

**OFFICIAL STATEMENT**

Dated July 9, 2008

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds and interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX EXEMPTION" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

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



**Ratings: Moody's: "Aa2"**

**S&P: "AA-"**

(See "RATINGS" herein.)

**\$15,560,000**

**TEXAS PUBLIC FINANCE AUTHORITY  
BUILDING REVENUE REFUNDING BONDS  
(TEXAS FACILITIES COMMISSION PROJECTS), SERIES 2008**

**Dated: July 1, 2008 (Interest accrues from date of delivery)**

**Due: February 1, as shown on inside cover**

The Texas Public Finance Authority Building Revenue Refunding Bonds (Texas Facilities Commission Projects), Series 2008 (the "Bonds") are special and limited obligations of the Texas Public Finance Authority (the "Authority"), being issued in the principal amount shown above. The Bonds are being issued to refund certain outstanding bonds of the Authority as further described herein (the "Refunded Bonds") in order to achieve a debt service savings and to pay costs associated with the issuance of the Bonds. (See "PLAN OF FINANCE" herein.)

The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the paying agent/registrar, initially the Authority (the "Paying Agent/Registrar"), to Cede & Co., nominee of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the Bonds. The Bonds will be dated as of July 1, 2008, but will accrue interest from the date of delivery. Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2009, until maturity. The Bonds are not subject to redemption prior to maturity. (See "THE BONDS.")

The Bonds are special and limited obligations of the Authority payable only from certain pledged security, which will consist primarily of Rent Payments (hereinafter defined) made pursuant to certain lease agreements (the "Leases"), between the Authority and the Texas Facilities Commission, formerly known as the Texas Building and Procurement Commission and as the General Services Commission (the "Commission") relating to the Projects (hereinafter defined) which were originally financed or refinanced with proceeds of the Prior Bonds (hereinafter defined), including the Refunded Bonds. The Leases obligate the Commission to make Rent Payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Prior Bonds and on the Bonds.

**The obligation of the Commission to make Rent Payments under the Leases is subject to, and dependent upon, appropriation by the Legislature of the State of Texas of funds necessary to make such payments. The Legislature has no obligation to make any such appropriations. Neither the State of Texas nor any agency, political corporation, or political subdivision of the State of Texas will be obligated to pay the principal of, premium, if any, or interest on the Bonds, except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the full faith and credit nor the taxing power of the State of Texas or any agency, political corporation, or political subdivision of the State of Texas (including the Authority and the Commission) will be pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power. (See "THE BONDS - Source of Payment of the Bonds" and "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Leases" herein.)**

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**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, AND  
CUSIP NUMBERS SHOWN ON INSIDE COVER**

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The Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters, and subject to the approval of the Attorney General of the State of Texas 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. Certain legal matters will be passed upon for the Underwriters by Winstead PC, Austin, Texas. It is expected that the Bonds will be delivered on or about August 6, 2008 through the facilities of DTC.

**RAMIREZ & CO., INC.**

**MORGAN KEEGAN & COMPANY, INC.**

**SOUTHWEST SECURITIES, INC.**

## MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP No. (88275M)<sup>(1)</sup></u>
2009	1,275,000	3.500%	1.956%	RY2
2010	1,725,000	3.500%	2.540%	RZ9
2011	1,790,000	3.750%	2.920%	SA3
2012	2,215,000	4.000%	3.160%	SB1
2013	1,810,000	3.750%	3.300%	SC9
2014	1,655,000	4.000%	3.430%	SD7
2015	1,195,000	4.000%	3.550%	SE5
2016	1,245,000	4.000%	3.680%	SF2
2017	1,295,000	4.500%	3.780%	SG0
2018	1,355,000	4.000%	3.910%	SH8

(Interest accrues from Date of Delivery)

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- (1) CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the Bond Owners. Neither the Authority nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**STATE OF TEXAS**

**Rick Perry**  
*Governor*

**David Dewhurst**  
*Lieutenant Governor*

**Greg Abbott**  
*Attorney General*

**Susan Combs**  
*Comptroller of Public Accounts*

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**TEXAS PUBLIC FINANCE AUTHORITY**

**Board of Directors**

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

**Ruth C. Schiermeyer**  
*Vice Chair*

**Linda McKenna**  
*Secretary*

**Gerald Alley**  
*Member*

**D. Joseph Meister**  
*Member*

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

**Gary Wood**  
*Member*

**Kimberly K. Edwards**  
*Executive Director*

**Judith Porras**  
*General Counsel*

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**Coastal Securities, Inc.**  
**Financial Advisor**

## SALE AND DISTRIBUTION OF THE BONDS

### **Use of Official Statement**

No dealer, broker, salesman, or other person has been authorized by the Authority to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

Certain information set forth in this Official Statement has been furnished by the Authority and the State of Texas, and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters. Neither the Authority nor the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use herein.

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

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

### **Marketability**

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

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

### **Securities Laws**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, THE COMMISSION, AND THE STATE OF TEXAS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING REGULATORY AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

## TABLE OF CONTENTS

<p>SUMMARY STATEMENT.....vi</p> <p>INTRODUCTION.....1</p> <p>PLAN OF FINANCE.....1</p> <p style="padding-left: 20px;">General.....1</p> <p style="padding-left: 20px;">Refunded Bonds.....3</p> <p style="padding-left: 20px;">The Leases.....3</p> <p>SOURCES AND USES OF FUNDS.....4</p> <p>THE AUTHORITY.....4</p> <p style="padding-left: 20px;">Sunset Review.....5</p> <p style="padding-left: 20px;">Additional Authorized but Unfunded Revenue</p> <p style="padding-left: 40px;">Bond Projects.....6</p> <p style="padding-left: 40px;">Relationship With Other State Agencies.....6</p> <p style="padding-left: 40px;">Texas Bond Review Board.....6</p> <p>THE COMMISSION.....6</p> <p style="padding-left: 20px;">General.....6</p> <p style="padding-left: 20px;">Authority's Relationship with the Commission.....7</p> <p style="padding-left: 20px;">Sunset Review.....7</p> <p>THE PROJECTS.....7</p> <p>THE BONDS.....8</p> <p style="padding-left: 20px;">Description of the Bonds.....8</p> <p style="padding-left: 20px;">Source of Payment of the Bonds.....8</p> <p style="padding-left: 20px;">Investment Considerations.....9</p> <p style="padding-left: 20px;">State Lease Fund Account.....9</p> <p style="padding-left: 20px;">Flow of Funds.....9</p> <p>BOOK-ENTRY-ONLY SYSTEM.....10</p> <p style="padding-left: 20px;">Use of Certain Terms in Other Sections of this Official Statement.....12</p> <p>DESCRIPTION OF THE TRANSACTION</p> <p style="padding-left: 20px;">DOCUMENTS.....12</p> <p style="padding-left: 20px;">Selected Definitions.....12</p> <p style="padding-left: 20px;">The Bond Resolution.....16</p> <p style="padding-left: 20px;">The Leases.....21</p> <p style="padding-left: 20px;">The Escrow Agreement.....26</p> <p>RATINGS.....26</p> <p>TAX EXEMPTION.....27</p>	<p>ADDITIONAL FEDERAL INCOME TAX</p> <p style="padding-left: 20px;">CONSIDERATIONS.....28</p> <p style="padding-left: 20px;">Collateral Tax Consequences.....28</p> <p style="padding-left: 20px;">Tax Accounting Treatment of Original Issue Premium.....28</p> <p>THE BONDS AS LEGAL INVESTMENTS IN TEXAS.....28</p> <p>LITIGATION.....29</p> <p>GENERAL INFORMATION REGARDING THE STATE OF TEXAS.....29</p> <p>CONTINUING DISCLOSURE OF INFORMATION.....29</p> <p style="padding-left: 20px;">Continuing Disclosure Undertaking of the Authority.....29</p> <p style="padding-left: 20px;">Continuing Disclosure Undertaking of the Comptroller.....29</p> <p style="padding-left: 20px;">Availability of Information from NRMSIRS and SID.....30</p> <p style="padding-left: 20px;">Limitations and Amendments.....31</p> <p style="padding-left: 20px;">Compliance with Prior Undertakings.....31</p> <p>UNDERWRITING.....31</p> <p>THE FINANCIAL ADVISOR.....31</p> <p>VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS.....32</p> <p>REGISTRATION AND QUALIFICATION OF BONDS FOR SALE.....32</p> <p>LEGAL MATTERS.....32</p> <p>FORWARD LOOKING STATEMENTS.....33</p> <p>MISCELLANEOUS.....33</p> <p>APPENDIX A THE STATE OF TEXAS</p> <p>APPENDIX B DEBT SERVICE REQUIREMENTS</p> <p>APPENDIX C FORM OF OPINION OF BOND COUNSEL</p> <p>APPENDIX D SCHEDULE OF REFUNDED BONDS</p>
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## SUMMARY STATEMENT

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

<b>Issuer</b>	Texas Public Finance Authority.
<b>Offering</b>	Texas Public Finance Authority Building Revenue Refunding Bonds (Texas Facilities Commission Projects), Series 2008.
<b>Maturity</b>	February 1 of each of the years and in the principal amounts set forth on the inside cover page of this Official Statement. (See "THE BONDS.")
<b>Interest</b>	Payable semiannually on February 1 and August 1 of each year, commencing February 1, 2009. (See "THE BONDS.")
<b>Redemption</b>	The Bonds are not subject to redemption prior to maturity.
<b>Book Entry System</b>	The Bonds are initially issuable only to Cede & Co, the nominee of The Depository Trust Company, pursuant to a book-entry system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest and principal will be paid to Cede & Co., which will distribute the payments to the participating members of The Depository Trust Company for remittance to the beneficial owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM.")
<b>Purpose</b>	Proceeds from the sale of the Bonds will be used to refund \$15,485,000 in principal amount of the Authority's outstanding Building Revenue and Revenue Refunding Bonds (General Services Commission Projects), Series 1997A (the "Refunded Bonds") in order to decrease the overall debt service requirements of the State and the Commission, and to pay costs associated with the issuance of the Bonds. (See Appendix D – Schedule of Refunded Bonds.)
<b>The Commission</b>	The Commission is an agency of the State generally responsible for, among other things, acquisition, construction, equipping, modernization, and remodeling of State-owned buildings to be occupied by State agencies and for the maintenance of State-owned property. (See "THE COMMISSION.")
<b>Source of Payment</b>	The Leases are the primary source of payment for the Bonds. The Leases obligate the Commission to make Rent Payments sufficient to pay the principal of and interest on the Prior Bonds and on the Bonds. <b>The obligation of the Commission to make payments under the Leases is subject to, and dependent upon, appropriation by the Legislature of funds necessary to make such payments. The Legislature has no obligation to make such appropriations. There is no mortgage or other security interest in the Projects (as hereinafter defined) or other property securing the Bonds.</b> (See "PLAN OF FINANCE", "THE BONDS - Source of Payment of the Bonds", and "-Investment Considerations.")
<b>Ratings</b>	Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("S&P") have assigned underlying, unenhanced ratings of "Aa2" and "AA-", respectively. (See "RATINGS" herein).

