

**OFFICIAL STATEMENT**  
**Dated August 11, 2009**

*In the opinion of Co-Bond Counsel, interest on the Tax-Exempt Bonds (as defined below) is excludable from gross income for federal income tax purposes under existing law and the Tax-Exempt Bonds are not private activity bonds. See "TAX MATTERS - Tax Exemption of the Tax-Exempt Bonds" herein for a discussion of the opinions of Co-Bond Counsel regarding the Tax-Exempt Bonds, including a description of alternative minimum tax consequences for corporations. Interest to be paid on the Taxable Bonds (as defined below) is included in gross income for federal income tax purposes.*

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

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



**\$452,700,000**

**TEXAS PUBLIC FINANCE AUTHORITY**

**\$270,920,000**  
**State of Texas**  
**General Obligation Refunding Bonds,**  
**Series 2009A**

**\$181,780,000**  
**State of Texas**  
**Taxable General Obligation Bonds,**  
**Series 2009B (Build America Bonds - Direct Payment to Issuer)**

**Interest Accrual:** Date of Delivery

**Due:** October 1, as shown on inside cover pages

The Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2009A (the "Tax-Exempt Bonds") and State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds - Direct Payment to Issuer) (the "Taxable Bonds") are general obligations of the State of Texas being issued by the Texas Public Finance Authority (the "Authority"). See "THE BONDS - Source of Payment of the Bonds" herein. The Tax-Exempt Bonds and the Taxable Bonds are referred to, collectively, as the "Bonds".

The Tax-Exempt Bonds are being issued for the purpose of (i) refunding all or a portion of the Authority's outstanding general obligation commercial paper notes issued under various commercial paper programs of the Authority (the "Refunded Notes") and (ii) paying the costs of issuance of the Tax-Exempt Bonds. See "PLAN OF FINANCE" herein.

The Taxable Bonds are being issued for the purpose of (i) providing financing for the repair, renovation and construction of state facilities for the Department of Aging and Disability Services, the Department of Public Safety, the Department of State Health Services and the Texas Historical Commission, and (ii) paying the costs of issuance of the Taxable Bonds. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from the Date of Delivery and will be payable on October 1 and April 1 of each year, commencing April 1, 2010. Interest on the Bonds is 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 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 Tax-Exempt Bonds are subject to optional redemption prior to their scheduled maturities as more fully described herein. The Taxable Bonds are subject to optional, mandatory sinking fund, and extraordinary redemption prior to their stated maturities as more fully described herein. See "THE BONDS - Redemption".

**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 the Bond Appendix incorporated by reference in Appendix A hereto.**

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**SEE INSIDE COVER PAGES FOR MATURITY SCHEDULES**

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*The Bonds are offered when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Vinson & Elkins L.L.P., Houston, Texas, and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Andrews Kurth LLP, Austin, Texas, and Mahomes Bolden Warren Sigmon PC, Dallas, Texas. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about August 27, 2009 (the "Date of Delivery") subject to the satisfaction of certain conditions.*

**Merrill Lynch & Co.**  
**Estrada Hinojosa & Company, Inc.**  
**Morgan Stanley**  
**Ramirez & Co., Inc.**

**Loop Capital Markets**  
**Piper Jaffray & Co.**

**Siebert Brandford Shank & Co. , LLC**  
**Morgan Keegan & Company, Inc.**  
**RBC Capital Markets**  
**Southwest Securities**

**MATURITY SCHEDULE**  
CUSIP Prefix 882722<sup>(1)</sup>

**\$270,920,000**  
**Texas Public Finance Authority**  
**State of Texas General Obligation Refunding Bonds,**  
**Series 2009A**

<b>CUSIP Suffix<sup>(1)</sup></b>	<b>Maturity Date (October 1)<sup>(2)</sup></b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Offering Prices/Yield</b>
JA0	2010	\$20,565,000	2.50%	0.55%
HZ7	2010	5,000,000	1.50%	0.55%
JC6	2011	20,105,000	4.00%	0.89%
JB8	2011	5,000,000	2.00%	0.89%
JE2	2012	21,465,000	5.00%	1.22%
JD4	2012	3,500,000	2.00%	1.22%
JG7	2013	22,195,000	5.00%	1.56%
JF9	2013	2,780,000	2.00%	1.56%
JJ1	2014	19,995,000	5.00%	2.00%
JH5	2014	5,000,000	2.50%	2.00%
JL6	2015	22,950,000	5.00%	2.32%
JK8	2015	2,100,000	2.50%	2.32%
JN2	2016	22,750,000	5.00%	2.63%
JM4	2016	2,350,000	3.00%	2.63%
JQ5	2017	22,310,000	5.00%	2.88%
JP7	2017	2,855,000	3.00%	2.88%
JS1	2018	22,085,000	5.00%	3.13%
JR3	2018	3,150,000	3.25%	3.13%
JU6	2019	20,745,000	5.00%	3.33%
JT9	2019	4,575,000	3.25%	3.33%
JW2	2020	17,535,000	5.00%	3.50% <sup>(3)</sup>
JV4	2020	1,910,000	3.50%	3.50%

*(Interest Accrues from Date of Delivery)*

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Financial Advisor or the Underwriters and are included solely for the convenience of the owners of the Tax-Exempt Bonds. Neither the Authority, the Financial Advisor, nor the Underwriters shall be responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Tax-Exempt Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of procurement of secondary portfolio insurance or other enhancement by investors that is applicable to all or a portion of the Tax-Exempt Bonds.

<sup>(2)</sup> The Tax-Exempt Bonds are subject to optional redemption prior to their scheduled maturity as more fully described herein. See "THE BONDS – Redemption."

<sup>(3)</sup> Priced to call.

**MATURITY SCHEDULE**  
CUSIP Prefix 882722<sup>(1)</sup>

**\$181,780,000**  
**Texas Public Finance Authority**  
**State of Texas Taxable General Obligation Bonds,**  
**Series 2009B (Build America Bonds-Direct Payment to Issuer)**

**\$121,235,000 Serial Bonds**

<u>CUSIP Suffix</u> <sup>(1)</sup>	<u>Maturity Date (October 1)</u> <sup>(2)</sup>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Prices/Yield</u>
JX0	2020	\$5,860,000	5.113%	5.113%
JY8	2021	25,035,000	5.333%	5.333%
JZ5	2022	24,615,000	5.503%	5.503%
KA8	2023	24,070,000	5.643%	5.643%
KB6	2024	22,090,000	5.763%	5.763%
KC4	2025	19,565,000	5.913%	5.913%

**\$60,545,000 6.072% Term Bonds due October 1, 2029; Price 100.00% - CUSIP No. 882722 KD2<sup>(1)</sup>**

*(Interest Accrues from Date of Delivery)*

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Financial Advisor or the Underwriters and are included solely for the convenience of the owners of the Taxable Bonds. Neither the Authority, the Financial Advisor, nor the Underwriters shall be responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Taxable Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of procurement of secondary portfolio insurance or other enhancement by investors that is applicable to all or a portion of the Taxable Bonds.

