

OFFICIAL STATEMENT
DATED JULY 18, 2011

NEW ISSUE - Book-Entry-Only

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

In the opinion of Bond Counsel, under existing law interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not private activity bonds. See "TAX MATTERS – Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.



\$344,020,000
TEXAS PUBLIC FINANCE AUTHORITY
State of Texas
General Obligation and Refunding Bonds,
Series 2011

Due: October 1, as shown on inside cover page

Interest Accrues from Date of Delivery

The Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2011 (the "Bonds") are general obligations of the State of Texas (the "State") being issued by the Texas Public Finance Authority (the "Authority") under the authority of the Constitution and general laws of the State, including Article III, Sections 49-1, 50-f and 50-g of the Texas Constitution and Chapters 1201, 1207, 1232, 1371, 1401 and 1403 of the Texas Government Code. Proceeds of the Bonds will be used for (i) providing financing for projects of the Texas Department of Criminal Justice, the Department of State Health Services, the Texas Facilities Commission, and the Texas School for the Blind and Visually Impaired, (ii) refunding all of certain outstanding general obligation commercial paper notes of the Authority (the "Refunded Notes"), as further identified on Schedule I attached hereto, to achieve long term fixed rate financing, (iii) refunding a portion of certain outstanding general obligation bonds of the State issued by the Authority, to achieve present value savings, (the "Refunded Bonds" and, together with the Refunded Notes, the "Refunded Obligations"), as further identified on Schedule II attached hereto, and (iv) paying the costs associated with the issuance of the Bonds. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from the Date of Delivery, will be payable on April 1, 2012, and on each April 1 and October 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the initial purchasers named below (the "Underwriters") or the beneficial owners of the Bonds. Interest on and principal of the Bonds will be payable by the Authority (which will act as the initial Paying Agent/Registrar) to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System."

The Bonds are subject to redemption prior to maturity as set forth in the section "DESCRIPTION OF THE BONDS – Redemption."

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

MATURITY SCHEDULES

(See Inside Cover)
CUSIP Prefix: 882722

The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State and the approving opinion of Vinson & Elkins L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Fulbright & Jaworski L.L.P., Houston, Texas and Haynes and Boone LLP, Houston, Texas. See "LEGAL MATTERS." The Bonds are expected to be available for initial delivery through the facilities of DTC on or about July 28, 2011 (the "Date of Delivery").

SIEBERT BRANDFORD
SHANK & Co., L.L.C.

RBC CAPITAL MARKETS

BARCLAYS CAPITAL
RAMIREZ & Co., INC.

HUTCHINSON, SHOCKEY ERLEY & Co.
SAMCO CAPITAL MARKETS

M. R. BEAL & COMPANY
STERNE, AGEE & LEACH, INC.

MATURITY SCHEDULES
\$344,020,000
TEXAS PUBLIC FINANCE AUTHORITY
STATE OF TEXAS
GENERAL OBLIGATION AND REFUNDING BONDS,
SERIES 2011

CUSIP No. Prefix⁽¹⁾: 882722

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP No.</u>
2012	\$ 17,425,000	3.000%	0.315%	B26
2013	4,995,000	3.000	0.440	B34
2013	4,260,000	4.000	0.440	D65
2014	2,375,000	4.000	0.730	B42
2014	8,955,000	5.000	0.730	D73
2015	630,000	2.500	0.980	B59
2015	26,080,000	5.000	0.980	D81
2016	25,355,000	5.000	1.330	B67
2017	3,745,000	2.500	1.690	B75
2017	19,725,000	5.000	1.690	D99
2018	4,085,000	3.000	2.090	B83
2018	19,875,000	5.000	2.090	E23
2019	26,245,000	5.000	2.450	E31
2020	2,275,000	4.000	2.720	C25
2020	24,565,000	5.000	2.720	E49
2021	2,275,000	3.500	2.890	C33
2021	25,105,000	5.000	2.890	E56
2022	28,085,000	5.000	3.080*	C41
2023	100,000	3.125	3.300	C58
2023	24,465,000	5.000	3.210*	E64
2024	10,025,000	5.000	3.350*	C66
2025	10,025,000	5.000	3.480*	C74
2026	10,020,000	5.000	3.570*	C82
2027	10,020,000	5.000	3.660*	C90
2028	10,020,000	5.000	3.750*	D24
2029	10,020,000	5.000	3.840*	D32
2030	10,020,000	5.000	3.930*	D40
2031	3,250,000	4.000	4.200	D57

OPTIONAL REDEMPTION...The Bonds maturing on and after October 1, 2022, are subject to redemption at the option of the Authority, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Authority may select, on October 1, 2021, or on any date thereafter, at a redemption price equal to par plus accrued interest to (but not including) the date fixed for redemption. See “DESCRIPTION OF THE BONDS – Redemption.”

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

^(*) Yields shown are calculated to the first optional call date, October 1, 2021.