## OFFICIAL STATEMENT

relating to

**\$15,560,000**

### **TEXAS PUBLIC FINANCE AUTHORITY BUILDING REVENUE REFUNDING BONDS (TEXAS FACILITIES COMMISSION PROJECTS) SERIES 2008**

#### INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover page, Summary Statement, and attached Appendices) is to furnish information concerning the offering of the Texas Public Finance Authority Building Revenue Refunding Bonds (Texas Facilities Commission Projects), Series 2008 (the "Bonds"), which are being issued by the Texas Public Finance Authority (the "Authority") in the principal amount set forth above, pursuant to the authority granted to it by the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended (the "Enabling Law"), Chapters 1207 and 1371, Texas Government Code, as amended (collectively with the Enabling Law, the "Authorizing Law"), a bond resolution adopted by the Authority on June 5, 2008 (the "Bond Resolution"), and the actions of the Pricing Committee fixing the price and terms of the Bonds. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings ascribed to them in "DESCRIPTION OF THE TRANSACTION DOCUMENTS," the Bond Resolution, the Leases, and the Escrow Agreement (collectively, the "Transaction Documents").

This Official Statement includes descriptions of the Bonds (including the source of payment of the Bonds), the Authority, the Commission, the Prior Bonds, the Projects, and certain other matters, along with summaries of the Transaction Documents. Because payments to be made by the Texas Facilities Commission (the "Commission") under the Leases will come from appropriations of State general funds made by the Legislature, the information concerning the State that is contained in Appendix A to this Official Statement should be reviewed carefully. The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents. The forms of the Transaction Documents are available for inspection at the offices of the Authority, 300 W. 15th Street, Suite 411, Austin, Texas 78701.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds and the Escrow Agreement (defined below) will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and the State Comptroller's undertakings to provide certain information on a continuing basis.

#### PLAN OF FINANCE

##### **General**

The Authority originally issued its Building Revenue and Revenue Refunding Bonds, Series 1992B (the "Series 1992B Bonds"), a portion of the proceeds of which was used to finance the construction of an office building and a laboratory for Corpus Christi State University; the construction of a State office building and related parking facility in Austin, Texas; and renovation of the William P. Hobby State Office Building in Austin, Texas (the "Series 1992B Project"). Debt service due on the Series 1992B Bonds is payable only from certain pledged security, primarily Lease Payments (hereinafter defined) made pursuant to that certain "Amended and Restated Lease Agreement – 1987, 1990A, 1990B, 1991A and 1992B Building Projects" dated as of October 15, 1992, by and between the Authority and the Commission relating to the Series 1992B Project (the "Series 1992B Lease"). The Series 1992B Lease obligates the Commission to make Lease Payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 1992B Bonds, and on obligations issued to refinance the Series 1992B Bonds.

The Authority also originally issued its Building Revenue Bonds, Series 1994A (the "Series 1994A Bonds"), the proceeds of which were used to finance the rehabilitation of the Sam Houston Building in Austin, Texas; the purchase and rehabilitation of the Baker-Hughes Building in Harris County, Texas; the purchase and rehabilitation of an office building in Waco, Texas; repairs to and renovation of the Texas School for the Deaf in Austin, Texas; and repairs to and renovation of the Texas School for the Blind in Austin, Texas (the "Series 1994A Project"). Debt service due on the Series 1994A Bonds is payable only from certain pledged security, primarily Rent Payments (hereinafter defined) made pursuant to that certain "Lease Agreement" dated as of September 1, 1994, by and between the Authority and the Commission relating to the Series 1994A Project (the "Series 1994A Lease"). The Series 1994A Lease obligates the Commission to make Rent Payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 1994A Bonds, and on obligations issued to refinance the Series 1994A Bonds.

In November of 1997, the Authority issued \$82,600,000 in aggregate principal amount of its Building Revenue and Revenue Refunding Bonds (General Services Commission Projects), Series 1997A (the "Series 1997A Bonds"), in order to provide funds to the Commission for use to finance the construction of the San Jacinto Parking Garage in Austin, Texas; the construction of the Capitol Complex Visitors' Garage in Austin, Texas; the renovation of the Robert E. Johnson State Office Building and the construction of a new parking garage in Austin, Texas; relocation and construction of Aircraft Pooling Board facilities at the Austin-Bergstrom International Airport; and renovation of the State Insurance Building in Austin, Texas (the "Series 1997A Project"). Proceeds of the Series 1997A Bonds were also used, together with other lawfully available funds, to refinance certain maturities of the Series 1992B Bonds and the Series 1994A Bonds described above. In connection with the issuance of the Series 1997A Bonds, the Authority and the Commission entered into the "Lease Agreement" dated as of November 1, 1997 (the "Series 1997A Lease"). The Series 1997A Lease obligates the Commission to make Rent Payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 1997A Bonds, and on obligations issued to refinance the Series 1997A Bonds.

In November of 2002, the Authority issued \$35,240,000 in aggregate principal amount of its Building Revenue Refunding Bonds (Building and Procurement Commission Projects), Series 2002 (the "Series 2002 Bonds"), in order to provide funds to refinance certain maturities of the Series 1992B Bonds and certain maturities of the Series 1994A Bonds described above. In connection with the issuance of the Series 2002 Bonds, the Series 1992B Lease and the Series 1994A Lease remained in place, and Rent Payments made pursuant to the Series 1992B Lease and the Series 1994A Lease were therefore pledged to pay principal of and interest due on the Series 1992B Bonds and the Series 1994A Bonds that were not refunded by the Series 2002 Bonds, and on the Series 2002 Bonds. The 1994A Bonds are now no longer outstanding and, therefore, such Rent Payments are pledged to pay debt service on the remaining Series 1992B Bonds, the Series 2002 Bonds, and on obligations issued to refinance the Series 1992B Bonds and the Series 2002 Bonds.

Certain maturities of the Series 1997A Bonds were refunded in November of 2004 with proceeds from the issuance of the Authority's Revenue Refunding Bonds (Building and Procurement Commission Projects), Series 2004A (the "Series 2004A Bonds"). In connection with the issuance of the Series 2004A Bonds, the Series 1997A Lease remained in place and Rent Payments made pursuant to the Series 1997A Lease are therefore pledged to pay principal of and interest due on the Series 1997A Bonds that were not refunded by the Series 2004A Bonds, and on the Series 2004A Bonds.

To achieve a debt service savings for the State, proceeds of the Bonds will be used to refund all of the Series 1997A Bonds that were not refunded by the Series 2004A Bonds (the "Refunded Bonds" - see APPENDIX D - Schedule of Refunded Bonds) and to pay costs of issuance.

Rent Payments to be made under the Series 1992B Lease will now be used to pay principal of and interest due on the Series 1992B Bonds, the Series 2002 Bonds, the Series 2004A Bonds (collectively, the "Prior Bonds"), and the Bonds. Rent Payments to be made under the Series 1994A Lease will now be used to pay principal of and interest due on the Series 2002 Bonds, the Series 2004A Bonds, and the Bonds. Rent Payments to be made under the Series 1997A Lease will now be used to pay principal of and interest due on the Series 2004A Bonds and the Bonds. "Projects" as used herein refers collectively to the Series 1992B Project, the Series 1994A Project, and the Series 1997A Project. (See "THE PROJECTS" herein.)



## **Refunded Bonds**

The principal and interest due on the Refunded Bonds are to be paid on the selected redemption date of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the Authority and the Comptroller of Public Accounts of the State of Texas (the "Comptroller") acting by and on behalf of the Texas Treasury Safekeeping Trust Company, as escrow agent (the "Escrow Agent"). (See "DESCRIPTION OF THE TRANSACTION DOCUMENTS – The Escrow Agreement" herein.) The Bond Resolution provides that a portion of the proceeds of the sale of the Bonds, together with certain other available funds, if any, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Simultaneously with the delivery of the Bonds, the Authority will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity, on the date or dates designated for such redemption, on which date or dates money will be made available to redeem the Refunded Bonds from money held in the Escrow Fund under the Escrow Agreement.

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the Federal Securities held in the Escrow Fund to provide for payment of the Refunded Bonds will be verified by Grant Thornton LLP (the "Verification Agent"), a firm of independent certified public accountants. (See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.)

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have entered into firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds in accordance with applicable law. Bond Counsel will render an opinion to the effect that, 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 therefor in the Escrow Fund pursuant to the Escrow Agreement.

## **The Leases**

The Projects are leased by the Authority to the Commission pursuant to the Leases between the Authority and the Commission. (See "PLAN OF FINANCE – General" for a description of the Leases; see "THE PROJECTS" for a description of the Projects.) The Leases obligate the Commission to make or cause to be made Rent Payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Prior Bonds and on the Bonds, and to pay certain expenses related to the Bonds and the Projects. (See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Leases" herein.) Pursuant to the Bond Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Bonds all right, title, and interest of the Authority in and to the Pledged Security, which, with respect to each of the Leases, consists of (i) the Pledged Revenues; (ii) any rights and remedies of the Authority under each of the Leases or any other lease or use arrangement of all or any part of the Projects, but excluding any right of the Authority to receive proceeds of insurance maintained with respect to the Projects, to indemnification, and to payment of Bond Administration Costs; and (iii) amounts on deposit in the interest and sinking fund established for the Bonds (the "Interest and Sinking Fund").

The Pledged Revenues consist of (i) all Rent Payments, except the amount of Rent Payments used by the Authority for the purchase of insurance or to fund a self-insurance program as described in each of the Leases; (ii) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and (iii) if any of the Leases is terminated with respect to any or all of the Projects, the net revenues (i.e., revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from any or all of such Projects. Money, if any, held by the Comptroller in the Restoration Funds created pursuant to the resolutions authorizing issuance of the Prior Bonds and confirmed in the Bond Resolution, does not constitute security for the Bonds. (See "THE BONDS - Source of Payment of the Bonds," "-Investment Considerations," and "-Flow of Funds.")

