and is hereby incorporated by reference and made a part of this Official Statement. Appendix A (as updated from time to time) may be obtained from the Comptroller's website at <http://www.cpa.state.tx.us/treasops/bondapp.html>.

**APPENDIX B**

**DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending August 31	Outstanding Debt Service <sup>(1)</sup>	Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2000	\$ 4,133,632.50	\$ -	\$ -	\$ -	\$ 4,133,632.50
2001	4,138,841.25	635,000.00	1,094,943.06	1,729,943.06	5,868,784.31
2002	4,136,482.50	825,000.00	860,887.50	1,685,887.50	5,822,370.00
2003	4,133,442.50	825,000.00	815,512.50	1,640,512.50	5,773,955.00
2004	4,138,170.00	825,000.00	770,137.50	1,595,137.50	5,733,307.50
2005	4,142,315.00	825,000.00	724,762.50	1,549,762.50	5,692,077.50
2006	4,139,200.00	825,000.00	679,387.50	1,504,387.50	5,643,587.50
2007	4,138,860.00	825,000.00	634,012.50	1,459,012.50	5,597,872.50
2008	4,136,005.00	825,000.00	588,637.50	1,413,637.50	5,549,642.50
2009	772,597.50	825,000.00	543,262.50	1,368,262.50	2,140,860.00
2010	772,470.00	825,000.00	497,887.50	1,322,887.50	2,095,357.50
2011	770,572.50	825,000.00	452,512.50	1,277,512.50	2,048,085.00
2012	771,725.00	825,000.00	406,725.00	1,231,725.00	2,003,450.00
2013	775,762.50	825,000.00	360,525.00	1,185,525.00	1,961,287.50
2014	772,790.00	825,000.00	314,325.00	1,139,325.00	1,912,115.00
2015	772,605.00	825,000.00	267,712.50	1,092,712.50	1,865,317.50
2016	775,075.00	825,000.00	220,275.00	1,045,275.00	1,820,350.00
2017	775,385.00	825,000.00	172,012.50	997,012.50	1,772,397.50
2018		825,000.00	123,337.50	948,337.50	948,337.50
2019		825,000.00	74,250.00	899,250.00	899,250.00
2020		825,000.00	24,750.00	849,750.00	849,750.00
<b>Total</b>	<b>\$ 44,195,931.25</b>	<b>\$ 16,310,000.00</b>	<b>\$ 9,625,855.56</b>	<b>\$ 25,935,855.56</b>	<b>\$ 70,131,786.81</b>

(1) Represents previously issued and outstanding Park Development Bonds. For information concerning previously issued and outstanding general obligation bonds issued by or on behalf of the State, see "STATE DEBT" in Appendix A to the Official Statement.

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**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

**MAYOR, DAY, CALDWELL & KEETON, L.L.P.**

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February \_\_, 2000

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with an issue of bonds (the "Bonds") described as follows:

STATE OF TEXAS GENERAL OBLIGATION PARK DEVELOPMENT BONDS (TEXAS PARKS AND WILDLIFE DEPARTMENT PROJECTS), SERIES 2000, dated January 15, 2000 in the aggregate principal amount of \$16,310,000, maturing on October 1 in each year from 2000 through 2019. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the resolution (the "Resolution") adopted by the Board of Directors of the Authority authorizing their issuance.

WE HAVE ACTED as Bond Counsel 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 of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Authority; certain certifications and representations and other material facts within the knowledge and control of the Authority, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. T-1. Capitalized terms used herein and not defined shall have the meaning assigned in the Resolution.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the State of Texas or the Authority, or the disclosure thereof in connection with the sale of 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.



BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding general obligations of the State of Texas in accordance with the terms and conditions thereof, subject to the exercise of judicial discretion in accordance with general principles of equity, and to the valid exercise of the sovereign powers of the State of Texas and the constitutional powers of the United States of America, and to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted affecting creditors' rights; and

(2) The Bonds are payable from a continuing appropriation under the Texas Constitution of the first moneys coming into the Treasury of the State of Texas in each fiscal year, not otherwise appropriated by the Texas Constitution, in an amount sufficient to pay the principal of and interest on the Bonds that mature or become due during such fiscal year, less the amount of money on deposit in the interest and sinking fund at the close of the prior fiscal year, which includes the fees (including fees from conservation permits) that the Department is required to charge and collect for entrance to or at the gates of state parks, whenever feasible, less the expenses incurred in collecting such fees.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority, the Parks and Wildlife Department (the "Department") and the Comptroller of Public Accounts (the "Comptroller") comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted in the Resolution, the Department has covenanted in the Financing Agreement and the Comptroller has covenanted in the Funds Management Agreement to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

INTEREST ON all tax-exempt obligations, including the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. Purchasers of Bonds are directed to the discussion entitled "TAX EXEMPTION" set forth in the Official Statement.

UNDER EXISTING LAW and based upon the assumptions stated in the Official Statement prepared for use in connection with the sale of the Bonds, it is also our opinion as follows: (1) the difference between (a) the stated redemption price at maturity of each Bond maturing in the years 2013 through 2019, inclusive (the "Discount Bonds"), and (b) the initial offering price at which a substantial amount of such Discount Bonds of the same maturity were sold to the public, as described in Official Statement, constitutes original issue discount with respect to each such Discount Bond in the hands of an owner who purchased such Discount Bond at the initial offering price in the initial public offering of the Bonds; and (2) such initial owner is entitled to exclude from gross income for federal income tax purposes with respect to such Discount Bond that portion of the original issue discount deemed to be earned for federal income tax purposes during the period that such Discount Bond continues to be owned by such owner. In the event of the redemption, sale or other taxable disposition of such Discount Bond prior to its stated maturity, however, any amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount deemed to be earned during the period for which such Discount Bond was held by such initial owner) is includable in gross income for federal income tax purposes.

PURCHASERS OF DISCOUNT BONDS in the initial public offering are directed to the discussion entitled "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS" set forth in the Official Statement for purposes of determining the portion of the original issue discount which is deemed to be earned for federal income tax purposes during the period such Bonds are held by an initial owner. The federal income tax consequences of the purchase, ownership, and redemption, sale or other taxable disposition of Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are

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deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.