<sup>(2)</sup> The Taxable Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption prior to their scheduled maturity as more fully described herein. See "THE BONDS – Redemption."

# STATE OF TEXAS

**Rick Perry**  
Governor

**David Dewhurst**  
Lieutenant Governor

**Greg Abbott**  
Attorney General

**Susan Combs**  
Comptroller of Public Accounts

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## TEXAS PUBLIC FINANCE AUTHORITY

**Gary E. Wood, Chair**

**Ruth C. Schiermeyer, Vice Chair**

**Linda McKenna, Secretary**

**Gerald Alley, Member**

**D. Joseph Meister, Member**

**Rodney K. Moore, Member**

**Robert T. Roddy, Jr., Member**

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**Dwight D. Burns, Executive Director**

**Judith Porras, General Counsel**

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**Coastal Securities, Inc.**  
Financial Advisor

## 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 and 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 Underwriters.

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

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 Underwriters 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 Underwriters.

### 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 BONDS 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>	The State of Texas General Obligation Refunding Bonds, Series 2009A (the “Tax-Exempt Bonds”) and the State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds – Direct Payment to Issuer) (the “Taxable Bonds”) in the aggregate principal amounts set forth on the inside cover pages of this Official Statement. The Tax-Exempt Bonds and the Taxable Bonds are referred to, collectively, as the “Bonds”.
<b>Maturity</b>	October 1 of each of the years 2010 through 2020 for the Tax-Exempt Bonds. October 1 of each of the years 2020 through 2025, inclusive, and of the year 2029 for the Taxable Bonds. See “THE BONDS.”
<b>Interest</b>	Interest on the Bonds will accrue from the Date of Delivery and will be payable on October 1 and April 1 of each year, commencing April 1, 2010. See “THE BONDS.”
<b>Tax-Exempt Bonds Redemption</b>	The Tax-Exempt Bonds are subject to optional redemption in whole or in part from time to time prior to maturity as described herein. See “THE BONDS – Redemption”.
<b>Taxable Bonds Redemption</b>	The Taxable Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption in whole or in part from time to time prior to maturity as described herein. See “THE BONDS – Redemption”.
<b>Book-Entry System</b>	The Bonds are initially issuable only to Cede & Co, the nominee of The Depository Trust Company, pursuant to a book-entry system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest and principal will be paid to Cede & Co., which will distribute the payments to the participating members of The Depository Trust Company for remittance to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
<b>Purpose</b>	<p>The Tax-Exempt Bonds are being issued for the purpose of (i) refunding all or a portion of the Authority’s outstanding general obligation commercial paper notes issued pursuant to various commercial paper programs of the Authority (the “Refunded Notes”) and (ii) paying the costs of issuance of the Tax-Exempt Bonds. See “PLAN OF FINANCE” herein.</p> <p>The Taxable Bonds are being issued for the purpose of (i) providing financing for the repair, renovation and construction of state facilities for the Department of Aging and Disability Services, the Department of Public Safety, the Department of State Health Services and the Texas Historical Commission, and (ii) paying the costs of issuance of the Taxable Bonds. See “PLAN OF FINANCE” herein.</p>
<b>Source of Payment</b>	The Bonds are general obligations of the State of Texas, issued under the applicable Authorizing Law. See “THE BONDS – Source of Payment of the Bonds.”
<b>Ratings</b>	Moody’s Investors Service, Inc., Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings have assigned ratings of “Aa1”, “AA+” and “AA+”, respectively, to the Bonds. See “RATINGS.”
<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 Vinson & Elkins L.L.P., Houston, Texas, and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Co-Bond Counsel. See “LEGAL MATTERS.”

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# OFFICIAL STATEMENT

relating to

**\$452,700,000**



## TEXAS PUBLIC FINANCE AUTHORITY

**\$270,920,000**  
State of Texas  
General Obligation Refunding Bonds,  
Series 2009A

**\$181,780,000**  
State of Texas  
Taxable General Obligation Bonds,  
Series 2009B (Build America Bonds - Direct Payment to Issuer)

### INTRODUCTION

The purpose of this Official Statement (which includes the cover pages, inside cover page and attached Appendices) is to furnish information concerning the offering of \$270,920,000 State of Texas General Obligation Refunding Bonds, Series 2009A (the "Tax-Exempt Bonds") and \$181,780,000 State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds - Direct Payment to Issuer) (the "Taxable Bonds"), which are being issued by the Authority pursuant to various provisions of the Texas Constitution including Article III, Sections 49-1, 50-f and 50-g (the "Constitutional Provisions"); the Texas Public Finance Authority Act, specifically Chapter 1232, Texas Government Code, as amended (the "Enabling Act"); Chapters 1201, 1207, 1371 and 1403, Texas Government Code, as amended (the Constitutional Provision, Enabling Act, and other statutes and any regulations promulgated by the Authority thereunder together constituting the "Authorizing Law"), and pursuant to the resolutions (the "Bond Resolutions") adopted by the Board of Directors of the Authority on August 3, 2009. The Tax-Exempt Bonds and the Taxable Bonds are referred to, collectively, as the "Bonds".

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") authorizes the Authority to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which the Authority could issue tax-exempt bonds and to elect to receive a payment from the United States Treasury equal to 35% of the amount of each interest payable on such taxable bonds (the "Federal Payments"). The Authority has designated the Taxable Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended, (the "Code") and elected under Section 54AA(g) of the Code to receive Federal Payments. The Federal Payments for the Taxable Bonds will be payable to the Authority; and no holders of the Taxable Bonds will be entitled to a tax credit. See "THE BONDS – Designation of Taxable Bonds as Build America Bonds" herein.

This Official Statement includes descriptions of the Bonds (including the source of payment therefor), the Authority and certain other matters, along with a summary of the Bond Resolutions. The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents. The form of the Bond Resolutions are available for inspection at the offices of the Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701. Reference is made to the section herein captioned "DESCRIPTION OF THE TRANSACTION DOCUMENTS — Selected Definitions" and to the Bond Resolutions for the definition of certain terms used herein.

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

### **Bondholder's Risks**

The delivery of the Bonds is subject to satisfaction of certain conditions, and purchase of the Bonds involves certain investment risks, which are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement.

## PLAN OF FINANCE

### **Purpose**

The Tax-Exempt Bonds are being issued for the purpose of (i) refunding all or a portion of the Authority's outstanding general obligation commercial paper notes issued pursuant to various commercial paper programs of the Authority (the "Refunded Notes") and (ii) paying the costs of issuance of the Tax-Exempt Bonds.

The Taxable Bonds are being issued for the purpose of (i) providing financing for the repair and renovation of state facilities for the Department of Aging and Disability Services, the Department of Public Safety, the Department of State Health Services and the Texas Historical Commission (the "Qualified Agencies"), and (ii) paying the costs of issuance of the Taxable Bonds.