The obligation of the Commission to make payments under the Leases is subject to and dependent upon, appropriation by the Legislature of the State of Texas (the "Legislature") of funds necessary to make such payments. Neither the State of Texas (the "State") nor any state agency, political corporation, or political subdivision of the State will be obligated to pay the principal of, premium, if any, or interest on the Bonds, except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the full faith and credit nor the taxing power of the State or any agency, political corporation, or political subdivision of the State (including the Authority and the Commission) will be pledged for payment of the principal of, premium, if any, or interest on the Bonds. (See "THE BONDS - Source of Payment of the Bonds" herein.)

### SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Bond proceeds:

#### Sources of Funds

Principal Amount of Bonds	\$15,560,000.00
Original Issue Premium	<u>343,722.10</u>
<b>Total</b>	<b><u>\$15,903,722.10</u></b>

#### Uses of Funds

Deposit to Escrow for Refunded Bonds	\$15,699,005.96
Underwriters' Discount	(86,291.75)
Costs of Issuance	117,000.00
Rounding Amount	<u>1,424.39</u>
<b>Total</b>	<b><u>\$15,903,722.10</u></b>

### THE AUTHORITY

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

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

<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
H.L. Bert Mijares, Jr.	Chair	2009
Ruth C. Schiermeyer	Vice Chair	2013
Linda McKenna	Secretary	2011
Gerald Alley	Member	2013
D. Joseph Meister	Member	2013
Robert T. Roddy, Jr.	Member	2013
Gary Wood	Member	2009

The Authority employs an Executive Director who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. The Executive Director is Kimberly K. Edwards, who has been employed in that position since March 1997.

Pursuant to the Enabling Law 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 four commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two general obligation commercial paper programs for certain general State government construction projects; and a general obligation commercial paper program for the Colonia Roadway program. Also, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53 of the Texas Education Code, as amended.

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

The Authority has issued revenue bonds on behalf of the Parks & Wildlife Department, the Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Health & Human Services Commission, the Texas Department of Agriculture, the Department of State Health Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission (now part of the Adjutant General's Department), Midwestern State University, Stephen F. Austin University, and Texas Southern University.

The Authority has also issued general obligation bonds for the Parks & Wildlife Department, the Commission, the Department of State Health Services, the Texas Commission of Criminal Justice, the Texas Commission of Aging and Disability Services, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, and the Texas Juvenile Probation Commission.

In November 2007, Texas voters passed a constitutional amendment that authorized the Authority to issue up to \$1 billion in bonds payable from the general revenues of the State for maintenance, improvement, repair and construction projects and for the purchase of needed equipment for the State. The projects will benefit the Texas Parks & Wildlife Department, the Texas Facilities Commission, the 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 Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, and the Adjutant General's Department.

### **Sunset Review**

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) that provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2011. The Enabling Law, as amended by the 80th legislative session, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

### **Additional Authorized but Unfunded Revenue Bond Projects**

The Legislature has authorized the Authority to issue revenue bonds for a number of additional projects and may authorize further projects in future legislative sessions. (See APPENDIX A, "STATE DEBT - State Revenue Bonds.") The Authority cannot determine which of the projects to be financed with these authorizations, or which additional projects, will be authorized and funded by the Legislature.

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

Under the Enabling Law, the Authority's power is limited to financing projects and does not affect the power of the Commission or any other agency or institution of the State to carry out its statutory authority, including its authority to construct buildings. The Enabling Law directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of the Projects.

In general, the Authority is directed by law to deposit the proceeds of the sale of its bonds in the State Treasury for the account of the State agency at whose request those bonds were issued. Once the funds are so deposited and the Comptroller has certified that funds are available, and after payment of costs of issuance of such bonds as specified by the Authority, the appropriate State agency may begin the project for which the bonds were issued. The owners of the Authority's bonds have no rights to any such project funds held in the State Treasury, and with respect to the Bonds, proceeds will be used to pay principal of and interest due on the Refunded Bonds and to pay costs of issuance, and the Authority will not be depositing any bond proceeds into any such project fund. (See "THE BONDS - Flow of Funds" herein.)

Payments on the Bonds are expected to be made from money appropriated by the Legislature or other available money transferred to the Interest and Sinking Fund. (See "THE BONDS - Source of Payment for the Bonds.")

### **Texas Bond Review Board**

With certain exceptions, bonds issued by State agencies and institutions of higher education, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board (the "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 Board. Each member of the Board may, and frequently does, act through a designee. Pursuant to the rules of the Board, State securities such as the Bonds that are a current refunding with a net present value savings of at least two percent, require approval of the Board's staff, but do not require formal approval of the Board. The Bonds were approved by the Board's staff on May 14, 2008.

## **THE COMMISSION**

### **General**

The Commission, an agency of the State, is generally responsible for the acquisition, construction, equipping, modernization, and remodeling of State-owned buildings to be occupied by State agencies and for the maintenance of State-owned property.

Three members of the Commission are appointed by the Governor with the advice and consent of the State Senate; two members are appointed by the Governor from a list of nominees provided by the Speaker of the State House of Representatives; and two members are appointed by the Lieutenant Governor. Members of the Commission hold office for staggered terms of six years. Current members of the Commission and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Term Expires (January 31)</u>
Betty Reinbeck, Chair	2011
James Duncan	2009
Victor Leal	2009
Barkley Stuart	2011
Virginia L. Hermosa	2009
Malcolm E. Beckendorff	2013

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

#### **Authority's Relationship with the Commission**

The Authority and the Commission entered into a memorandum of understanding, dated as of February 1, 1990 (the "Commission Memorandum"), which defines the division of authority between the Authority and the Commission with respect to projects financed by the Authority. The Commission Memorandum provides that the Authority, at the request of the Commission, will issue bonds to finance or refinance projects identified by the Commission and approved by the Legislature. The Commission Memorandum also provides that the Commission will be responsible for the planning, construction, maintenance, and operation of projects. Under the terms of the Commission Memorandum, the Commission is obligated to provide to the Authority a deed to any building project or real property that is the site of a building project and any necessary easements, without cost. The Commission has conveyed, by special warranty deed, title to the Projects to the Authority. Under the Enabling Law and the Commission Memorandum, the Commission will reacquire title to the Projects once the Prior Bonds and the Bonds are paid in full. In the event of a conflict between the Commission Memorandum and the Leases, the Leases will control.

#### **Sunset Review**

The Commission is subject to review under the Texas Sunset Act. The next scheduled review of the Commission under the Texas Sunset Act is during the legislative session in 2013. The Commission's enabling act provides that if the Commission is not continued in existence, the Commission will cease to exist until September 1 of the following year (September 1, 2014) in order to conclude its business.

### **THE PROJECTS**

The Projects leased pursuant to the Leases consist of the facilities originally financed or refinanced with proceeds of the Prior Bonds (including the Refunded Bonds) and the Bonds. The Projects include:

(A) (i) The construction of an office building and a laboratory for Corpus Christi State University; (ii) the construction of a State office building and related parking facility in Austin, Texas; and (iii) renovation of the William P. Hobby State Office Building in Austin, Texas (the "Series 1992B Project");

(B) (i) The rehabilitation of the Sam Houston State Office Building in Austin, Texas; (ii) the purchase and rehabilitation of the Baker-Hughes Building in Harris County, Texas; (iii) the purchase and rehabilitation of a State office building in Waco, Texas; (iv) repairs to and renovation of the Texas School for the Deaf in Austin, Texas; and (v) repairs to and renovation of the Texas School for the Blind in Austin, Texas (the "Series 1994A Project"); and

(C) (i) The construction of the San Jacinto Parking Garage in Austin, Texas; (ii) the construction of the Capitol Complex Visitors' Garage in Austin, Texas; (iii) the renovation of the Robert E. Johnson State Office Building and the construction of a related parking garage in Austin, Texas; (iv) the relocation and construction of Aircraft Pooling Board facilities at the Austin-Bergstrom International Airport; and (v) the renovation of the State

Insurance Building in Austin, Texas (the "Series 1997A Project", collectively with the Series 1992B Project and the Series 1994A Project, the "Projects").

Only at the direction of the Legislature may the Authority sell or otherwise dispose of any one or more of the Projects. The Authority must apply the proceeds of such sale or disposition in accordance with such legislative direction. In the event of damage, destruction, or condemnation of one or more of the Projects, the proceeds received may, at the election of the Commission, be used to restore or update such Projects, to pay project costs of any other property, or be transferred to the Interest and Sinking Fund or to the interest and sinking fund relating to the appropriate series of Prior Bonds. (See "THE BONDS-Investment Considerations.")

## THE BONDS

### Description of the Bonds

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of Bonds will not receive physical delivery of the bond certificates. The Bonds will be issuable in fully registered form and purchases of Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest at the respective rates shown on the inside cover page of this Official Statement, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will mature in the respective principal amounts and on the respective dates shown on the inside cover page of this Official Statement. The Bonds will be dated as of July 1, 2008 but will not begin bearing interest until the date the Bonds are initially delivered to the Underwriters. Interest on the Bonds will be payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2009.

The Bonds will not be subject to redemption prior to maturity.

### Source of Payment of the Bonds

Pursuant to the Bond Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Bonds all right, title, and interest of the Authority in and to the Pledged Security, which consists of (i) the Pledged Revenues; (ii) any rights and remedies of the Authority under the Leases or any other lease or use arrangement of all or any part of the Projects, but excluding any right of the Authority to receive proceeds of insurance maintained with respect to the Projects, to indemnification, and to payment of Bond Administration Costs; and (iii) amounts on deposit in the Interest and Sinking Fund.

The Pledged Revenues consist of (i) all Rent Payments, except the amount of Rent Payments used by the Authority for the purchase of insurance or to fund a self-insurance program as described in each of the Leases; (ii) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and (iii) if any of the Leases is terminated with respect to any or all of the Projects, the net revenues (i.e., revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from the Projects.

The Leases obligate the Commission to make Rent Payments in amounts sufficient to pay the principal of, premium, if any, and interest on the Prior Bonds and on the Bonds. (See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Leases - Rent Payments.")