STATE OF TEXAS

Rick Perry
Governor

David Dewhurst
Lieutenant Governor

Greg Abbott
Attorney General

Susan Combs
Comptroller of Public Accounts

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS

D. Joseph Meister – Chair
Ruth C. Schiermeyer – Vice-Chair
Gerald Alley – Secretary
Billy M. Atkinson, Jr. – Member

Mark W. Eidman – Member
Rodney K. Moore – Member
Robert T. Roddy, Jr. – Member

CERTAIN APPOINTED OFFICERS

Susan K. Durso, Interim Executive Director and General Counsel
John Hernandez, Deputy Director

Financial Advisor

Coastal Securities, Inc.
San Antonio, Texas

Bond Counsel

Vinson & Elkins L.L.P.
Houston, Texas

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

For additional information regarding the Authority, please contact:

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

USE OF INFORMATION

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. All other information contained herein has been obtained from the Authority, DTC and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Authority or 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 does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of, any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's undertakings to provide certain information on a continuing basis.

Marketability

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 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.

All of the summaries of the statutes, resolutions, contracts, financial statements, reports, agreements, and other related documents set forth in this Official Statement are qualified in their entirety by reference to such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Authority.

Securities Laws

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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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SUMMARY STATEMENT

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

Issuer	Texas Public Finance Authority (the “Authority”).
Offering	State of Texas General Obligation and Refunding Bonds, Series 2011 (the “Bonds”) in the aggregate principal amount of \$344,020,000.
Maturity	October 1 of each of the years 2012 through 2031 for the Bonds. See “THE BONDS.”
Interest	Interest on the Bonds will accrue from the Date of Delivery and will be payable on October 1 and April 1 of each year, commencing April 1, 2012, until stated maturity or prior redemption. See “DESCRIPTION OF THE BONDS.”
Redemption	The Bonds are subject to redemption prior to maturity in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, as described herein. See “DESCRIPTION OF THE BONDS – Redemption.”
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co, the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to a book-entry-only system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest on and principal of the Bonds will be paid to Cede & Co., which will distribute the payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System.”
Use of Proceeds	Proceeds from the Bonds are being issued for (i) providing financing for projects of the Texas Department of Criminal Justice, the Department of State Health Services, the Texas Facilities Commission, and the Texas School for the Blind and Visually Impaired, (ii) refunding all of certain outstanding general obligation commercial paper notes of the State issued by the Authority as shown on Schedule I (the “Refunded Notes”) for the purpose of achieving long term fixed rate financing, (iii) refunding a portion of the outstanding general obligation bonds of the State issued by the Authority as shown on Schedule II (the “Refunded Bonds”) for the purpose of achieving present value savings, and (iv) paying the costs associated with the issuance of the Bonds. See “PLAN OF FINANCE.” (The “Refunded Bonds” and the “Refunded Notes” are collectively referred to herein as the “Refunded Obligations”).
Source of Payment	The Bonds are general obligations of the State, issued under the applicable Authorizing Law (defined herein). See “DESCRIPTION OF THE BONDS – Source of Payment of the Bonds.”
Ratings	Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch Ratings have assigned ratings of “Aaa”, “AA+” and “AAA”, respectively, to the Bonds. See “RATINGS.”

Legality

The issuance of the Bonds is subject to the approval of the Attorney General of the State and the opinion of Vinson & Elkins L.L.P., Houston, Texas, Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. See “LEGAL MATTERS.”

Additional Financing

The Authority expects to issue approximately \$449,000,000 in Taxable General Obligation Bonds to fund the Cancer Research and Prevention Institute Project. Pricing of these bonds will be subject to market conditions and is expected to occur on or about July 26, 2011. Delivery of these bonds is expected to occur on or about August 10, 2011 and will be subject to the satisfaction of the terms of the bond purchase agreement entered into in connection with the pricing of these bonds.

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OFFICIAL STATEMENT

relating to

\$344,020,000

**TEXAS PUBLIC FINANCE AUTHORITY
State of Texas
General Obligation and Refunding Bonds,
Series 2011**

INTRODUCTION

The purpose of this Official Statement is to furnish information concerning the offering of \$344,020,000 Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2011 (the “Bonds”) which are being issued by the Authority pursuant to Article III, Sections 49-1, 50-f and 50-g of the Texas Constitution (the “Constitutional Provisions”); and Chapters 1201, 1207, 1232, 1371, 1401 and 1403, Texas Government Code, as amended (the Constitutional Provisions, the statutes cited above, Part 10, Title 34 of the Texas Administrative Code, and any regulations promulgated by the Authority thereunder, together constituting the “Authorizing Law”), and pursuant to the Bond Resolution (defined below).

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

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

PLAN OF FINANCE

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the Authorizing Law, and pursuant to the bond resolution (the “Resolution”) adopted by the Board of Directors of the Authority (the “Board”) on July 7, 2011. As permitted by Chapters 1207 and 1371, Texas Government Code, as amended, the Board, in the Resolution, delegated to certain designated officials (the “Pricing Committee”) the authority to establish and approve the final terms of sale of the Bonds through the execution of a “Pricing Certificate” (the Resolution and the Pricing Certificate are jointly referred to herein as the “Bond Resolution”).

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) providing financing for projects of the Texas Department of Criminal Justice, the Department of State Health Services, the Texas Facilities Commission, and the Texas School for the Blind and Visually Impaired, (ii) refunding all of certain outstanding general obligation commercial paper notes of the State issued by the Authority as shown on Schedule I (the “Refunded Notes”) for the purpose of achieving long term fixed rate financing, (iii) refunding a portion of the outstanding general obligation bonds of the State issued by the Authority as shown on Schedule II (the “Refunded Bonds”) for the purpose of achieving present value savings, and (iv) paying the costs associated with the issuance of the Bonds.