### **Payment of Refunded Notes**

The Refunded Notes and the interest due thereon are to be paid on the respective maturity dates of such obligations from funds to be deposited in escrow for such purpose (the "Escrow Deposit") on the Date of Delivery with Deutsche Bank Trust Company Americas, the issuing and paying agent for the Refunded Notes (the "Escrow Agent"). The Escrow Deposit will consist of a portion of the proceeds of the Tax-Exempt Bonds and a cash contribution of the Authority, as described herein under "Estimated Sources and Uses of Funds," and will be in an amount certified by the Escrow Agent to be sufficient, without reinvestment, to provide for the full and final payment of the Refunded Notes on their respective maturity dates. The Authority will provide irrevocable instructions to the Escrow Agent to apply the Escrow Deposit to the payment of principal and accrued interest on the Refunded Notes on such maturity dates. The Authority will agree to make timely deposits with the Escrow Agent from lawfully available funds of any additional amounts required to pay the principal and accrued interest on the Refunded Notes if the Escrow Deposit is insufficient for such purposes. In connection with the transactions described in this paragraph, Co-Bond Counsel expects to render an opinion to the Authority to the effect that the Escrow Deposit will not adversely affect the excludability of interest on the Refunded Notes from the gross income of the owner thereof for federal income tax purposes and that all conditions precedent to the discharge of the Refunded Notes will have been satisfied.

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**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds are estimated to be applied as follows:

**Series 2009A Tax-Exempt Bonds**

<u>Sources of Funds</u>	
Par Amount of the Tax-Exempt Bonds	\$270,920,000.00
Authority’s Contribution from Interest and Sinking Fund	11,000,000.00
Original Issue Premium	29,364,900.05
Total	<u>\$311,284,900.05</u>

<u>Uses of Funds</u>	
Deposit to Escrow Funds for Refunded Notes	\$309,790,190.96
Costs of Issuance	202,478.15
Deposit to Interest and Sinking Fund	992.91
Underwriters’ Discount	1,291,238.03
Total	<u>\$311,284,900.05</u>

**Series 2009B Taxable Bonds**

<u>Sources of Funds</u>	
Par Amount of the Taxable Bonds	\$181,780,000.00
Total	<u>\$181,780,000.00</u>

<u>Uses of Funds</u>	
Deposit to Project Funds	\$180,551,343.11
Costs of Issuance	122,571.85
Deposit to Interest and Sinking Fund	3,546.02
Underwriters’ Discount	1,102,539.02
Total	<u>\$181,780,000.00</u>

**THE AUTHORITY**

The Authority is a public authority and body politic and corporate created in 1984 by an act of 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 seven 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 and the date on which each member’s term expires are as follows:

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

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 Dwight D. Burns, who has been employed in that position since May, 2009.

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

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

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

### **Sunset Review**

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 2007 legislative session under the Texas Sunset Act. The Enabling Act of the Authority, as amended by the 80th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

### **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 the Bond Appendix incorporated by reference in Appendix A of this Official Statement.

### **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 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."

Payments on the Bonds will be made from money appropriated by the Legislature. See "THE BONDS - Source of Payment of the Bonds."

With certain exceptions, bonds issued by State agencies and institutions of higher education, 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 were approved by the Texas Bond Review Board on July 23, 2009.

## THE BONDS

### Description of the Bonds

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described under "Book-Entry-Only System". 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 from the date of initial delivery (the "Date of Delivery") at the rates shown on the inside cover pages 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 October 1 and April 1 (each an "Interest Payment Date"), commencing April 1, 2010. The Bonds are stated to mature in the respective principal amounts and on the dates shown on the inside cover pages of this Official Statement. A debt service schedule for the Bonds appears as Appendix B to this Official Statement.

### Redemption

#### Optional Redemption.

The Bonds maturing on or after October 1, 2020, are subject to redemption at the option of the Authority, in whole or in part, in such manner as the Authority may select, on October 1, 2019, or on any date thereafter, at a redemption price equal to par plus accrued interest to the date fixed for redemption.

#### Make-Whole Optional Redemption of Taxable Bonds.

Prior to October 1, 2019, the Authority has reserved the right and option to redeem the Taxable Bonds in whole or in part on any date, in principal amounts equal to \$5,000 or any integral multiple thereof, before their respective maturity dates, at a redemption price (the "Make-Whole Optional Redemption Price") equal to the greater of:

- (1) the issue price (but not less than 100%) of the principal amount of the Taxable Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are to be redeemed, discounted to the date on which the Taxable Bonds are to be redeemed on a semi annual basis, assuming a 360 day year consisting of twelve 30 day months, at the Treasury Rate, plus 30 basis points, plus, in each case, accrued and unpaid interest on the Taxable Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Taxable Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bonds to be redeemed; provided, however, that, if the period from the redemption date

to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the Paying Agent/Registrar, the Make-Whole Optional Redemption Price of Taxable Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by and at the expense of the Authority to calculate such redemption price. The Paying Agent/Registrar and the Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Mandatory Sinking Fund Redemption of Taxable Bonds.

Taxable Bonds maturing on October 1, 2029 (the “Term Taxable Bonds”) are subject to mandatory sinking fund redemption prior to their scheduled maturity, and will be redeemed by the Authority, in part at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date, on the dates and in the principal amounts shown in the following schedule:

<u>Redemption Date</u>	<u>Principal Amount</u>
October 1, 2026	\$19,225,000
October 1, 2027	18,070,000
October 1, 2028	13,825,000
October 1, 2029*	9,425,000

\* Stated maturity.

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Taxable Bonds (or with respect to Term Taxable Bonds having a denomination in excess of \$5,000, each \$5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Taxable Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the Authority, by the principal amount of any Taxable Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the Authority at a price not exceeding the principal amount of such Taxable Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Extraordinary Optional Redemption of Taxable Bonds.

Prior to October 1, 2019, the Authority has reserved the right and option to redeem the Taxable Bonds, in whole or part, in principal amounts equal to \$5,000 or any integral multiple thereof, before their respective maturity dates, at any time on or after the occurrence of an Extraordinary Event, at a price equal to the greater of:

- (1) the issue price (but not less than 100%) of the principal amount of the Taxable Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are to be redeemed, discounted to the date on which the Taxable Bonds are to be redeemed on a semi annual basis, assuming a 360 day year consisting of twelve 30 day months, at the Treasury Rate, plus 100 basis points, plus, in each case, accrued and unpaid interest on the Taxable Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if a change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to “Build America Bonds”) pursuant to which the Federal Payments applicable to the Taxable Bonds are reduced or eliminated.

**Partial 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 will 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 will 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.

### **Notice of Redemption**

Notice of any redemption identifying the Bonds to be redeemed in whole or in part is required to be given by the Paying Agent/Registrar at least 30 days but not more than 45 days prior to the date fixed for redemption by sending notice to DTC (or any successor securities depository for the Bonds) as long as a book-entry registration is used for the Bonds, or if the Bonds subsequently are issued in certificate form, to the registered owners of the Bonds to be redeemed in whole or in part at the address shown in the registration books kept by the Paying Agent/Registrar.