**The obligation of the Commission to make Rent Payments and other payments due under the Leases is subject to, and dependent upon, the appropriation of funds by the Legislature in amounts sufficient to make such payments. Under the Texas Constitution, an appropriation may not be made for more than one biennium. Accordingly, at any given time, the Commission's obligations under the Leases will be limited to the then-current fiscal year or biennium and, if the Legislature has adopted an appropriations bill, for the succeeding fiscal year or biennium. Although the term of each of the Leases extends beyond the current fiscal year or biennium, the continuation of each of the Leases is dependent upon the successive appropriation in the budget for each fiscal year or biennium of sufficient money to make the payments required thereunder, and the failure of the Legislature to make such appropriation may result in the termination of one or more of**

**the Leases. While it is expected that the Legislature will make appropriations for each fiscal year or biennium in an amount sufficient to allow the Commission to make the Rent Payments and other payments required under the Leases, the Legislature has no legal obligation to do so, and the Bond Owners will have no right to compel the Legislature to make such appropriations.**

Chapter 1208 of the Texas Government Code, as amended, applies to the issuance of the Bonds, and therefore, the pledge of the Pledged Security granted by the Authority under the Bond Resolution is valid, effective, and perfected. At any time while the Bonds are outstanding and unpaid, if State law is amended with such result that the pledge of the Pledged Security becomes subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, the Authority has agreed (in order to preserve to the Bond Owners a security interest in such pledge) to take such measures as it determines are reasonable and necessary under State law to comply with Chapter 9 of the Texas Business & Commerce Code and enable a filing of a security interest in the pledge to occur for the benefit of the Bond Owners.

**The Authority has never defaulted on bonds or other obligations payable from rent payments subject to biennial appropriation by the Legislature.**

Because the Rent Payments will ultimately be made from funds appropriated by the Legislature to the Commission, prospective purchasers of the Bonds are encouraged to review Appendix A to this Official Statement (which contains certain information regarding the State) as though the State were the source of revenues for debt service payments on the Bonds, even though the State's obligation to pay the Bonds is subject to appropriation. The financial condition of the State has a bearing upon whether the Legislature will be willing to appropriate funds to make Rent Payments and whether the State will be able to satisfy obligations for Rent Payments if funds are appropriated.

#### **Investment Considerations**

The Authority has not granted the Bond Owners a lien against, or security interest in, the Projects as security for the Bonds. If the Commission defaults in the payment of amounts due under the Leases or one or more of the Leases is terminated because of nonappropriation, the Authority has the right, in accordance with each of the Leases, to re-lease the Projects to other users. However, the ability of the Authority to re-lease all or any part of the Projects upon default under the Leases (or termination of the same because of nonappropriation) may be impaired by factors such as the integration of the Projects with other State facilities and the specialized nature of the Projects. The Authority's ability to re-lease all or any part of the Projects is further limited by federal income tax-related covenants contained in the Bond Resolution and in the bond resolutions authorizing the issuance of the Prior Bonds which, in order to preserve the excludability of interest on the Bonds and on the Prior Bonds from gross income for federal income purposes, effectively prohibits the lease of the Projects to non-governmental users without the consent of the applicable Bond Owners. The ability of the Authority to re-lease all or any part of the Projects also may be hindered by the traditional reluctance of the courts to evict a governmental body from a facility that is used in the performance of its governmental functions, especially if that governmental body has the right to occupy that facility, pursuant to the terms of another valid agreement.

#### **State Lease Fund Account**

The Enabling Act provides for the State Lease Fund Account, and provides that the Legislature may make its appropriation of funds (including funds appropriated for Rent Payments due under the Leases) to the Commission directly into the State Lease Fund Account. The State Lease Fund Account is a separate account in the State Treasury for accounting purposes, but money credited to the account will not be segregated from other State money. The Bond Owners will have no interest in, or rights to, money credited to the State Lease Fund Account.

#### **Flow of Funds**

The Authority will establish an interest and sinking fund for the Bonds (the "Interest and Sinking Fund") which will be held by the Comptroller in the State Treasury. All money required to be deposited with or paid to the Authority

and credited to the Interest and Sinking Fund will be held in trust and, except for funds held for the payment of Bond Obligations that have become due, will be subject to the pledge created by the Bond Resolution.

The Authority will cause to be deposited into the Interest and Sinking Fund from the Pledged Revenues an amount that is sufficient (together with any other money on deposit therein) to provide for the timely payment of the Bond Obligations, such deposit to be made 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, after any Rent Payment Date but before the date that payment of the principal of, premium, if any, and interest on the Bonds next comes due following such Rent Payment Date, the Comptroller receives telephonic instructions of the Executive Director to transfer funds to the Interest and Sinking Fund from funds lawfully appropriated or other funds lawfully available to the Commission as may be directed by the Commission in order to cure a deficiency in the Interest and Sinking Fund, the Comptroller, upon receipt of such instructions, must make such transfer in the amount and otherwise in accordance with such instructions.

Pursuant to each of the Leases, insurance or condemnation proceeds received as a result of damage, destruction, or condemnation of all or any portion of the Projects may either be: (i) applied toward the prepayment of Rent Payments in the inverse order of their due dates (or with respect to the Series 1992B Lease, applied pursuant to the terms of the related Funds Management Agreement entered into between the Authority and the State Comptroller) or (ii) used to restore or replace all or a portion of the Projects. If such proceeds are to be used to restore or replace one or more of the Projects, such proceeds must be deposited into the Restoration Fund relating to the particular Project to be restored or replaced. Proceeds derived from the sale or other disposition of any of the Projects, at the direction of the Authority, must be disbursed from the applicable Restoration Fund as if it were the related Project Fund (as created in the bond resolutions authorizing the issuance of the Prior Bonds) in all respects, except that pursuant to each of the Leases, certain of such proceeds must be transferred to the applicable interest and sinking fund rather than applied to the restoration or replacement of any portion of the Projects. Any money remaining in the applicable Restoration Fund after the payment of all restoration or replacement costs, as evidenced by a certificate of an Authorized Representative, must be deposited into the applicable interest and sinking fund, including the Interest and Sinking Fund, when applicable, or into the State Lease Fund Account.

Money held by the Comptroller may be invested in any investment authorized by law for State funds as selected by the Comptroller. Income from any investment of money in a Fund shall be deposited in such Fund.

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

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds is to be paid to and credited 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between



Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other 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 Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners; in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Participants and Indirect Participants.

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

### **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 Bond Owners should be read to include the person for which the Direct Participant or Indirect 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 Bond Owners under the Bond Resolution will be given only to DTC.

## **DESCRIPTION OF THE TRANSACTION DOCUMENTS**

### **Selected Definitions**

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

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

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

*Authority Representative* - each of the Executive Director, General Counsel, Deputy Director, and Chief Accountant of the Authority, or any other member of the Authority's staff designated by the Executive Director or the Authority Board as an Authority Representative.

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

*Bond Administration Costs* - the paying agency, financial advisory, legal, arbitrage compliance, and other costs incurred by or on behalf of the Authority (including without limitation, costs of enforcing the Transaction Documents and attorneys' fees) in connection with the administration of the Bonds.

*Bond Counsel* - any nationally recognized law firm experienced in legal work relating to the issuance of tax-exempt bonds that is engaged by the Authority to render services to the Authority as bond counsel.

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

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

*Bond Owners' Direction* - an instrument or instruments executed by the owners of not less than a majority in aggregate principal amount of the Bonds then outstanding, directing or consenting to the taking of some specific action(s).

*Bond Resolution* - the Bond Resolution adopted by the Board on June 5, 2008, including any amendments thereto.

*Book Entry Bond* - any Bond administered under a book entry system pursuant to the Bond Resolution.

*Business Day* - any day that is a day on which both the Comptroller and the Authority are open for business and, while any Person other than the Authority is the Paying Agent/Registrar, on which financial institutions in the city where the office for payment of the Paying Agent/Registrar is located are not authorized by law or executive order to close.

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

*Closing* - the concurrent delivery of the Bonds to or upon the order of any purchaser of such Bonds in exchange for payment therefor.

*Closing Date* - the date of the Closing.

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

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

*Costs of Issuance* - the "costs of issuance," as provided in the Authorizing Law and the Authority Regulations, incurred in connection with the issuance of the Bonds.

*Commission* - the Texas Facilities Commission and any successor thereto.

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

*Enabling Law* - the Texas Public Finance Authority Act (Chapter 1232, Texas Government Code), as amended.

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

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

*Escrow Fund* - the "Texas Public Finance Authority Building Revenue Refunding Bonds, Series 2008 Escrow Fund," created pursuant to the Escrow Agreement.

*Event of Default* - the events described under this Section under – "The Bond Resolution - *Events of Default*".

*Event of Nonappropriation* - the failure of the Legislature to appropriate for any fiscal period of the State sufficient funds that are lawfully available to pay all Lease Payments that are to come due (or estimated to come due) during such fiscal period. An Event of Nonappropriation shall be determined as of the first day of each such fiscal period.

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

*Fund(s)* - collectively or individually, the Interest and Sinking Fund, the Costs of Issuance Fund, and the Restoration Funds.

*Government Obligations* - any of the following: (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (4) such other investments now or hereafter authorized by Chapter 1207, Texas Government Code, as amended, for the investment of escrow deposits.

*Interest and Sinking Fund* - the "Texas Public Finance Authority Building Revenue Refunding Bonds (Texas Facilities Commission Projects), Series 2008 Interest and Sinking Fund" created pursuant to the Bond Resolution.

*Lease or Leases* - means all or any one of the Series 1997A Lease, the Series 1994A Lease, and the Series 1992B Lease.

*Lease Payments* - the Rent Payments and/or any other payment of money required to be paid or made available by the Commission pursuant to the Leases, including (without limitation) costs of insurance required to be maintained pursuant to each Lease, Bond Administration Costs, and payments indemnifying the Authority.

*Legislature* - the Legislature of the State.

*Paying Agent/Registrar* - means initially, the Authority, or any financial institution appointed by the Authority to act 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.

*Pledged Revenues* - collectively, with respect to the Bonds the following:

- (1) all Rent Payments, except the amount of Rent Payments used by the Authority for the purchase of insurance or to fund a self-insurance program as described in each Lease;
- (2) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and
- (3) if the Lease is terminated with respect to any Project, the net revenues (i.e., revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from that Project.

*Pledged Security* - collectively, all right, title, and interest of the Authority in and to the following:

- (1) the Pledged Revenues;
- (2) any rights and remedies of the Authority under each Lease or any other lease or use arrangement of all or any part of the Projects (except for any right to receive proceeds of insurance maintained with respect to the Projects, to indemnification, and to payment of Bond Administration Costs); and

(3) amounts in the Interest and Sinking Fund.

*Project or Projects* - all or any one of the Series 1992B Project, the Series 1994A Project, and the Series 1997A Project.

*Project Site* - the land on which each Project is situated, as may be described in each Lease.

*Project Description* - the description of the facilities constituting the Projects as set forth in an exhibit to each Lease.

*Purchase Contract* - the bond purchase contract relating to the Bonds between the Authority and the Underwriters.