Payment of Refunded Obligations

The Refunded Bonds. A portion of the proceeds of the Bonds will be used to purchase a portfolio of obligations authorized under Texas law (the “Escrowed Securities”) to be deposited, along with certain uninvested proceeds of the Bonds, in escrow with the Refunded Bonds Escrow Agent, the maturing principal of and interest on which will be sufficient together with uninvested funds to pay, when due, the principal of and interest on the Refunded Bonds.

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the Escrowed Securities, together with the uninvested funds, to provide for the payment of the Refunded Bonds will be verified by Grant Thornton LLP, a firm of independent certified public accountants (the “Verification Agent”). See “VERIFICATION OF MATHEMATICAL ACCURACY.”

Money or Escrowed Securities on deposit in the escrow fund held by the Refunded Bonds Escrow Agent will not be available to pay debt service on the Bonds.

By the deposit of the Escrowed Securities and uninvested funds with the Refunded Bonds Escrow Agent pursuant to the Refunded Bonds Escrow Agreement, the Authority will have entered into firm banking and financial arrangements for the discharge, defeasance and final payment of the Refunded Bonds in accordance with applicable law and the terms of the resolutions authorizing their issuance. Bond Counsel will render an opinion on the date of issuance of the Bonds to the effect that, in reliance upon the report of the Verification Agent, and as a result of such firm banking and financial arrangements, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided in escrow therefor.

The Refunded Notes. A portion of the proceeds of the Bonds will be deposited in escrow with Deutsche Bank Trust Company Americas (the “Refunded Notes Escrow Agent”) in an amount certified to be sufficient, without investment, to pay the principal of and interest on the Refunded Notes when due. The principal and interest due on the Refunded Notes are to be paid from such escrowed funds on the maturity dates of the Refunded Notes in accordance with irrevocable instructions from the Authority to the Refunded Notes Escrow Agent. Such escrowed funds will be held by the Refunded Notes Escrow Agent in one or more separate escrow accounts (collectively, the “Refunded Notes Escrow Accounts”). The Refunded Notes Escrow Accounts are irrevocably pledged to the payment of the principal of and interest on the Refunded Notes, and money on deposit in the Refunded Notes Escrow Accounts will not be available to pay debt service on the Bonds. All of the Refunded Notes will be paid on their respective maturity dates which shall occur within 90 days of the Date of Delivery of the Bonds.

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Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Series 2011 Bonds	\$344,020,000.00
Net Original Issue Premium	<u>\$ 50,396,937.65</u>
Total	<u>\$394,416,937.65</u>
Uses of Funds	
Deposit to Refunded Notes Escrow Fund	\$144,911,414.29
Deposit to Refunded Bonds Escrow Fund	\$176,686,450.35
Deposit to Project Funds	\$ 71,000,000.00
Costs of Issuance ⁽¹⁾	<u>\$ 1,819,073.01</u>
Total	<u>\$394,416,937.65</u>

⁽¹⁾ Includes Underwriters' Discount, Financial Advisor fees, Rating Agency fees, Paying Agent/Registrar fees, escrow fees, legal fees, printing, and other miscellaneous expenses.

THE AUTHORITY

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

Authority's Enabling Act

Under Texas Government Code Chapter 1232, as amended (the "TPFA Enabling Act"), the Authority's power is limited to financing and refinancing project costs for State agencies and institutions and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including its authority to construct buildings. The TPFA Enabling Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation.

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

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

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

Authority Executives

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

<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
D. Joseph Meister	Chair	2013
Ruth C. Schiermeyer	Vice-Chair	2013
Gerald Alley	Secretary	2013
Billy M. Atkinson, Jr.	Member	2017
Mark W. Eidman	Member	2015
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2017

The Authority has 12 employees, including an Interim Executive Director and General Counsel and a Deputy Director.

On July 7, 2011, the Board of the Authority appointed General Counsel Susan K. Durso as Interim Executive Director replacing Dwight Burns, who resigned effective July 6, 2011. Ms. Durso was appointed for a period not to exceed six months. The Board expects to engage a search firm at its meeting in August to assist them in locating a new Executive Director.

Susan K. Durso, Interim Executive Director and General Counsel. Susan Durso, a native of Port Arthur, Texas, graduated from the University of Texas at Austin with a BA in Government and from the University of South Carolina with a J.D. and Masters of Public Administration. She has worked as an attorney for over twenty years. Ms. Durso has served the State of Texas as legal counsel in a variety of positions, including as the General Counsel for the Public Utility Commission, the General Counsel for the Texas Residential Construction Commission, and since September 2009, as the General Counsel for the Authority. On July 7, 2011, Ms. Durso was appointed as Interim Executive Director of the Authority.

John Hernandez, Deputy Director. Mr. Hernandez has served as Deputy Director of the Authority since 1999. He leads the Finance and Accounting Team, which is responsible for debt service budgeting, arbitrage rebate compliance, the State of Texas Master Lease Program, general ledgers, financial reporting, and information technology. Mr. Hernandez and his team also provide support for new debt issuance of fixed rate and variable rate debt. Mr. Hernandez holds a B.A. in finance from St. Edwards University in Austin.