### **Redemption Through the Depository Trust Company**

The Paying Agent/Registrar, so long as a book-entry system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Bond Resolution and will not be conducted by the Authority or Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

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

***Constitutional Appropriation for Bonds.*** The Bonds are general obligations of the State, issued under the applicable Authorizing Law. The following excerpts from Article III, Sections 49-1, 50-f and 50-g of the Texas Constitution are applicable to the Bonds:

Excerpt from Tx. Const, Art. III, sec. 49-1 :

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

Excerpt from Tx. Const, Art. III, sec. 50-f :

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

Excerpt from Tx. Const, Art. III, sec. 50-g :

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

during the fiscal year is appropriated, less the amount in the sinking fund at the close of the previous fiscal year.

#### **Flow of Funds - Series 2009A Tax-Exempt Bond Resolution**

Under the terms of the Bond Resolution, the Authority will create the following funds for the Tax-Exempt Bonds, which funds will be maintained by the Comptroller in the Treasury of the State separate from other funds: (i) an Interest and Sinking Fund, and (ii) a Costs of Issuance Fund, and (iii) a Rebate Fund (if such fund is determined to be necessary).

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

The costs of issuance of the Tax-Exempt Bonds will be paid from the Costs of Issuance Fund.

All money required to be deposited in escrow with the Escrow Agent for payment of the Refunded Notes will be, on the Date of Delivery of the Tax-Exempt Bonds, paid to the Escrow Agent for the account of the Authority.

The Rebate Fund is to be established for purposes 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 Tax-Exempt Bonds, and certain money held in connection with the Tax-Exempt 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 will be required to transfer to the Rebate Fund any rebate amounts required to be paid to the federal government pursuant to the Code.

Money held in the Funds (not including the Escrow Fund) created pursuant to the Bond Resolution may be invested and reinvested by the Comptroller in any investment authorized by law for State money.

#### **Flow of Funds - Series 2009B Taxable Bond Resolution**

Under the terms of the Bond Resolution, the Authority will create the following funds for the Taxable Bonds, which funds will be maintained by the Comptroller in the Treasury of the State separate from other funds: (i) an Interest and Sinking Fund, (ii) a Costs of Issuance Fund, (iii) the Project Funds, and (iv) a Rebate Fund (if such fund is determined to be necessary).

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

The costs of issuance of the Taxable Bonds will be paid from the Costs of Issuance Fund.



All remaining bond proceeds after the deposit for costs of issuance shall be deposited into the appropriate Project Funds and used to pay Project Costs. The Project Fund is to be established for each of the Qualified Agencies to draw on and to pay their Project Costs. The Project Funds shall be applied to pay Project Costs in accordance with the Financing Agreements between the Authority and each Qualified Agency and the Bond Resolution.

The Rebate Fund is to be established for purposes 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, which yield in the case of Taxable Bonds that are Build America Bonds is determined taking into account the direct-pay tax credit) received from investment of the proceeds of the Taxable Bonds, and certain money held in connection with the Taxable 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 will be required to transfer to the Rebate Fund any rebate amounts required to be paid to the federal government pursuant to the Code.

Money held in the Funds created pursuant to the Bond Resolution may be invested and reinvested by the Comptroller in any investment authorized by law for State money.

### **Tax Covenants of Tax-Exempt Bonds**

In the Bond Resolutions, the Authority states its intention that the interest on the Tax-Exempt Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable regulations. The Authority covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Tax-Exempt Bonds to be includable in gross income, as defined in Section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Authority covenants and agrees in the Bond Resolutions to comply with each requirement of the Bond Resolutions relating to the treatment of interest on the Tax-Exempt Bonds for federal income tax purposes; provided, however, that the Authority shall not be required to comply with any particular requirement if the Authority has received an opinion of nationally recognized bond counsel acceptable to the Authority that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds or if the Authority has received an opinion of such counsel to the effect that compliance with some other requirement set forth in the Bond Resolutions will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such counsel’s opinion shall constitute compliance with the corresponding requirement specified in the Bond Resolution. The aforementioned undertakings by the Authority are intended to apply only to Tax-Exempt Bonds when, as and if issued.

### **Designation of Taxable Bonds as Build America Bonds**

The Authority has designated the Taxable Bonds as “Build America Bonds” for purposes of the Recovery Act and expects to receive a cash payment from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the Authority would receive periodic Federal Payments from the United States Treasury equal to 35% of the interest payable on such Taxable Bonds. The Authority’s receipt of such Federal Payments is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date for the Taxable Bonds. Such Federal Payments do not constitute a full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury under the Recovery Act. The Federal Payments will not be pledged to secure payment of the Tax-Exempt Bonds; however, the Authority has covenanted in the Bond Resolutions to deposit any and all Federal Payments with respect to the Taxable Bonds, if any, to the Interest and Sinking Fund or applicable account therein relating to each Qualified Agency.

### **Defaults and Remedies**

If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created under the Bond Resolutions, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, the registered owners may seek a writ of mandamus to compel Authority officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Bond Resolutions and the Authority’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from time to

time. The Bond Resolutions do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the Authority to perform in accordance with the terms of the Bond Resolutions or upon any other condition; accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the owners of the Bonds. The opinions of Co-Bond Counsel will note that the rights of the owners of the Bonds are subject to applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

### Selected Definitions

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

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

*Authorizing Law* - Constitutional Provisions, the Texas Public Finance Authority Act, specifically Chapter 1232, Texas Government Code, as amended; Chapters 1201, 1207, 1371 and 1403, Texas Government Code, as amended, and any regulations promulgated by the Authority thereunder.

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

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

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

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

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

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

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

*Bond Resolution* - with respect to the Tax-Exempt Bonds, means the resolution authorizing the issuance of the Tax-Exempt Bonds adopted by the Authority on August 3, 2009; and with respect to the Taxable Bonds, means the resolution authorizing the issuance of the Taxable Bonds adopted by the Authority on August 3, 2009.

*Bonds* - the Taxable Bonds and/or the Tax-Exempt Bonds, as applicable.

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

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

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

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

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

*Closing* - with respect to each series of Bonds, the concurrent delivery by the Authority of such Bonds to, or upon the order of, the Purchasers thereof in exchange for payment therefor.

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

*Comptroller* - the Comptroller of Public Accounts for the State of Texas.

*Constitutional Provisions* - with respect to the Tax-Exempt Bonds means Article III, Sections 49-1, 50-f and 50-g of the Texas Constitution, and with respect to the Taxable Bonds means Article III, Sections 50-f and 50-g of the Texas Constitution.

*Continuing Disclosure Agreement* - the Continuing Disclosure Agreement dated August 17, 1995 between the Comptroller and the Texas Bond Review Board, as may be amended from time to time.