*Rating Agency* - Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., or Moody's Investors Service or any successor to Standard & Poor's Ratings Services or Moody's Investors Service, or any nationally recognized securities rating agency that shall have assigned a rating that is then in effect with respect to the Bonds, but only upon the application of the Authority.

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

*Refunded Bonds* - the portion of the Series 1997A Bonds which are being refunded by the issuance of the Bonds.

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

*Regular Rent Payment Date* - the second Business Day preceding any day on which principal of or premium, if any, or interest comes due on the Bonds.

*Rent Payment Date* - any date on which Rent Payments are required to be paid pursuant to a Lease.

*Rent Payments* - the portion of the Lease Payment (under each Lease) attributable to debt service on the Bonds.

*Restoration Fund or Restoration Funds* - all or any one of the restoration funds established or confirmed pursuant to the Bond Resolution and the bond resolutions authorizing issuance of the Prior Bonds.

*Series 1992B Lease* - the Amended and Restated Lease Agreement - 1987, 1990A, 1990B, 1991A, and 1992B Building Projects between the Authority and the Commission, dated as of October 15, 1992, pertaining to the Authority's Building Revenue and Revenue Refunding Bonds, Series 1992B, including any amendments thereto, providing the terms and conditions (1) under which the financing of the Series 1992B Project was undertaken and (2) of the lease of the Series 1992B Project to the Commission.

*Series 1994A Lease* - the Lease Agreement between the Authority and the Commission, dated as of September 1, 1994, pertaining to the Authority's Building Revenue Bonds, Series 1994A, including any amendments thereto, providing the terms and conditions (1) under which the financing of the Series 1994A Project was undertaken and (2) of the lease of the Series 1994A Project to the Commission.

*Series 1997A Lease* - the Lease Agreement between the Authority and the Commission, dated as of November 1, 1997, pertaining to the Authority's Building Revenue and Revenue Refunding Bonds (General Services Commission Projects), Series 1997A, including any amendments thereto, providing the terms and conditions (1) under which the financing of the Series 1997A Project was undertaken and (2) of the lease of the Series 1997A Project to the Commission.

*Series 1992B Project* - the Project as such term is defined in the Series 1992B Lease.

*Series 1994A Project* - the Project as such term is defined in the Series 1994A Lease.

*Series 1997A Project* - the Project as such term is defined in the Series 1997A Lease.

*Special Rent Payment Date* -any date (other than a Regular Rent Payment Date) fixed by the Executive Director pursuant to each Lease for the payment of a Rent Payment.

*State* - means the State of Texas.

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

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due;
- (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 Document(s)* – as used in the Bond Resolution, collectively, the Bond Resolution, the Leases, the Escrow Agreement, the Bonds, and the Purchase Contract.

## **The Bond Resolution**

The Bonds will be issued pursuant to the bond resolution adopted by the Authority Board on June 5, 2008 (the "Bond Resolution"). The following is a summary of certain provisions of the Bond Resolution. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution is available for examination at the offices of the Authority.

***Security for the Bonds.*** The Authority, pursuant to the Bond Resolution, has pledged as the sole security for the Bonds all of its right, title, and interest in and to the Pledged Security.

***No Additional Encumbrance.*** The Authority cannot incur additional debt secured by the Pledged Security in any manner except as specifically set forth in the Bond Resolution unless such debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Bond Resolution. Notwithstanding anything to the contrary in the Bond Resolution, the Authority reserves the right to issue obligations to refund the Bonds and to finance other improvements to any or all of the Projects or any part thereof or the property on which any part of any such Project is situated pursuant to other lease agreements and to secure such obligations with a pledge of the amounts to be received from such lease agreements.

***Bond Ownership.*** A Bond Owner is deemed as the absolute owner of the Bonds for all purposes. The Paying Agent/Registrar is not bound to recognize any Person as the owner of any Bond or take action at such Person's request unless such Person furnishes evidence of its identity as the Bond Owner satisfactory to the Paying Agent/Registrar. Notwithstanding any contrary provision of the Bond Resolution, for purposes of determining whether the requisite number of Bond Owners have taken any action authorized thereunder, the Authority will count the beneficial owners of Bonds registered in the name of a securities depository, or its nominee, provided the Authority has received written notice acceptable to the Authority from said securities depository confirming that such beneficial owners have consented to or otherwise taken such action. So long as the Bonds are in book-entry form, all required notices to Bond Owners will be given only to a securities depository or its nominee.

***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, or (2) during the 30-day period preceding the maturity date of the Bond.

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.

***Application of Pledged Revenues.*** The Authority will cause to be deposited into the Interest and Sinking Fund from the Pledged Revenues an amount sufficient (together with any other money on deposit therein) to provide for the timely payment of the Bond Obligations, such deposit to be made not later than the second Business Day preceding each date on which any Bond Obligations come due. The Executive Director may direct any such deposit to be made 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.

***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.

***Application of the Restoration Funds.*** The Restoration Funds will be applied to pay the costs of restoring or replacing any or all of the Projects if the Commission elects to restore or replace any of the Projects pursuant to one or more Leases following any damage to any of the Projects or the taking of any of the Projects (or any part thereof) through the exercise of the power of eminent domain. Money on deposit in any Restoration Fund will be disbursed in accordance with the procedures for the disbursement of any applicable Project Fund (as created pursuant to the bond resolutions authorizing the issuance of the Prior Bonds), to the extent such procedures can be made applicable, with such alteration in such procedures as the Executive Director determines appropriate.

***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 Payment.*** 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 become 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 money 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.

***Amendment of Bond Resolution. Amendment Without Consent of Bond Owners.*** The Bond Resolution may be amended without consent of or notice to the Bond Owners of outstanding Bonds if the Executive Director of the Authority first receives (i) Bond Counsel's opinion to the effect that such amendment will not constitute an Event of Taxability and (ii) Bond Counsel's opinion or written advice of the Attorney General to the effect that such amendment will not violate the terms of the Authorizing Law and other applicable State or federal law or adversely affect the rights of the Bond Owners of the outstanding Bonds under the Transaction Documents, including without limitation, amendments, changes, or modifications to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange, or similar types of agreements with respect to the Bonds.

***Amendment With Consent of Majority of Bond Owners.*** In addition to amendments described under the preceding paragraph, the Bond Resolution may also be amended with the consent of the Bond Owners aggregating a majority in principal amount of the aggregate principal amount of Bonds then outstanding.

***Amendment With Consent of All Bond Owners.*** Notwithstanding the foregoing, nothing contained in the Bond Resolution or any Transaction Document may permit or be construed to permit, without the approval of the Bond Owners of all of the outstanding Bonds, the amendment of the terms and conditions of any Transaction Document or in any Bond so as to:

- (1) Make any change in the maturity of the outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Bonds;
- (4) Modify the terms of payment of principal of, premium (if any), or interest on the outstanding Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the Bond Owners of less than all of the Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment; or
- (7) Change the Pledged Revenues.

No amendment to the Bond Resolution can take effect until the Executive Director obtains an opinion of Bond Counsel or the written advice of the Attorney General of Texas 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.



**Amendment of Leases.** Each Lease may be amended by the Authority and the Commission by mutual agreement in accordance with the provisions of the respective Leases. (See " – The Leases – *Amendment of Leases*" below.)

**Defeasance of Bonds.** The Bond Obligations on any Bond(s) will be deemed discharged when the following requirements have been satisfied: (i) the payment of such Bond Obligations has been provided for by irrevocably depositing Sufficient Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar, which Sufficient Assets are to be held in trust in a separate escrow account and applied exclusively to the payment of such Bond Obligations; (ii) the Authority has received an opinion of Bond Counsel to the effect that such deposit of Sufficient Assets will not constitute an Event of Taxability and complies with State law; and all conditions precedent to such Bond Obligations being deemed discharged have been satisfied; (iii) all amounts (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Bond Resolution (including, without limitation, compensation of the Paying Agent/Registrar) 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 (iv) 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 maturity, the principal amount within a maturity) will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot or by other random method in such manner as the Paying Agent/Registrar determines.

The Paying Agent/Registrar must transfer funds from the Interest and Sinking Fund or an escrow account established pursuant to the Bond Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations on the Bond(s).

To the extent permitted by law, the Paying Agent/Registrar, at the Executive Director's direction, may substitute, for any of the securities or obligations deposited as Sufficient Assets, other securities or obligations constituting Sufficient Assets if, upon such substitution, the above described requirements are satisfied. Any net proceeds realized from such a substitution must be paid to the Authority.

**Events of Default.** Each of the following events are defined in the Bond Resolution to be and to constitute an "Event of Default":

- (i) the failure to pay when due any Bond Obligations except upon an Event of Nonappropriation (as defined in the Leases);
- (ii) the breach by the Authority of any of its obligations (other than its obligation to pay Bond Obligations) under the Transaction Documents, which breach materially and adversely affects the rights of any Bond Owner under the Transaction Documents, and the continuation of such breach for at least 45 days after the date of receipt by the Executive Director of written notice of such breach from the Bond Owners holding not less than 25 percent in aggregate principal amount of the outstanding Bonds;
- (iii) the occurrence of any act of bankruptcy of the Commission, the Authority, or the State; or
- (iv) the occurrence of any "Event of Default" as defined in the Leases or any other lease (or other use arrangement) of the Projects entered into by the Authority relating to any or all of the Projects.

**Acceleration.** Upon the occurrence of an Event of Default arising from the failure to (i) pay any Bond Obligations when due or (ii) make a Lease Payment when due (other than as a result of an Event of Nonappropriation), at the Bond Owners' Direction, the Bond Obligations on all outstanding Bonds may be declared immediately due and payable, to the extent that the Legislature has appropriated funds for payment, and thereupon such Bond Obligations will be immediately due and payable to the extent that the Legislature has appropriated funds for payment.

***Enforcement of Rights and Remedies.*** During the continuance of an Event of Default or an Event of Nonappropriation, the Bond Owners, as the pledgees and assignees for security purposes of all right, title, and interest of the Authority in and to the Pledged Security, acting pursuant to Bond Owners' Direction and upon compliance with applicable requirements of law, will have standing and the exclusive right to enforce the rights and remedies of the Authority with respect to the Pledged Security to the extent permitted by law. The Authority will cooperate in such enforcement to the extent permitted by law, but the Authority will not be required to take any action in that connection except at the Bond Owners' Direction. During the continuance of an Event of Default or an Event of Nonappropriation, an agent of the Bond Owners may be appointed through the Bond Owners' Direction, to exercise any rights and remedies available to the Bond Owners with respect to the Pledged Security as though such agent were the Authority.