Sunset Review

In 1977, the Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that almost all State agencies, including the Authority, are subject to periodic legislative review. Unless the Legislature specifically determines to continue its existence, each agency subject to sunset review will be abolished.

The Authority was reviewed by the 82nd Legislature, which ended its regular session on May 30, 2011. Legislation, which continues the Authority as an independent agency through September 1, 2023, was adopted by the Legislature, signed by the Governor, and effective as of June 17, 2011.

Concurrent Issuance

Concurrent with the issuance of the Bonds, the Authority will issue approximately \$449,000,000 in Taxable General Obligation Bonds to fund the Cancer Research and Prevention Institute Project.

Other State General Obligation Bonds

Various State entities, including the Authority, have issued general obligation bonds or other obligations of the State. In some instances, such State entities have authority to issue additional general obligation debt. See Appendix A - "State Debt". For additional information regarding other debt of the State and the issuance of additional state debt, see "GENERAL INFORMATION REGARDING THE STATE OF TEXAS."

Bond Review Board Approval of the Bonds

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. An application for approval of Bonds was submitted to the Texas Bond Review Board and approved on July 15, 2011.

Retirement Plan of the Authority

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

Fiscal Year 2012-2013 Appropriations Act

On June 8, 2011, the Texas Comptroller certified the 2012-2013 Texas Appropriations Act, adopted by the Legislature on May 28, 2011, which maintains the Authority's funding at \$925,000 per fiscal year of the biennium with 14 full time employees. In each year of the biennium each agency is required to transfer 1% of its base salary amount for each benefit eligible employee to the Employees Retirement System of Texas (ERS). All Authority employees are eligible for benefits; therefore, the agency will transfer approximately \$8200 to ERS each fiscal year.

The Authority's debt service appropriation in the FY 2012-2013 budget is reduced by \$40 million in each fiscal year, which will require that the Authority manage its issuance and refunding transactions to achieve the savings required by the appropriation reduction. Because the Authority conservatively projects interest rates in calculating its biennial debt service needs, the Authority does not believe such reduction will have any impact on the Authority's ability to timely pay debt service on the Bonds or any of its outstanding debt service obligations.

DESCRIPTION OF THE BONDS

General

The Bonds mature on October 1 in each of the years and in the amounts and will bear interest at the per annum rates shown on page ii hereof. Interest on the Bonds will initially accrue from their Date of Delivery, will be payable on April 1 and October 1 of each year, commencing April 1, 2012, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000.

If the specified date for any payment on the Bonds is not a Business Day, such payment may be made on the next succeeding Business Day without additional interest and with the same force and effect as if made on the specified

date for such payment. "Business Day" means 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 corporate trust office of the Paying Agent/Registrar is located are not authorized by law or executive order to close.

Source of Payment of the Bonds

The Bonds are a general obligation of the State payable solely from money made available for such purpose pursuant to the Constitutional Provisions. The Bonds are issued under the applicable Authorizing Law, including the Constitutional Provisions. The Refunded Obligations were issued pursuant to the authority of Article III, Section 49-1 ("Section 49-1"), Section 50-f ("Section 50-f") and Section 50-g ("Section 50-g") of the Texas Constitution.

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

Section 49-1:

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.

Section 50-f:

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

Section 50-g:

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

Flow of Funds

Under the terms of the Bond Resolution, the Authority will create for the Bonds: (i) an Interest and Sinking Fund, (ii) a separate Project Fund for each Qualified Agency, (iii) a Costs of Issuance Fund, and (iv) a Rebate Fund (if such Fund is determined to be necessary). The Funds will be maintained by the Comptroller in the Treasury of the State, separate from any other funds and held in trust for application as provided in the Bond Resolution. The Authority may create additional funds or accounts within any fund from time to time as necessary or convenient to accomplish the purposes of the Bond Resolution or to properly account for the Projects.

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 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 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, the 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 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.

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

The Project Funds shall be applied to pay Project Costs in accordance with the Financing Agreements and the Bond Resolution. All interest earned on the Project Funds shall be available at the direction of the Authority to be maintained in the respective Project Funds to pay Project Costs or to be transferred to the Interest and Sinking Fund for payment of interest on the Bonds next coming due, provided that once interest earnings have been transferred and deposited in the Interest and Sinking Fund, such interest earnings shall accrue therein for the benefit of the Bond Owners. Disbursement from the Project Funds relating to a particular Qualified Agency's Project for payment of Project Costs relating thereto may not exceed the respective Project Completion Amount without the prior approval of the Executive Director (which approval shall be based on the existence of lawfully available funds).

The Rebate Fund is to be established for purposes of complying with provisions of the Internal Revenue Code of 1986, as amended (the "Code"), that require the Authority to pay to the federal government any excess earnings (generally, the portion of investment income attributable to a yield on investments that is higher than the yield on the Bonds) received from investment of the proceeds of the Bonds, and certain money held in connection with the Bonds. The Rebate Fund will be established only if it is necessary in accordance with the provisions of the Bond Resolution. The Rebate Fund will be for the sole benefit of the United States of America and will not be subject to the claim of any Bond Owner. From time to time the Authority will transfer to the Rebate Fund the amounts (if any) to be paid to the federal government pursuant to the Code.