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

*Costs of Issuance Fund* - the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2009A Costs of Issuance Fund”, or “Texas Public Finance Authority State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds - Direct Payment to Issuer) Costs of Issuance Fund”, as applicable, created pursuant to the respective Bond Resolutions.

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

*Escrow Agent* - with respect to the Tax-Exempt Bonds means Deutsche Bank Trust Company Americas, as escrow agent for the Refunded Notes, and any successor thereto as therein permitted.

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

*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 Agreements* - with respect to the Taxable Bonds, means the financing agreement (including any amendments thereto) between the Authority and each of the Qualified Agencies providing the terms and conditions under which the financing provided to the respective Qualified Agency with the proceeds of the Taxable Bonds is to be undertaken.

*Funds* - means with respect to the Tax-Exempt Bonds, the Interest and Sinking Fund and the Rebate Fund, if any, and with respect to the Taxable Bonds, the Project Funds, the Interest and Sinking Fund and the Rebate Fund, if any.

*General Counsel* - the general counsel of the Authority.

*Government Obligations* - any of the following:

- (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;
- (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding

bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent;

- (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and
- (4) such other investments now or hereafter authorized by Chapter 1207, Texas Government Code, as amended, for the investment of escrow deposits.

*Interest and Sinking Fund* - means the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2009A Interest and Sinking Fund" or the "Texas Public Finance Authority State of Texas General Obligation Bonds, Series 2009B Interest and Sinking Fund" created pursuant to the respective Bond Resolution, as applicable.

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

*Issuance Cost Amount* - the amount of proceeds of the Bonds expected to be expended for payment of Costs of Issuance, which amount is not to exceed the amount approved by the Texas Bond Review Board.

*Legislature* - the Legislature of the State.

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

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

*Pricing Certificate* - the certificate executed by the Pricing Committee which sets forth the final terms of the Bonds.

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

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

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

*Qualified Agency or Agencies* - with respect to the Taxable Bonds means, individually or collectively, the Department of Aging and Disability Services, The Department of Public Safety, the Department of State Health Services and the Texas Historical Commission.

*Rebate Fund* - the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2009A Rebate Fund" or the "Texas Public Finance Authority State of Texas General Obligation Bonds, Series 2009B Rebate Fund" created pursuant the respective Bond Resolution, as applicable.

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

*Register* - the official registration records for the applicable series of Bonds maintained by the Paying Agent/Registrar for such Bonds pursuant to the Bond Resolution.

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

*State* - the State of Texas.

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

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

*Transaction Documents* - with respect to the Tax-Exempt Bonds means the Tax-Exempt Bonds Resolution, the Purchase Contract, and the Tax-Exempt Bonds, and with respect to the Taxable Bonds means the Taxable Bond Resolution, the Purchase Contract and the Taxable Bonds.

## **The Bond Resolutions**

The Bonds will be issued pursuant to separate Bond Resolutions (one for the Tax-Exempt Bonds and one for the Taxable Bonds) and the following is a summary of certain provisions of the Bond Resolutions, adopted by the Board on August 3, 2009. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolutions. Copies of the Bond Resolutions are available for examination at the offices of the Authority. References to the Bond Resolutions in this Official Statement refer to the applicable Bond Resolution with respect to the Tax-Exempt Bonds or the Taxable Bonds.

**Ownership.** A Bond Owner is deemed to be the absolute owner of such Bond Owner's Bond(s) for all purposes of determining the obligations of the Authority with respect to such Bond(s) and the Authority is not bound to recognize the interest (beneficial or otherwise) of any Person, notwithstanding any notice to the Authority of such Person's interest. While the Bonds are in book-entry form, the Securities Depository or its nominee will be treated as the Bond Owner for all purposes under the Bond Resolution and 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 of the Bonds and interest rate as the surrendered Bond. A transfer will be made without charge, except that any tax or other governmental charge imposed with respect to the transfer are required to be paid by the transferring Bond Owner.

A Bond may be exchanged by the Bond Owner for a new Bond or Bonds (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate of the Bonds upon surrender to the Paying Agent/Registrar by the Bond Owner (or the 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 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 are required to 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 are required to be paid by the Bond Owner.

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

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

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

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

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

**Unclaimed Payments.** Any funds held for the payment of Bond Obligations due on any Bond, which funds are unclaimed by the Bond Owner, 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 money shall cease. The Authority and the Paying Agent/Registrar will comply with the reporting requirements of Chapter 74 of the Texas Property Code, as amended, or other applicable law with respect to such unclaimed money.

**Tax-Exempt Status.** The Authority has covenanted in the Bond Resolution for the Tax-Exempt Bonds that it will not take any action or knowingly omit to take any action within its control that could cause the interest on the Tax-Exempt Bonds to become includable in the gross income of the Bond Owners thereof for federal income tax purposes.

Noncompliance with the provisions of the Bond Resolution for the Tax-Exempt Bonds relating to the tax-exempt status of the Tax-Exempt 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 Tax-Exempt Bonds from the gross income of the Bond Owners thereof for federal income tax purposes.

**Amendment.** Except as provided below, the Bond Resolutions 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 Resolutions 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 Resolutions that would:

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

Except as provided above, no Bond Owner consent is required for an amendment to the Bond Resolution if the amendment, in the opinion of nationally recognized bond counsel will not constitute an Event of Taxability and, if the amendment, in the opinion of nationally recognized bond counsel, will not adversely affect the rights of any Bond Owner under the Transaction Documents.

Except with respect to amendments of the descriptions of the Projects (which are permitted with the approval of the Legislature and the Executive Director), no Financing Agreement will be amended unless (1) the Executive Director receives an opinion of Bond Counsel to the effect that such amendment will not violate the Bond Resolution, the Authorizing Law, or other applicable law; and (2) either of the following requirements is satisfied:

- (1) the Executive Director receives an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability and an opinion of Bond Counsel to the effect that such amendment will not adversely affect the rights of the Bond Owners under the Resolution; or
- (2) the Bond Owners of at least a majority in aggregate principal amount of the outstanding Bonds affected by such amendment consent thereto, except that the consent of the Bond Owner of each outstanding Bond affected by such amendment is required if such amendment would decrease the minimum percentage of Bond Owners required for effective consent to such amendment.

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

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

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

- (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.

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

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

**Bond Enhancement Agreement.** Pursuant to the Bond Resolution, to the extent permitted by law, the Board of the Authority may execute one or more Bond Enhancement Agreements for the Bonds. The Board of the Authority has authorized the Executive Director to act on behalf of the Authority from time to time in negotiating and approving the details of any Bond Enhancement Agreements. Bond Owner consent is not necessary for the Authority to adopt a Bond Enhancement Agreement. The proceedings are subject to approval of the Attorney General of State of Texas.

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

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate per maturity will be issued for each series of Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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



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

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, 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. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 issue to be redeemed.