Upon the occurrence of an Event of Default or an Event of Nonappropriation, any one or more of the following actions may be taken acting pursuant to the Bond Owners' Direction:

- (i) by suit for damages or injunction, or by other action or proceeding at law or in equity, enforce all rights of the Bond Owners or require the Authority to carry out any agreements with or for the benefit of the Bond Owners and to perform its duties under the Transaction Documents;
- (ii) by action in equity, enjoin any acts that may be unlawful or in violation of the rights of the Bond Owners;
- (iii) by out-of-court proceeding or by suit, action, or other proceeding at law or in equity, enforce and exercise all rights of the Bond Owners and the Authority under the Transaction Documents; and
- (iv) upon the filing of a suit or commencement of any other action or proceeding to enforce the rights of the Authority or the Bond Owners, have a receiver appointed for the Pledged Security with such powers as are provided by law and such additional powers as the court making such appointment may confer.

Any judgment against the Authority may be enforceable only against the Pledged Security. There may not be authorized any deficiency judgment against any assets of, or the general credit of, the Authority, the Comptroller, the Commission, or the State.

In addition to the remedies provided under the Bond Resolution, the Bond Owners, acting pursuant to Bond Owners' Direction, may exercise any other rights and remedies afforded by law. To the extent permitted by law, any suit or other action or proceeding instituted by the Bond Owners may be instituted, if necessary, in the name of the Authority for the benefit of the Bond Owners. No delay or omission to exercise any right or power existing upon any breach of the Bond Resolution or the Leases may impair such right or power or constitute a waiver thereof, and each such right or power may be exercised as often as deemed expedient.

***Restoration of Rights.*** If any action taken by the Bond Owners as a result of an Event of Default or Event of Nonappropriation is discontinued or abandoned for any reason, or is determined adversely to the Bond Owners, the Bond Owners will be restored to their respective former positions and rights under the Transaction Documents, and all rights, remedies, and powers of the Bond Owners will continue as though no such action had been taken.

***Bond Owner's Right to Enforce Payment.*** The Bond Resolution does not impair the right of any Bond Owner to enforce, by suit or otherwise, its right to payment of its Bonds.

***Remedies Nonexclusive.*** No remedy available to the Bond Owners under the Transaction Documents is intended to be exclusive of any other remedy, except as expressly provided therein, and each such remedy is cumulative.

***Application of Funds upon Enforcement of Remedies.*** Upon an acceleration of Bond Obligations pursuant to the Bond Resolution, the Authority will take all action permitted by law to transfer all Pledged Revenues held by it or on its behalf to the Interest and Sinking Fund.

All funds received as a result of any remedies enforced pursuant to the Bond Resolution must be deposited in the Interest and Sinking Fund. All funds so deposited in the Interest and Sinking Fund (other than funds for the payment of Bonds that have matured or otherwise become payable prior to the Event of Default giving rise to such deposit or for the payment of interest due prior to such Event of Default) must be applied as follows:

- (i) first, to the payment of Bond Administration Costs;
- (ii) second, to the ratable payment of all unpaid interest due on the Bonds;
- (iii) third, to the payment of the unpaid principal of (and any premium on) the Bonds that have become due, along with interest on such overdue principal from the respective dates upon which such principal became due, and, if the amount available is not sufficient to pay in full such amounts on any particular date, then to the payment ratably, according to the amount of principal due on such date, without any discrimination or privilege among the Bonds Owners entitled to such payment; and
- (iv) fourth, to the Authority to be applied in accordance with the law.

***Notice by Authority of Default or Nonappropriation.*** Upon the occurrence and continuation of an Event of Default or an Event of Nonappropriation known to the Authority, the Executive Director, within ten days after the date of becoming aware of the occurrence thereof, must notify, or cause the Paying Agent/Registrar to notify, each Bond Owner then outstanding of such default or Event of Nonappropriation.

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

## **The Leases**

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

The Series 1992B Lease uses the terms "Lease Payment Date", "Regular Lease Payment Date" and "Special Lease Payment Date" respectively, in place of, but with the same meaning, as the terms "Rent Payment Date", "Regular Rent Payment Date", and "Special Rent Payment Date" used in the summary below. The Series 1992B Lease does not use the term "Rent Payment" to differentiate that portion of the Lease Payments attributable to debt service due on the Bonds from other amounts due from the Commission pursuant to the Series 1992B Lease. However, the term "Rent Payment" is used in this summary to mean, with respect to the Series 1992B Lease, that portion of the "Lease Payment" (defined in the Series 1992B Lease as those payments required to be paid by the Commission pursuant to the Series 1992B Lease) attributable to debt service on the Bonds.

***Lease of Projects.*** Each Lease provides that the Authority leases the respective Project to the Commission, and the Commission leases such Project from the Authority.

***Rent Payments.*** On each Rent Payment Date, the Commission must pay or cause to be paid Rent Payments in the amounts, at the times, and otherwise in accordance with each Lease. The Commission must pay the Rent Payments or cause the Rent Payments to be paid, from funds lawfully available for the payment of Rent Payments, to the Comptroller for deposit into the Interest and Sinking Fund. Each Rent Payment must be paid in immediately available funds in an amount that is sufficient (together with any funds then on deposit in the Interest and Sinking Fund) to provide for the timely payment of the Bond Obligations next coming due. Rent Payments are due on each Regular Rent Payment Date (the second business day preceding the date each payment of principal, premium, if any, or interest is due on the Bonds), provided, however, that the Executive Director may establish any other date as a

Special Rent Payment Date for the payment of any amounts due under each Lease. If, on the Business Day immediately preceding any date on which Bond Obligations come due, the Authorized Representative of the Commission receives telephonic notice from the Executive Director (promptly confirmed in writing) to the effect that the Interest and Sinking Fund does not contain sufficient funds for the payment of such Bond Obligations, the Commission must immediately (before the close of business) cause to be deposited into the Interest and Sinking Fund immediately available funds (to the extent lawfully available) in an amount that is sufficient (together with the funds then on deposit in the Interest and Sinking Fund) to pay such Bond Obligations.

The Commission may prepay Rent Payments or cause Rent Payments to be prepaid at any time and in any amount. Any prepayment by the Commission will not relieve it of liability for each remaining Rent Payment as provided in each Lease and the Bond Resolution or reduce the amount of any Rent Payment. If all or any part of the Bonds are called for redemption in accordance with the Bond Resolution, the Commission must prepay, to the extent funds are lawfully available by legislative appropriation or otherwise, Rent Payments sufficient to pay and redeem such Bonds on the date fixed for redemption, or, if the Authority deems it to be more advantageous, to buy Bonds on the open market for cancellation at a price not greater than the par value thereof plus interest thereon.

The Commission has agreed to transfer and pay to the Authority as a portion of the Lease Payments (of which the Rent Payments are a component), an amount in addition to the Rent Payments that is related to certain overhead and operating expenses caused by the Bonds being outstanding and the Projects, determined annually by the Authority and certified to the Commission as the amount payable for such purposes.

***Commission's Obligation Unconditional Subject to Appropriation.*** All obligations of the Commission under each Lease are absolute and unconditional and are not subject to any diminution, abatement, set-off, or counterclaim and the Commission may not suspend or discontinue any Lease Payment. The Commission must apply, or cause to be applied, any funds lawfully available to it to pay the Lease Payments as they come due. In each Lease, the Commission waives, to the extent permitted by applicable law, any right that it may have to terminate or cancel such Lease, except in accordance with the express terms thereof. Notwithstanding any other provision of each Lease, including the preceding provision, the payment of Lease Payments and other payments required to be made by the Commission thereunder will be subject to appropriations by the Legislature of funds necessary to make the payments required under each Lease.

***Changes in Plans and Specifications and Project Site and Substitution of Projects.*** The Commission may alter all or any of the Projects (as described in the respective Project Description in each Lease) or substitute other facilities for all or any part of the Projects if, before such alteration or substitution is made:

- (i) in the case of an alteration or substitution that would cause the amount of funds necessary to complete the acquisition and construction of all or any of the Projects (as altered or substituted) to exceed the Project Completion Amount, an Authorized Representative of the Commission certifies to the Executive Director that the Commission has sufficient legally available funds to complete the acquisition and construction of all or any of the Projects;
- (ii) the Authorized Representative of the Commission obtains an opinion of Bond Counsel or the written advice of the Attorney General of the State of Texas to the effect that such alteration or substitution is authorized by law and would not constitute an Event of Taxability; and
- (iii) an Authorized Representative of the Commission notifies the Executive Director of such alteration or substitution and provides the Executive Director of the Authority with a revised Project Description describing such Project or Projects as altered or substituted.

***Maintenance and Operation.*** The maintenance and operation of the Projects, and any costs associated therewith, will be the sole responsibility of the Commission. The Authority assumes no responsibility for the destruction or deterioration of or damage to the Projects or for any theft or other loss of any personal property located at the Projects.

***Project Insurance; Damage or Destruction; Condemnation.*** The Authority must obtain and maintain insurance with respect to the facilities constituting the Projects for the following types of coverage to the extent that Lease Payments (inclusive of Rent Payments) or other funds are lawfully available for such purpose: (i) with respect to the Series 1992B Lease and the Series 1997A Lease, fire and extended coverage, without a coinsurance penalty, in an amount (to the extent of insurability) not less than an amount equal to 100% of the replacement value of each Project or 100% of the replacement value of all Projects if insurance is written on a blanket basis, and with respect to the Series 1994A Lease, the Commission must provide such insurance in an amount not less than an amount equal to 110% of the outstanding aggregate principal amount of related bonds and (ii) business interruption or other time element coverage in an amount not less than one year of debt service on the outstanding Bonds and on the related Prior Bonds.

Compliance with the requirements stated above is not required to the extent that: (i) the Authority determines that the prescribed insurance coverage is unavailable or is available only at unreasonable rates; or (ii) the Authority establishes, or causes to be established, a self-insurance program that, in the opinion of a nationally recognized actuary selected by the Authority, which opinion is furnished to the Authority at least once every two years, is actuarially sound.

The Authority must furnish the Commission with a copy of each policy of insurance maintained under each Lease. The Commission (to the extent permitted by law) must cooperate with the Authority in obtaining and maintaining the insurance required. If a claim arises under any insurance maintained under a Lease, the Authority must diligently pursue collection under the insurance policy. The net proceeds of any business interruption or other time element insurance will be applied to the payment or prepayment of Rent Payments.

To the extent the Authority elects to maintain any insurance with respect to the Projects, the Commission must make, or cause to be made, available to the Authority lawfully available funds sufficient for the timely payment of premiums on insurance maintained pursuant to, and other costs incident to the administration of, the provisions described under this subheading.