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

Redemption

Optional Redemption. The Bonds scheduled to mature on and after October 1, 2022 are subject to redemption prior to maturity at the option of the Authority on October 1, 2021 or on any date thereafter, in whole or in part from time to time, in principal amounts of \$5,000 or any integral multiple thereof at a price of par plus accrued interest from the most recent interest payment date to (but not including) the redemption date. If Bonds are optionally redeemed in part, the Authority may specify the maturities to be redeemed. If less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar shall select the portions to be redeemed by lot.

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 any optional redemption by sending notice to DTC (or any successor securities depository for the Bonds) as long as a book-entry-only registration ("Book-Entry-Only System") is used for the Bonds or, if the Bonds subsequently are issued in certificate form, notice of redemption will be sent by United States mail, first class postage prepaid, to the registered owners of the Bonds to be redeemed in whole or in part at the address shown in the registration books kept by the Paying Agent/Registrar. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System" herein.

Each notice of redemption will contain the date of redemption, the redemption price, the place at which Bonds are to be surrendered for payment and, if Bonds are to be redeemed in part, the par amounts and stated maturities to be redeemed, and any condition to the redemption.

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption.

Purchase in Lieu of Redemption

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

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

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

Redemption Through The Depository Trust Company

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the 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 as Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System" herein.

Tax Covenants

In the Bond Resolution, the Authority states its intention that the interest on the Bonds be excludable from gross income for federal income tax purposes pursuant to the Code and applicable regulations. The Authority covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the

Code, for federal income tax purposes. In particular, the Authority covenants and agrees in the Bond Resolution to comply with each requirement of the Bond Resolution relating to the treatment of interest on the Bonds for federal income tax purposes; provided, however, that the Authority will not be required to comply with any particular requirement if the Authority has received an opinion of nationally recognized bond counsel that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or that compliance with some other requirement set forth in the Bond Resolution will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such counsel's opinion will constitute compliance with the corresponding requirement specified in the Bond Resolution.

Defaults and Remedies

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

Transfer, Exchange, and Registration

The Bonds are issuable only as fully registered instruments as to principal, premium (if any), and interest. The Register shall be maintained by the Paying Agent/Registrar, as registrar for the Bonds, at its principal office. A transfer of a Bond is not effective until entered in the Register. The transfer of a Bond shall be made by the Paying Agent/Registrar upon the surrender to the Paying Agent/Registrar of the Bond by the Bond Owner (or such owner's duly authorized representative), together with such endorsement or other evidence of transfer as is satisfactory to the Authority and the Paying Agent/Registrar. To effect a transfer, the Authority shall execute and the Paying Agent/Registrar shall authenticate and deliver to the transferee a new Bond or Bonds (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate as the Bond surrendered for transfer. A transfer of a Bond shall be made without any charge to the Bond Owner, except that any tax or other governmental charge imposed with respect to the transfer shall be paid by the Bond Owner requesting the transfer.

Any Bond(s) may be exchanged for a new Bond or Bonds (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate upon the surrender to the Paying Agent/Registrar by the Bond Owner (or such owner's duly authorized representative) of the Bond(s) as to which the exchange is desired. To effect an exchange, the Authority shall execute and the Paying Agent/Registrar shall authenticate and deliver to the Bond Owner the new Bond or Bonds in exchange for the surrendered Bond(s). A Bond Owner exchanging any Bond(s) shall pay: (1) an amount sufficient to reimburse any out-of-pocket expenses incurred by the Authority and the Paying Agent/Registrar in connection with making the exchange; and (2) any tax or other governmental charge imposed with respect to the exchange.

Limitation on Transfer

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

Record Date for Interest Payment

Interest on each Bond will be payable to the Person who is the Bond Owner at the close of business on the fifteenth day of the month immediately preceding the applicable interest payment date (each a “Record Date”).

Book-Entry-Only System

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

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

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

Additional Project Costs - any costs associated with any project, other than the Projects, for which the Authority has authorized payment from the proceeds of the Bonds pursuant to Section 221.5(g) of the Authority Regulations (or any successor provision) relating to excess funds in the Project Funds.

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

Authority Regulations - the regulations of the Authority in Part 10, Title 34, Texas Administrative Code.

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

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

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

Board - the Board of Directors of the Authority.

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

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

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

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

Bond Resolution - the Bond Resolution authorizing the issuance of the Bonds adopted by the Authority on July 7, 2011.

Bonds - the “Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2011.”

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

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

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

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

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

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

Code - the Internal Revenue Code of 1986, as amended.

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

Constitutional Provisions - Article III, Sections 49-1, 50-f and 50-g of the Texas Constitution.

Continuing Disclosure Agreement - the Continuing Disclosure Agreement dated August 17, 1995, as amended, between the Comptroller and the Texas Bond Review Board, as further 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 Bonds.

Costs of Issuance Fund - the “Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2011 Costs of Issuance Fund(s).”

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

Escrow Agents - collectively, the Refunded Bonds Escrow Agent and the Refunded Notes Escrow Agent.

Escrow Agreements - collectively, the Refunded Bonds Escrow Agreement and the Refunded Notes Escrow Agreement.

Escrow Funds - collectively, the Refunded Bonds Escrow Fund and the Refunded Notes Escrow Fund.