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

Redemption proceeds, 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, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC nor its nominee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates 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, Bond certificates will be printed and delivered.

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

## **RATINGS**

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings, have assigned ratings of "Aa1," "AA+" and "AA+" to the Bonds, respectively. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board 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 such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse effect on the market price

of the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The Authority furnished the rating agencies certain information which is not included in this Official Statement.

## TAX MATTERS

The following discussion describes certain U.S. federal income tax considerations of beneficial owners (the “Owners”) of the Tax-Exempt Bonds and the Taxable Bonds.

### **Tax-Exempt Bonds**

The following discussion describes certain U.S. federal income tax considerations of United States persons that are Owners of the Tax-Exempt Bonds.

#### *Tax Exemption of the Tax-Exempt Bonds*

In the opinion of our Co-Bond Counsel, under existing law (i) interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Tax-Exempt Bonds are not “private activity bonds” under the Code and interest on the Tax-Exempt Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Tax-Exempt Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of the Tax-Exempt Bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The Authority has covenanted in the Bond Resolutions that it will comply with these requirements.

Co-Bond Counsel’s opinions will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes and, in addition, will rely on representations by us, by our Financial Advisor and the Underwriters with respect to matters solely within our knowledge, the knowledge of our Financial Advisor and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. If we should fail to comply with the covenants in the Bond Resolutions or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Tax-Exempt Bonds could become includable in gross income from the date of delivery of the Tax-Exempt Bonds, regardless of the date on which the event causing such includability occurs.

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on certain tax-exempt obligations is included in a corporation’s “adjusted current earnings,” ownership of the Tax-Exempt Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Tax-Exempt Bonds.

Co-Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel’s knowledge of facts as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel’s legal judgment based upon their review of existing law and in reliance upon the

representations and covenants referenced above that they deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Tax-Exempt Bonds. If an audit is commenced in accordance with its current published procedures, the Service is likely to treat the Authority as the taxpayer and the Owners of the Tax-Exempt Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds regardless of the ultimate outcome of the audit.

#### ***Additional Federal Income Tax Considerations Relating to the Tax-Exempt Bonds***

*Collateral Tax Consequences.* Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax exempt interest such as interest on the Tax-Exempt Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Tax-Exempt Bonds, received or accrued during the year.

#### *Tax Accounting Treatment of Original Issue Premium*

The issue price of a portion of the Tax-Exempt Bonds exceeds the stated redemption price payable at maturity of such Tax-Exempt Bonds. Such Tax-Exempt Bonds (the “Premium Tax-Exempt Bonds”) will be considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Tax-Exempt Bond in the hands of an initial Owner is reduced by the amount of such excess that is amortized during the period such initial Owner holds such Premium Tax-Exempt Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Tax-Exempt Bond by the initial Owner. No corresponding deduction is allowed for federal income tax purposes, however, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Tax-Exempt Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Tax-Exempt Bond) is determined using the yield to maturity on the Premium Tax-Exempt Bond based on the initial offering price of such Tax-Exempt Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Premium Tax-Exempt Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Owners of the Premium Tax-Exempt Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Tax-Exempt Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Tax-Exempt Bonds.

#### *Tax Accounting Treatment of Original Issue Discount Tax-Exempt Bonds*

The issue price of a portion of the Tax-Exempt Bonds is less than the stated redemption price payable at maturity of such Tax-Exempt Bonds (the “Original Issue Discount Tax-Exempt Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Tax-Exempt Bond, and (ii) the initial offering price to the public of such Original Issue Discount Tax-Exempt Bond constitutes original issue discount with respect to such Original Issue Discount Tax-Exempt Bond in the hands of any owner who has purchased such Original Issue Discount Tax-Exempt Bond in the initial public offering of the Tax-Exempt Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Tax-Exempt Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Tax-Exempt Bond

continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Tax-Exempt Bonds under the captions “TAX MATTERS -*Tax Exemption of the Tax-Exempt Bonds*” and “TAX MATTERS - *Additional Federal Income Tax Considerations-Collateral Tax Consequences*” generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriters have purchased the Tax-Exempt Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Tax-Exempt Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Authority nor Co-Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Tax-Exempt Bonds will be offered and sold in accordance with such assumptions.

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

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Tax-Exempt Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Tax-Exempt Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Tax-Exempt Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Tax-Exempt Bonds.

## **Taxable Bonds**

This discussion is based upon the provisions of the Code, applicable Treasury Regulations promulgated and proposed thereunder, judicial authority and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Owners cannot be assured that the Service will not challenge one or more of the tax consequences described herein, and neither the Authority nor Co-Bond Counsel has obtained, nor does the Authority or Co-Bond Counsel intend to obtain, a ruling from the Service with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Taxable Bonds. This summary is limited to initial holders who purchase the Taxable Bonds for cash at their “issue price” (which will equal the first price at which a substantial portion of the Taxable Bonds is sold for cash to persons other than bondhouses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and who hold the Taxable Bonds as capital assets within section 1221 of the Code (generally property held for investment).

This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, or Owners

whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar, or to an Owner that might have purchased the Taxable Bonds in circumstances that would give rise to original interest discount, acquisition premium, market discount or amortizable premium. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Taxable Bonds. Investors who are subject to special provisions of the Code should consult their own tax advisors regarding the tax consequences to them of purchasing, holding, owning and disposing of the Taxable Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Taxable Bonds.

The Code generally defines a “United States person” as (i) an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, and any state thereof or the District of Columbia or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source and (iv) a trust whose administration is subject to the primary supervision of a United State court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Taxable Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Any Owner of the Taxable Bond that is a partner of a partnership that will hold the Taxable Bonds should consult its tax advisor.

This discussion does not address any tax considerations arising under the laws of any foreign, state, local or other jurisdiction.

### ***In General***

Interest on a Taxable Bond generally will be taxable in each year the Taxable Bond is held by the Owner as ordinary income without regard to the time it otherwise accrues or is received in accordance with such Owner’s regular method of accounting for U.S. federal income tax purposes.

### ***Payments of Interest***

Stated interest paid (and other original issue discount) on each Taxable Bond will generally be taxable in each tax year held by an Owner as ordinary interest income without regard to the time it otherwise accrues or is received in accordance with the Owner’s method of accounting for federal income tax purposes.

### ***Disposition or Retirement***

Upon the sale, exchange or certain other dispositions of a Taxable Bond, or upon the retirement of a Taxable Bond (including by redemption), an Owner will generally recognize capital gain or loss. This gain or loss will equal the difference, if any, between the Owner’s adjusted tax basis in the Taxable Bond and the proceeds the Owner receives, excluding any proceeds attributable to accrued interest, which will be recognized as ordinary interest income to the extent the Owner has not previously included in the accrued interest income.

The proceeds an Owner receives will include the amount of any cash and the fair market value of any other property received for the Taxable Bond. An Owner’s tax basis in the Taxable Bond will generally equal the amount the Owner paid for the Taxable Bond. The gain or loss will be long-term capital gain or loss if the Owner held the Taxable Bond for more than one year. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced tax rate. The deductibility of capital losses may be subject to limitation.