If insurance or condemnation proceeds are received as a result of any damage to, or the taking through the exercise of the power of eminent domain of any portion of the Projects, not later than the 120<sup>th</sup> day after receipt of such proceeds (or with respect to the Series 1992B Lease, not later than the 180<sup>th</sup> day after receipt of such proceeds), the Commission must elect, by notice to the Authority, to (i) restore such portion of the Projects, (ii) replace the damaged or taken portion of the Projects with other facilities or (iii) prepay Rent Payments in inverse order of their due dates (or with respect to the Series 1992B Lease, prepay Rent Payments pursuant to the provisions of the Funds Management Agreement related to the Series 1992B Lease and entered into with the State Comptroller).

***Use.*** Each Lease in no way limits or prohibits the Legislature or the Commission from using the Projects for any lawful purposes under the laws of the State, including leasing or subleasing any portion of the Projects to any agency or political subdivision of the State; provided, however, before any such action is taken, the Executive Director determines that such action will not constitute an Event of Taxability. No sublease by the Commission of any portion of the Projects may release the Commission from, or mitigate its obligations under, a Lease and the Commission will continue to be obligated to make all payments required under such Lease.

***Disposition of Projects.*** At the direction of the Legislature, the Authority may sell or otherwise dispose of all or any part of any Project (or all Projects), provided the Authority applies the proceeds of such sale or disposition in accordance with such directive. Pursuant to the Series 1997A Lease, any such legislative directive must appropriate the proceeds of such sale or other disposition for deposit into the applicable Restoration Fund and be used to pay Project Costs of a substitute Project or be transferred to the Interest and Sinking Fund to be applied in accordance with the Bond Resolution or to the applicable interest and sinking fund to be applied in accordance with the bond resolution authorizing the issuance of the applicable Prior Bonds.

***Events of Default Defined.*** The following are "Events of Default" under the Leases and the term "Event of Default" means, whenever used in a Lease, any one or more of the following events:

- (i) Failure by the Commission to pay any Lease Payment when due, except upon an Event of Nonappropriation;

(ii) Failure by the Commission to cure any breach by the Commission of any representation, warranty, or agreement under a Lease (A) within 45 days (or, in such case, such longer period as the Authority in its discretion, may specify) pursuant to the Series 1994A Lease and the Series 1997A Lease, and (B) pursuant to the Series 1992B Lease, within 30 days (or, in each case, such longer period as the Authority may specify, but no later than 60 days), after the date of having been directed by the Authority to cure such breach unless the Authority has extended such period or has waived such breach;

(iii) Any act of bankruptcy by the Commission, the Authority, the Comptroller, or the State; or

(iv) The occurrence of an "Event of Default" under the Bond Resolution or under the bond resolutions for the applicable series of Prior Bonds.

***Remedies Upon Occurrence of Events of Default.*** During the continuance of any Event of Default arising from the failure to make a Lease Payment, or during the continuance of an Event of Nonappropriation, any one or more of the following remedial actions may be taken by the Authority:

(i) Enter and take possession of any or each Project (or all Projects) without terminating the related Lease or Leases, and sublease any or each Project (or all Projects) for the account of the Commission, holding the Commission and any sublessee of the Commission liable for the difference in the rent and other amounts payable by the sublessee in such subleasing and the Lease Payments and other amounts payable by the Commission under the related Lease or Leases so long as the Legislature shall have appropriated funds to the Commission to pay such amounts.

(ii) Terminate the related Lease or Leases, enter and take possession of any or all Projects, and at its option, to the extent permitted by law, lease all or any portion of any or all Projects to another party for the account of the Commission, holding the Commission and any sublessee of the Commission liable for all Lease Payments and other amounts due under the related Lease or Leases and not paid by such other party so long as the Legislature has appropriated funds to the Commission to pay such amounts.

(iii) Take any action at law or in equity to collect any amount due or that may become due under the related Lease or Leases, or to enforce performance of any obligation of the Commission under the related Lease or Leases, by mandamus or otherwise.

No remedy in a Lease conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy is cumulative and in addition to every other remedy given under a Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default will impair any such right or power or will be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it will not be necessary to give any notice other than such notice as may be required in each Lease.

To the extent provided in the Bond Resolution, such rights and remedies as are given the Authority thereunder will, upon execution and delivery of the Bond Resolution, be assigned to the Bond Owners, as provided in the Bond Resolution, and a majority of such Bond Owners will have the right to exercise such rights and remedies in the same manner and under the limitations and conditions that such Bond Owners are entitled to exercise rights and remedies upon the occurrence of an Event of Default or an Event of Nonappropriation pursuant to the Bond Resolution.

***Performance of Obligations by Authority or Commission.*** Pursuant to the Series 1994A Lease and the Series 1997A Lease, while the Commission is in default of any provision of either such Lease, the Commission authorizes (to the extent permitted by law) the Authority to take any lawful action to cure such default and to act in the name and stead of the Commission to the same extent as the Commission is empowered to act. Pursuant to the Series 1992B Lease, with regard to any alleged Event of Default, notice of which is provided to the Authority and the Commission, the Authority authorizes the Commission to perform and observe any covenant or obligation not performed or observed as described in the notice, in the name and stead of the Authority to the same extent as the Authority is empowered to act.

***Remedies Upon an Event of Nonappropriation.*** Upon an Event of Nonappropriation, the Authority may exercise its remedies to the extent described above, except that the Authority may not seek to compel payment from the Commission, whether by an acceleration of the Bonds, by mandamus, or by any other legal or equitable proceeding of Rent Payments for which there has been no appropriation by the Legislature.

***Term of Leases.*** Unless otherwise terminated as provided therein, each Lease will remain in full force and effect from the date thereof until the Bond Obligations on the Bonds and the related series of Prior Bonds have been paid (or provision has been made for such payment pursuant to the Bond Resolution or other respective bond resolution) and all other obligations of each Lease have been satisfied.

***Reinstatement.*** If a Lease is terminated as a result of the occurrence of an Event of Default, the Authority agrees to reinstate such Lease when all defaults under such Lease have been cured or waived, and the Commission will be restored to the use, occupancy, and possession of the Projects, subject to the rights of any tenant who has entered into a binding agreement providing for the leasing of all or any of the Projects.

***Conveyance Upon Termination.*** When a Lease is terminated as a result of the Bond Obligations on all outstanding Bonds and the related series of Prior Bonds having been paid, the Executive Director will notify the Commission that Lease Payments are no longer required to be made. In addition, the Authority will, for the sum of \$1.00 paid to it, convey its right, title, and interest in the Projects to the Commission.

***Amendment of Leases.*** *Amendment of the Series 1992B Lease:* The Authority and the Commission, by mutual agreement, may amend the Series 1992B Lease with the consent of the owners of at least a majority in aggregate principal amount of the outstanding Series 1992B Bonds, Series 2004A Bonds, and the Bonds, in the manner described in the respective bond resolutions for amendment of such bond resolutions; provided, however, the Series 1992B Lease may not be amended without the consent of each such bond owner so as to alter the obligation of the Commission to pay Lease Payments when due, terminate or cancel the Series 1992B Lease, or decrease the minimum percentage of the principal amount of the related bonds the owners of which must consent to any such amendment.

The Series 1992B Lease may be amended without the consent of such bond owners if the Authority obtains an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability and an opinion or the written advice of the Attorney General of the State to the effect that such amendment will not violate the Authorizing Law or the applicable bond resolutions or other applicable law or adversely affect the rights of the owners of related bonds under the Series 1992B Lease, the applicable bond resolutions, or the related Funds Management Agreement. The Series 1992B Lease may also be amended without the consent of such bond owners: (i) to cure any ambiguity or formal defect or omissions in the Series 1992B Lease or to make any agreements not adverse to the interests of the related bond owners; (ii) for the benefit of related bond owners, to grant to the Authority any additional rights, remedies, powers, or authority that may lawfully be granted to the Authority; (iii) to subject to the Series 1992B Lease, additional revenue or collateral; (iv) in connection with the issuance of additional bonds; (v) to add agreements of the Commission to be observed thereafter for the protection of the Authority or to surrender or limit any right of the Commission; and (vi) to amend or supplement the Project Description as contemplated in the Series 1992B Lease

*Amendment of the Series 1994A Lease and the Series 1997A Lease:* The Authority and the Commission, by mutual agreement, may amend the Series 1994A Lease and the Series 1997A Lease if, before any such amendment takes effect:

- (i) The Commission obtains an opinion of its legal counsel to the effect that such amendment is permitted under the Commission's enabling act and other law governing the Commission;
- (ii) The Executive Director obtains an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability and the written advice of the Attorney General of the State or an opinion of bond counsel to the effect that such amendment will not violate the Authorizing Law or the applicable bond resolution or other applicable law; and

(iii) Either of the following requirements is satisfied:

(A) The Executive Director obtains an opinion of Bond Counsel or the written advice of the Attorney General of the State to the effect that such amendment will not adversely affect the rights of the bond owners under the respective related bond resolutions (for the Series 1994A Lease, the owners of the Series 2002 Bonds, the Series 2004A Bonds, and the Bonds, and for the Series 1997A Lease, the owners of the Series 2004A Bonds and the Bonds); or

(B) The owners of at least a majority in aggregate principal amount of the respective related outstanding bonds (for the Series 1994A Lease, the owners of the Series 2002 Bonds, the Series 2004A Bonds, and the Bonds, and for the Series 1997A Lease, the owners of the Series 2004A Bonds and the Bonds) affected by such amendment consent thereto, except that the consent of the Bond Owner affected by such amendment is required if such amendment would decrease the minimum percentage of owners of the respective related outstanding bonds required for effective consent to such amendment.

***Investment of Funds.*** The money on deposit in any Fund may be invested and reinvested only in Eligible Investments by the Comptroller in accordance with applicable State law. The investments of each Fund must 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, will be deposited into such Fund. Uninvested funds (if any) in any Fund must be secured in the manner and to the extent required by law.

### **The Escrow Agreement**

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

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

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

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("S&P") have assigned underlying, unenhanced ratings of "Aa2" and "AA-" by Moody's and S&P, respectively. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective view of such organizations and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such 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.



## TAX EXEMPTION

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on Bonds is excludable from gross income for federal income tax purposes under existing law, (ii) the Bonds are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”) and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except 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 Issuer has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Issuer’s Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer’s Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the Issuer should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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, REMIC or FASIT), 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 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 Issuer as the taxpayer and the 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 during the pendency of the audit 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, taxpayers owning an interest in a FASIT that holds 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 initial offering price of all or a portion of the Bonds may exceed 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.