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

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

Financing Agreement(s) - 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 Bonds is to be undertaken.

Fund - any of the Funds.

Funds - the Interest and Sinking Fund, the Costs of Issuance Fund, the Project Funds, 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 Board of the Authority 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 Board of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and

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

Interest and Sinking Fund - the “Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2011 Interest and Sinking Fund(s)” created pursuant to the Bond Resolution.

Interest Payment Date - April 1 and October 1 of each year commencing April 1, 2012.

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(s) executed by the Pricing Committee that set(s) forth the final terms of the Bonds.

Pricing Committee – the members of the Board who are authorized to act on behalf of the Board in selling and delivering the Bonds.

Project Completion Amount – the respective amount defined as such in a Financing Agreement.

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

Purchase Price - the proceeds of the sale of the Bonds (including any accrued interest and premium that is paid to the Authority upon the Closing) less the 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 Agencies - individually or collectively, the Texas Department of Criminal Justice, the Department of State Health Services, the Texas Facilities Commission, and the Texas School for the Blind and Visually Impaired.

Rebate Fund - the “Texas Public Finance Authority State of Texas General Obligation and Refunding Bonds, Series 2011 Rebate Fund” created pursuant to the Bond Resolution.

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

Refunded Bonds - the portion of the Authority’s outstanding general obligation bonds set forth in Schedule II attached to this Official Statement that are refunded with proceeds of the Bonds.

Refunded Bonds Escrow Agent – the Comptroller acting by and on behalf of the Texas Treasury Safekeeping Trust Company, as escrow agent under the Refunded Bonds Escrow Agreement, or such other entity or entities designated in the Pricing Certificate to act as escrow agent(s), and any successor thereto as therein permitted.

Refunded Bonds Escrow Agreement - the escrow agreement (one or more), if any, between the Authority and the Refunded Bonds Escrow Agent providing for the payment for the Refunded Bonds of money sufficient to pay debt service thereon.

Refunded Notes - the portion of the Authority’s outstanding general obligation commercial paper notes set forth in Schedule I attached to this Official Statement that are refunded with proceeds of the Bonds.

Refunded Notes Escrow Agent – Deutsche Bank Trust Company Americas, the issuing and paying agent for the Refunded Notes, or such other entity or entities designated in the Pricing Certificate to act as escrow agent(s), and any successor thereto as therein permitted.

Refunded Notes Escrow Agreement - the escrow agreement (one or more), if any, between the Authority and the Refunded Notes Escrow Agent providing for the payment for the Refunded Notes of money sufficient to pay debt service thereon.

Refunded Obligations - collectively, the Refunded Bonds and Refunded Notes.

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

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

State - the State of Texas.

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

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

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

The Bond Resolution

The Bonds will be issued pursuant to the Bond Resolution and the following is a summary of certain provisions of the Resolution, adopted by the Authority on July 7, 2011, and the Pricing Certificate. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolution. Copies of the Bond Resolution are available for examination at the offices of the Authority.

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

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

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

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

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

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

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

Creation of Funds. The Authority will create the following funds for the Bonds: (i) the Interest and Sinking Fund, (ii) the Costs of Issuance Fund, (iii) the Project Funds, (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 Interest and Sinking Fund an amount of money that is sufficient (together with any other money on deposit therein) to provide for the timely payment of the Bond Obligations, from money that is available for such purpose

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

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

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

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

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

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

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

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

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

- (3) result in a reduction of any then existing rating on the Bonds.

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

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

Discharge of Claim Against Constitutional Provisions. The claim of the Bond Resolution against funds 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: (a) been paid pursuant to the terms of such Bonds or (b) become due and money sufficient for the payment thereof has been deposited into the Interest and Sinking Fund or with the Paying Agent/Registrar; (ii) such Bonds have been canceled or surrendered to the Paying Agent/Registrar for cancellation; or (iii) such Bond Obligations have been discharged by a deposit of Sufficient Assets as described below.

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

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

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

No Individual Liability. No obligation imposed under the Bond Resolution, the Bonds, or any document executed by the Authority or the Comptroller in connection therewith will be deemed to be the obligation, in an individual capacity, of any director, officer, employee, or agent of the Authority or the Comptroller, and no

such director, officer, employee, or agent or any individual executing the Bonds or any such other document on behalf of any such entity will be subject to any personal liability with respect thereto.

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

GENERAL INFORMATION REGARDING THE STATE OF TEXAS

The Comptroller prepares a quarterly appendix (the “Bond Appendix”) that sets forth certain information regarding the State including its government, finances, retirement plans, economic profile, and other matters. The Bond Appendix is dated May 2011 and is incorporated herein as described in Appendix A. See “CONTINUING DISCLOSURE OF INFORMATION.” With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

The Texas 2010 Comprehensive Annual Financial Report for the year ended August 31, 2010 (the “2010 CAFR”) is currently on file with the Municipal Securities Rulemaking Board’s (the “MSRB”) Electronic Municipal Markets Access (“EMMA”) system. The 2010 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2010 CAFR may be found (i) using the MSRB’s internet website, www.emma.msrb.org, by using the muni search function and entering the term “State of Texas Comptroller” and (ii) at www.window.state.tx.us/fm/pubs/cafr.