### ***Information Reporting and Backup Withholding***

Information reporting will apply to payments of interest on, or the proceeds of the sale or other disposition of, the Taxable Bonds held by an Owner, and backup withholding may apply unless such Owner provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld

under the backup withholding rules is allowable as a credit against the Owner's actual U.S. federal income tax liability and such Owner timely provides the required information or appropriate claim form to the Service.

#### ***Treasury Circular 230 Disclosure***

**The tax discussion set forth above was written to support the marketing of the Taxable Bonds and is not intended or written by Co-Bond Counsel to be used, and it cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on a taxpayer by the Service in respect of federal income taxes. No limitation has been imposed by Co-Bond Counsel on disclosure of the tax treatment or tax structure of the Taxable Bonds. Co-Bond Counsel will receive a non-refundable fee contingent upon the successful marketing of the Taxable Bonds, but not contingent on any taxpayer's realization of tax benefits from the Taxable Bonds. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.**

IN ADDITION, THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE TAXABLE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

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

Chapter 1201, Texas Government Code provides that obligations, such as the Bonds, are legal and authorized investments for insurance companies, fiduciaries and trustees, and for the sinking funds of municipalities and other political subdivisions or 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. The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Bonds or the security for the Bonds. See the Bond Appendix incorporated by reference in Appendix A of this Official Statement.

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

The Comptroller prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters. The Bond Appendix is dated August 2009 and is incorporated herein as described in Appendix A. See Appendix A and "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller - General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

The Texas 2008 Comprehensive Annual Financial Report for the year ended August 31, 2008 (the “2008 CAFR”) is currently on file with the Municipal Securities Rulemaking Board (“MSRB”). The 2008 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 for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. See the Bond Appendix incorporated by reference in Appendix A of this Official Statement. Prior to the date of delivery of the Bonds, the Bond Review Board is expected to certify that the maximum annual debt service in any fiscal year on debt payable from the general revenue fund, including debt service on the Bonds, does not exceed 5% of an amount equal to the average of the amount of general revenue fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of state debt, for the three immediately preceding fiscal years.

## CONTINUING DISCLOSURE OF INFORMATION

### Continuing Disclosure Undertaking of the Authority

**Material Event Notices.** In the Bond Resolutions, the Authority has covenanted, in compliance with Rule 15c2-12 (the “Rule”) promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 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 Tax-Exempt 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. In addition, the Authority will provide timely notice of any failure by the Comptroller to provide information or financial data in accordance with its agreement described below under “-Continuing Disclosure Undertaking of the Comptroller - *Annual Reports*.” (Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves, credit enhancement, or liquidity enhancement.) The Authority will provide each notice described in this paragraph to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) (at [www.emma.msrb.org](http://www.emma.msrb.org)).

### 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 obligated to observe its 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 the MSRB. This information will be available to the public and investors as described below. See “Availability of Information” below.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares the Bond Appendix quarterly for use in State agency securities offerings. The Comptroller intends to continue to prepare or supplement such Bond 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 its disclosure agreement. Quarterly updates to the Bond Appendix are also available at <http://www.window.state.tx.us/treasops/bondapp.html>. 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 certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix 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 to the MSRB within 195 days after the end of each fiscal year ending in or after 2009.

The Comptroller may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State’s current fiscal year end is August 31. Accordingly, it must provide updated information 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 the MSRB 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 the MSRB.

### **Availability of Information**

The Authority and the Comptroller have agreed to provide the foregoing information to the MSRB, and the MSRB has prescribed its EMMA system as the electronic format to be used for filings pursuant to the Rule. EMMA has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The Authority and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Authority’s or the State’s financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person’s continuing disclosure agreement or from any statement made pursuant to such person’s agreement, although 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 Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds of the applicable series 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. If the Authority or the Comptroller so amends its agreement, it must include with the next financial information and operating data provided in accordance with its 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 the Rule.

## **UNDERWRITING**

The Underwriters, for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative as set forth on the cover of this Official Statement, have jointly and severally agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority to purchase (i) the Tax-Exempt Bonds at a purchase price of \$298,993,662.02 (representing the principal amount of the Tax-Exempt Bonds, plus a net original issue premium of \$29,364,900.05, and less an underwriting discount of \$1,291,238.03) and (ii) the Taxable Bonds at a purchase price of



\$180,677,460.98 (representing the principal amount of the Taxable Bonds, less an underwriting discount of \$1,102,539.02). The bond purchase agreement pertaining to the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased.

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

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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

#### **THE FINANCIAL ADVISOR**

Coastal Securities, Inc. (the "Financial Advisor") has acted as financial advisor to the Authority in connection with the issuance and sale of the Bonds. All fees of the Financial Advisor with respect to the issuance of the Bonds are contingent upon the sale and issuance of the Bonds. The Financial Advisor has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness (except for the information concerning the Financial Advisor). Investors should not draw any conclusions as to the suitability of the Bonds from, or base any investment decisions upon, the fact that the Financial Advisor has advised the Authority.

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

The sale of the Bonds has not been registered under the 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 Vinson & Elkins L.L.P., Houston, Texas and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, as Co-Bond Counsel. The compensation paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. It is a condition to delivery of the Bonds that the Co-Bond Counsel render their opinion(s) substantially to the effect of the forms attached to this Official Statement as Appendix C.

Co-Bond Counsel was not requested to participate, and did not take part in, the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that in their capacity as Co-Bond Counsel, such firms have reviewed the information in the Official Statement under the captions, "PLAN OF FINANCE - Payment of Refunding Notes," "THE BONDS," "DESCRIPTION OF THE TRANSACTION DOCUMENTS," and "CONTINUING DISCLOSURE OF INFORMATION" (other than under the subheadings "Compliance with Prior Undertakings" and "Continuing Disclosure Undertaking of the Comptroller") to verify that the information relating to the Bonds and the Bond Resolutions contained under such captions in all material respects accurately and fairly describes the provisions thereof and have reviewed the information in the Official Statement under the captions "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE", and "THE BONDS AS LEGAL INVESTMENTS IN TEXAS," to verify that the statements contained therein are correct as to matters of law.

Certain legal matters will be passed upon for the Underwriters by their co-counsel, Andrews Kurth LLP, Austin, Texas and Mahomes Bolden Warren Sigmon PC, Dallas, Texas.

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

#### **Forward-Looking Statements**

The statements contained in this Official Statement, and in any other information provided to the reader by the Authority that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the Authority's actual results could differ materially from those in such forward-looking statements.

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

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This Official Statement has been approved by the Authority.

**TEXAS PUBLIC FINANCE AUTHORITY**

By: /s/ Gary E. Wood  
Chair

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**APPENDIX A**

**THE STATE OF TEXAS**

The Bond Appendix dated August 2009 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html>.