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

Chapter 1201, Texas Government Code, as amended, provides that obligations, such as the Bonds, are legal and authorized investments for insurance companies, fiduciaries and trustees, and for the sinking funds of municipalities and other political subdivisions or public agencies of the State. The Bonds are also eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended), the Bonds may need to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "RATINGS" herein.)

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

## LITIGATION

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority to deliver the Bonds or the validity of the Bonds. See Appendix A to this Official Statement concerning legal proceedings to which the State is a party relating to its operations and governmental functions but unrelated to the Bonds or the security for the Bonds.

## GENERAL INFORMATION REGARDING THE STATE OF TEXAS

The Comptroller prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters. The Bond Appendix is dated May 2008 and is incorporated herein as described in Appendix A. See "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller - General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

The Texas 2007 Comprehensive Annual Financial Report for the year ended August 31, 2007 (the "2007 CAFR") is currently on file with each nationally recognized municipal securities information repository ("NRMSIR"). The 2007 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein.

## 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 Bond Owners. 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 timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

**Material Event Notices.** In the Bond Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the Bonds if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the Authority will provide timely notice of any failure by the Comptroller to provide information, data, or financial statements in accordance with its agreement described below under "-Continuing Disclosure Undertaking of the Comptroller - Annual Reports." The Authority will provide each notice described in this paragraph to any state information depository ("SID") and to either each nationally recognized municipal securities information repository ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB"), or to any successors thereto, or any other entity as may be required pursuant to SEC Rule 15c2-12 (the "Rule").

### 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 Bond Owners 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 its agreement for so long as the Bonds may be paid from money drawn on the State's General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain

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

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares the Bond Appendix quarterly for use in State agency securities offerings. The Comptroller intends to continue to prepare or supplement such Bond Appendix quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with its disclosure agreement. Quarterly updates to the Bond Appendix are also available at <http://www.window.state.tx.us/treasops/bondapp.html>. In addition, the Comptroller publishes, and intends to continue to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Bondholders may subscribe to *Fiscal Notes* online at <https://www.window.state.tx.us/fnotes/fnmail.html> or by writing to Fiscal Notes, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained from the Comptroller by calling 1-800-531-5441.

**Annual Reports.** The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in the Bond Appendix in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each fiscal year ending in or after 2008. The Comptroller will provide the updated information to each NRMSIR and to any SID, or to any successors thereto, or any other entity as may be required pursuant to the Rule.

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

The State's current fiscal year end is August 31. Accordingly, it must provide updated information by March 13 in each year (or March 12 in a leap year) unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID (and any other entity, as may be required by the Rule) of the change.

**Material Event Notices.** The Comptroller will also provide timely notice of any failure to provide information, data, or financial statements in accordance with its agreement described above under "Continuing Disclosure Undertaking of the Comptroller-Annual Reports." Each notice described in this paragraph will be provided to any SID and to either each NRMSIR or the MSRB, and any other entity (as may be required by the Rule).

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

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

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, Post Office Box 2177, Austin, Texas 78768-2177, and its telephone number is (512) 476-6947. The MAC has also received SEC approval to operate, and is operating, a "central post office" for information filings made by municipal issuers, such as the Authority. An issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and

utilized at [www.DisclosureUSA.com](http://www.DisclosureUSA.com). The Authority may utilize DisclosureUSA for the filing of information relating to the Bonds unless the SEC has withdrawn the interpretive advice in its letter to the Municipal Advisory Council dated September 7, 2004, that was confirmed in a subsequent letter dated October 3, 2007.

### **Limitations and Amendments**

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

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Authority, the Comptroller and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Authority or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

### **Compliance with Prior Undertakings**

Neither the Authority nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by it in accordance with the Rule.

## **UNDERWRITING**

The Underwriters, as set forth on the cover of this Official Statement, have jointly and severally agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority (the "Purchase Agreement"), to purchase the Bonds at a price of \$15,817,430.35 (which represents the par amount of the Bonds, plus an original issue premium of \$343,722.10, less an underwriting discount of \$86,291.75). The Purchase Agreement provides that the Underwriters will purchase all of the Bonds, if any are purchased.

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

## **THE FINANCIAL ADVISOR**

Coastal Securities, Inc. is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Although the Financial Advisor has read and participated in the preparation of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's records and from other sources which are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information.

No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

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.

#### **VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS**

Grant Thornton LLP 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. Grant Thornton LLP will express no opinion on the assumptions provided to them, nor as to the exemption from federal taxation of the interest on the Bonds.

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

The sale of the Bonds has not been registered under the Securities Act of 1993, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for qualification of the bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

#### **LEGAL MATTERS**

Legal matters relating to the authorization, issuance, and sale of the Bonds by the Authority are subject to the approval of the Attorney General of the State of Texas 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. The compensation paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. Bond Counsel's opinion will be rendered in substantially the form attached to this Official Statement as Appendix C.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that in their capacity as Bond Counsel, such firm has reviewed the information in this Official Statement under the captions, "PLAN OF FINANCE," "THE BONDS" (except for the information under the sub-headings "Investment Considerations" and "State Lease Fund Account"), "DESCRIPTION OF THE TRANSACTION DOCUMENTS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Undertakings"), and "LEGAL MATTERS" to verify that the information contained therein relating to the Bonds and the Transaction Documents contained under such captions in all material respects accurately and fairly reflects the provisions of such instruments, and the statements contained herein under the headings "TAX EXEMPTION," "ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS," and "THE BONDS AS LEGAL INVESTMENTS IN TEXAS" are correct as to matters of law.

Certain legal matters will be passed upon for the Underwriters by Winstead PC, Austin, Texas, as counsel to the Underwriters. The compensation paid to Underwriters' Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds.

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

### **FORWARD LOOKING STATEMENTS**

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

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

### **MISCELLANEOUS**

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

This Official Statement has been approved by the Authority for distribution in accordance with provisions of SEC Rule 15c2-12, as codified at 17 C.F.R. Section 240.15c2-12.

### **TEXAS PUBLIC FINANCE AUTHORITY**

By: /s/ H. L. Bert Mijares, Jr.  
Chair

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**APPENDIX A**  
**THE STATE OF TEXAS**

The Bond Appendix, dated May 2008, is currently on file with each NRMSIR and the Texas SID and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html>. An updated Bond Appendix is expected to become available on August 1, 2008.

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**APPENDIX B**

**DEBT SERVICE REQUIREMENTS**

**Texas Public Finance Authority  
Building Revenue Refunding Bonds  
(Texas Facilities Commission Projects), Series 2008**

<u>Date</u>	<u>Outstanding Bonds Debt Service</u>	<u>Refunded Bonds Debt Service</u>	<u>Series 2008 Bonds</u>		<u>Annual Debt Service</u>	<u>Combined Annual Debt Service</u>
			<u>Principal</u>	<u>Interest</u>		
2008	408,363					408,363
2009	1,935,100	1,935,100	1,275,000	574,161	1,849,161	1,849,161
2010	2,343,513	2,343,513	1,725,000	530,063	2,255,063	2,255,063
2011	2,341,113	2,341,113	1,790,000	466,313	2,256,313	2,256,313
2012	2,688,725	2,688,725	2,215,000	388,450	2,603,450	2,603,450
2013	2,204,138	2,204,138	1,810,000	310,213	2,120,213	2,120,213
2014	1,982,625	1,982,625	1,655,000	243,175	1,898,175	1,898,175
2015	1,465,000	1,465,000	1,195,000	186,175	1,381,175	1,381,175
2016	1,466,875	1,466,875	1,245,000	137,375	1,382,375	1,382,375
2017	1,465,500	1,465,500	1,295,000	83,338	1,378,338	1,378,338
2018	1,465,750	1,465,750	1,355,000	27,100	1,382,100	1,382,100
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	\$19,766,700	\$19,358,338	\$15,560,000	\$2,946,361	\$18,506,361	\$18,914,724

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Vinson&Elkins

[CLOSING DATE]

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

TEXAS PUBLIC FINANCE AUTHORITY BUILDING REVENUE REFUNDING BONDS  
(TEXAS FACILITIES COMMISSION PROJECTS), SERIES 2008, issued in the original  
aggregate principal amount of \$15,560,000.

The Bonds mature, bear interest and may be transferred and exchanged as set out 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, the Texas Facilities Commission (the "Commission") or any other state agency 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 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; the report (the "Report") of Grant Thornton LLP (the "Verification Agent") verifying the sufficiency of the deposits made with the Texas Treasury Safekeeping Company, as Escrow Agent (the "Escrow Agent") for defeasance of the obligations being refunded, and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents and representatives of the Escrow Agent, the Authority and other public officials; 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 obligations being defeased and refunded. We have also examined executed Bond No. T-1 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 special obligations of the Authority.
- (2) The Bonds have been authorized and issued in accordance with the Constitution and laws of the State and are payable solely from a lien on and pledge of the Pledged Security, including Rent Payments made by the Commission. Rent Payments are payable from appropriations which will have to be made by the State Legislature. Neither the full faith and credit nor the taxing power of the State or any agency, political corporation or

political subdivision of the State (including the Authority and the Commission) is pledged to the payment of the Bonds.

- (3) Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being defeased and refunded pursuant to an Escrow Agreement entered into between the Authority and the Escrow Agent on the date of delivery of the Bonds, that all conditions precedent to the obligations being discharged have been satisfied, and that therefore such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

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:

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

In providing such opinions, we have relied on representations of the Authority, the Authority’s financial advisor, and the Purchasers, with respect to matters solely within the knowledge of the Authority, the Authority’s financial advisor, and the Purchasers, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. 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, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax

purposes. No assurance can be given 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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**APPENDIX D  
SCHEDULE OF REFUNDED BONDS**

**Texas Public Finance Authority Building Revenue and Revenue Refunding Bonds  
(General Services Commission Projects), Series 1997A**

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
2009	5.500%	\$1,150,000.00	09/09/2008	101.000
2010	5.500	1,635,000.00	09/09/2008	101.000
2011	5.500	1,725,000.00	09/09/2008	101.000
2012	5.500	2,180,000.00	09/09/2008	101.000
2013	5.500	1,805,000.00	09/09/2008	101.000
2014	5.000	1,675,000.00	09/09/2008	101.000
2015	5.000	1,230,000.00	09/09/2008	101.000
2016	5.000	1,295,000.00	09/09/2008	101.000
2017	5.000	1,360,000.00	09/09/2008	101.000
2018	5.000	<u>1,430,000.00</u>	09/09/2008	101.000
TOTAL		\$15,485,000.00		

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