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

LEGAL MATTERS

General

The delivery of the Bonds is subject to the Authority furnishing the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds and the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority, and the approving legal opinions of Vinson & Elkins L.L.P., Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Bond Resolution, are valid and legally binding obligations of the Authority, subject to applicable provisions of bankruptcy, reorganization and other similar matters affecting the rights of creditors or by general principles of equity which permit the exercise of judicial discretion, and, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel’s opinion is attached hereto as Appendix B. Bond Counsel was engaged by, and only represents, the Authority. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions “PLAN OF FINANCE—Payment of Refunded Obligations”, “DESCRIPTION OF THE BONDS” (except for the information under the subcaption “Book-Entry-Only System,” as to which no opinion will be expressed), “DESCRIPTION OF THE TRANSACTION DOCUMENTS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaptions “Continuing Disclosure Undertaking of the Comptroller” and “Compliance with

Prior Undertakings,” as to which no opinion will be expressed), and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds, the Escrow Agreement and the Bond Resolution and are correct as to matters of law. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Fulbright & Jaworski L.L.P., Houston, Texas, and Haynes and Boone, LLP, Houston, Texas, whose legal fee is contingent on the sale and delivery of the Bonds.

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

Legal Investments in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds of such political subdivision.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or for investment purposes. The Authority has not made any investigation of other laws, rules, regulations or investment criteria that might apply to such institutions or entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and have not been registered or qualified under the securities acts of any other jurisdiction. The Authority does not assume any responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Forward Looking Statements

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

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible

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

TAX MATTERS

Tax Exemption

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and, as such, interest on the 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 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 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 Resolution authorizing the issuance of the Bonds that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution authorizing the issuance of the Bonds pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority’s Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority’s Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the “Report”) of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the Authority fails to comply with the covenants in the Resolution authorizing the issuance of the Bonds or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion 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 tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, 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 Bonds.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 and the Bond Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers 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. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds 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 Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of a portion of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium 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 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 Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium 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 Premium 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 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 Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the 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 Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount 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 Bonds under the captions “TAX MATTERS – Tax Exemption” 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount 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 Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount 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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (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 the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount 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 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 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

RATINGS

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

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

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

Annual Reports. The Authority, acting by and through the Comptroller, will provide certain updated financial information and operating data to the MSRB, in an electronic format as prescribed by the MSRB, annually. The

information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in Appendix A. The Authority, acting by and through the Comptroller, will update and provide this information within six months after the end of each Fiscal Year ending in and after 2011. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

Material Event Notices. The Authority also will provide to the MSRB, with respect to the Bonds, notice not in excess of ten business days after the occurrence of any of the following events: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership, or similar event of an Obligated Person; (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material. No provisions for credit enhancement, credit facilities or optional redemption are included in the Resolution authorizing the Bonds. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Authority - *General*."

As used in this section "Obligated Person" means any person who is either generally or through an enterprise fund or account of such person committed by contract or other arrangement to support payments of all or part of the obligation on the Bonds (other than providers of municipal bond insurance, letters of credit or liquidity facilities). For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Authority - *Annual Reports*."

Continuing Disclosure Undertaking of the Comptroller

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

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. This disclosure appendix is incorporated herein as described in "APPENDIX A – The State." The Comptroller intends to continue to prepare or supplement such an appendix quarterly, with the next quarterly update expected to be in August 2011, and to provide annual information in accordance with her disclosure agreement. In addition, the Comptroller currently publishes, but is not obligated to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Owners may subscribe to *Fiscal Notes* by going online to <http://www.window.state.tx.us/comptrol/fnotes/fnhome.html>. Information about State government may also be obtained by contacting the Comptroller's BBS Window on State Government via the Internet at www.cpa.state.tx.us or at www.window.state.tx.us.

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

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

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

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

Availability of Information

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

Limitations and Amendments

The Authority and the Comptroller may amend their continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered owners of a majority in aggregate principal amount of the Bonds then outstanding consent to the amendment or (b) any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. If the Comptroller and the Authority so amend the agreement, they have agreed to include with the next statistical information and operating data provided in

accordance with the agreement described above under “Annual Reports” an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of statistical information and operating data so provided.

The Authority and the Comptroller may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Authority may also amend the provisions in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (1) such provisions as so amended and (2) any amendments or interpretations of the Rule. If the Authority and the Comptroller so amend the provisions of their continuing disclosure agreement, they shall include with any amended statistical information or operating data next provided in accordance with this continuing disclosure agreement an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of statistical information or operating data so provided.

Compliance With Prior Undertakings

During the last five years, the Authority and the Comptroller have complied in all material respects with all continuing disclosure agreements made by them in accordance with the Rule, except as follows: in certain limited instances, the Authority has agreed to file information provided by State agencies for whom the Authority has issued bonds (“client agencies”). The Authority’s ability to make such filings in a timely manner is dependent on the Authority’s receipt of information from the client agency. The Authority has determined that, during the past five years, information was not provided in a timely manner by two client agencies which resulted in late filings by the Authority. The Authority has since filed the required information and developed procedures to reduce the likelihood of such late filings in the future.