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**APPENDIX B  
BOND DEBT SERVICE**

**Combined Debt Service Requirements**

Fiscal Year Ending 8/31	\$270,920,000 State of Texas General Obligation Refunding Bonds, Series 2009A			\$181,780,000 State of Texas Taxable General Obligation Bonds, Series 2009B (Build America Bonds - Direct Payment to Issuer)			Combined Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2010	\$ -	\$7,057,237	\$7,057,237	\$ -	\$6,214,197	\$6,214,197	\$13,271,434
2011	25,565,000	11,577,425	37,142,425	-	10,453,789	10,453,789	47,596,214
2012	25,105,000	10,830,763	35,935,763	-	10,453,789	10,453,789	46,389,552
2013	24,965,000	9,807,038	34,772,038	-	10,453,789	10,453,789	45,225,827
2014	24,975,000	8,652,738	33,627,738	-	10,453,789	10,453,789	44,081,527
2015	24,995,000	7,507,688	32,502,688	-	10,453,789	10,453,789	42,956,477
2016	25,050,000	6,345,313	31,395,313	-	10,453,789	10,453,789	41,849,102
2017	25,100,000	5,141,313	30,241,313	-	10,453,789	10,453,789	40,695,102
2018	25,165,000	3,936,738	29,101,738	-	10,453,789	10,453,789	39,555,527
2019	25,235,000	2,732,850	27,967,850	-	10,453,789	10,453,789	38,421,639
2020	25,320,000	1,536,569	26,856,569	-	10,453,789	10,453,789	37,310,358
2021	19,445,000	471,800	19,916,800	5,860,000	10,303,979	16,163,979	36,080,779
2022	-	-	-	25,035,000	9,486,609	34,521,609	34,521,609
2023	-	-	-	24,615,000	8,141,769	32,756,769	32,756,769
2024	-	-	-	24,070,000	6,785,353	30,855,353	30,855,353
2025	-	-	-	22,090,000	5,469,694	27,559,694	27,559,694
2026	-	-	-	19,565,000	4,254,732	23,819,732	23,819,732
2027	-	-	-	19,225,000	3,092,621	23,317,621	22,317,621
2028	-	-	-	18,070,000	1,960,345	20,030,345	20,030,345
2029	-	-	-	13,825,000	992,013	14,817,013	14,817,013
2030	-	-	-	9,425,000	286,143	9,711,143	9,711,143
<b>Total</b>	<b>\$270,920,000</b>	<b>\$75,597,468</b>	<b>\$346,517,468</b>	<b>\$181,780,000</b>	<b>\$161,525,350</b>	<b>\$343,305,350</b>	<b>\$689,822,818</b>

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**APPENDIX C**

**FORMS OF OPINION OF CO-BOND COUNSEL**

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VINSON & ELKINS L.L.P.

2500 FIRST CITY TOWER  
1001 FANNIN STREET  
HOUSTON, TEXAS 77002-6760

BICKERSTAFF HEATH DELGADO

ACOSTA LLP  
816 CONGRESS AVENUE, SUITE 1700  
AUSTIN, TEXAS 78701

[CLOSING DATE]

WE HAVE ACTED as co-bond counsel for the Texas Public Finance Authority (the "Authority"), in connection with the issuance of bonds (the "Bonds") described as follows:

TEXAS PUBLIC FINANCE AUTHORITY STATE OF TEXAS GENERAL OBLIGATION  
REFUNDING BONDS, SERIES 2009A, issued in the original aggregate principal amount of  
\$270,920,000.

The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds, the resolution adopted by the Board of Directors of the Authority authorizing their issuance (the "Resolution") and the Pricing Committee's Pricing Certificate. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

WE HAVE ACTED as co-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 (the "State") and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of 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 offer and sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the commercial paper notes being refunded with a portion of the proceeds of the Bonds (the "Refunded Notes") on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; certificates of the issuing and paying agent for the Refunded Notes verifying the sufficiency of the deposits made for the payment and defeasance of the Refunded Notes; customary certificates of officers, agents and representatives of the Authority, public officials and others; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Notes. We have also examined a specimen of the form of registered bond of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

- (1) the transcript of certified proceedings referenced above evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State presently effective, and that therefore the Bonds constitute legal, valid and binding general obligations of the State;
- (2) the Bonds have been authorized and issued in accordance with the Constitution and laws of the State and are payable solely from money made available for such purpose pursuant to the Constitutional Provisions (as such term is defined in the Resolution). The Constitutional Provisions provide for a continuing appropriation for such purpose from the first money coming into the State treasury in each fiscal year, not otherwise appropriated by the Constitution of the State, in an amount that is sufficient to pay the principal of and interest on Bonds that mature or become due during that fiscal year, less the amount in the related sinking fund at the close of the previous fiscal year; and

- (3) firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Notes, and therefore the Refunded Notes are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided for such purpose on deposit with the issuing and paying agent for the Refunded Notes.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

- (1) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and
- (2) the Bonds are not “private activity bonds” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the “adjusted current earnings” of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax.

In providing such opinions, we have relied on representations of the Authority, the Authority’s financial advisor, and the Purchasers, with respect to matters solely within the knowledge of the Authority, the Authority’s financial advisor, and the Purchasers, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing provisions of the Resolution, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

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

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[CLOSING DATE]

WE HAVE ACTED as co-bond counsel for the Texas Public Finance Authority (the "Authority"), in connection with the issuance of bonds (the "Bonds") described as follows:

TEXAS PUBLIC FINANCE AUTHORITY STATE OF TEXAS TAXABLE GENERAL OBLIGATION BONDS, SERIES 2009B (Build America Bonds – Direct Payment to Issuer), issued in the original aggregate principal amount of \$181,780,000.

The Authority has designated the Bonds as "Build America Bonds" pursuant to Section 54AA(g) of the Internal Revenue Code of 1986, as amended. The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds, the resolution adopted by the Board of Directors of the Authority authorizing their issuance (the "Resolution") and the Pricing Committee's Pricing Certificate. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

WE HAVE ACTED as co-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 (the "State"). We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of 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 offer and sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; customary certificates of officers, agents and representatives of the Authority, the Qualified Agencies, public officials and others; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined a specimen of the form of registered bond of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

- (1) the transcript of certified proceedings referenced above evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State presently effective, and that therefore the Bonds constitute legal, valid and binding general obligations of the State; and
- (2) the Bonds have been authorized and issued in accordance with the Constitution and laws of the State and are payable solely from money made available for such purpose pursuant to the Constitutional Provisions (as such term is defined in the Resolution). The Constitutional Provisions provide for a continuing appropriation for such purpose from the first money coming into the State treasury in each fiscal year, not otherwise appropriated by the Constitution of the State, in an amount that is sufficient to pay the principal of and interest on Bonds that mature or become due during that fiscal year, less the amount in the related sinking fund at the close of the previous fiscal year.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. We express no other opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.





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