NO LITIGATION

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

UNDERWRITING

Siebert Brandford Shank & Co., L.L.C. as the authorized representative of a group of underwriters (the “Underwriters”), has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the par amount of the Bonds shown on the inside cover page of this Official Statement, plus a net premium of \$50,396,937.65, less an underwriting discount of \$1,401,558.50 and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

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

VERIFICATION OF MATHEMATICAL ACCURACY

Grant Thornton LLP (the “Verification Agent”) will verify from the information provided to them by the Financial Advisor, the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the

Financial Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Refunded Bonds and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is exempt from federal income tax. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from federal taxation of the interest on the Bonds.

FINANCIAL ADVISOR

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

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

/s/Susan K. Durso

Susan K. Durso

Interim Executive Director and General Counsel
Texas Public Finance Authority

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SCHEDULE I

TABLE OF REFUNDED NOTES

\$35,100,000

Texas Public Finance Authority State of Texas

General Obligation Commercial Paper Notes Series 2002A

\$24,000,000

Texas Public Finance Authority State of Texas

General Obligation Commercial Paper Notes (Colonia Roadway Projects), Series 2002B

\$85,700,000

Texas Public Finance Authority State of Texas

General Obligation Commercial Paper Notes Series 2008

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SCHEDULE II

TABLE OF REFUNDED BONDS

SUMMARY OF BONDS REFUNDED

Texas Public Finance Authority
 TPFA General Obligation & Refunding Bds Ser 2011

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Refunding Bonds, Series 2001-A, 2001A:					
SERIALS	10/01/2011	5.250%	13,000,000.00		
	10/01/2012	5.500%	49,455,000.00	10/01/2011	100.000
	10/01/2013	5.500%	29,175,000.00	10/01/2011	100.000
	10/01/2014	5.375%	2,370,000.00	10/01/2011	100.000
	10/01/2015	5.375%	2,505,000.00	10/01/2011	100.000
	10/01/2016	5.375%	2,640,000.00	10/01/2011	100.000
			<u>99,145,000.00</u>		
General Obligation Refunding bonds, Series 2002, 2002:					
SERIAL	10/01/2011	5.250%	24,760,000.00		
General Obligation & Refunding Bonds, Series 2003, 2003:					
SERIALS	10/01/2013	5.250%	1,950,000.00		
	10/01/2019	5.000%	1,950,000.00	10/01/2013	100.000
	10/01/2020	5.000%	1,950,000.00	10/01/2013	100.000
	10/01/2021	5.000%	1,950,000.00	10/01/2013	100.000
	10/01/2022	5.000%	1,950,000.00	10/01/2013	100.000
			<u>9,750,000.00</u>		
General Obligation Refunding Bonds, Series 2003-A, 2003A:					
SERIALS	10/01/2013	5.000%	2,175,000.00		
	10/01/2015	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2016	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2017	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2018	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2019	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2020	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2021	5.000%	2,640,000.00	10/01/2013	100.000
	10/01/2022	5.000%	2,640,000.00	10/01/2013	100.000
			<u>23,295,000.00</u>		
General Obligation Refunding Bonds, Series 2006-A, 2006A:					
SERIALS	10/01/2013	5.000%	8,690,000.00		
General Obligation Refunding Bonds, Series 2006-B, 2006B:					
SERIALS	10/01/2013	4.000%	2,565,000.00		

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APPENDIX A

THE STATE OF TEXAS

The Bond Appendix dated May 2011 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained (i) using the MSRB's internet website, www.emma.msrb.org, by using the muni search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html> and will be updated from time to time by the Comptroller.

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

WE HAVE ACTED as 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 AND REFUNDING BONDS, SERIES 2011, issued in the original aggregate principal amount of \$344,020,000.

The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds and the resolution adopted by the Board of Directors of the Authority authorizing their issuance (the “Resolution”) and the Pricing Certificate.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas (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 State or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority’s Official Statement (the “Official Statement”) prepared for use in connection with the offer and sale of the Bonds has been limited as described therein. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; a certificate of Coastal Securities, Inc. (as financial advisor to the Authority) verifying the sufficiency of the deposits made with Deutsche Bank Trust Company Americas, as issuing and paying agent for the Refunded Notes (the “Refunded Notes Escrow Agent”) for the payment and discharge of the Refunded Notes; the report (the “Report”) of Grant Thornton LLP (the “Verification Agent”) verifying the sufficiency of the deposits made with the Texas Treasury Safekeeping Trust Company, as escrow agent (the “Refunded Bonds Escrow Agent”) for defeasance of the Refunded Bonds, and the mathematical accuracy of certain computations of the yield on the Bonds and securities acquired with the proceeds of the Bonds; customary certificates of officers, agents and

representatives of the Refunded Bonds Escrow Agent, the Refunded Notes Escrow Agent, the Authority, the Qualified Agencies, other 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 Bonds and the Refunded Notes. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. 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;
- (3) firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to a Refunded Bonds Escrow Agreement entered into between the Authority and the Refunded Bonds Escrow Agent on the date of delivery of the Bonds, all conditions precedent to the Refunded Bonds being discharged have been satisfied, and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Refunded Bonds Escrow Agreement; and

- (4) 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 Refunded Notes Escrow Agent.

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:

- (5) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and
- (6) the Bonds are not “private activity bonds” within the meaning of 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, that we have not independently verified, and have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied upon the Report of the Verification Agent. If such representations or the Report 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 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.

Very truly yours,

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