

OFFICIAL STATEMENT DATED NOVEMBER 5, 2002

NEW ISSUE - Book-Entry-Only

Ratings: (See "RATINGS" and
"BOND INSURANCE" herein.)

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



TEXAS PUBLIC FINANCE AUTHORITY
\$35,240,000 Revenue Refunding Bonds, Series 2002

Dated: November 15, 2002

Due: February 1, as shown on the inside cover

The Texas Public Finance Authority Revenue Refunding Bonds, Series 2002 (the "Bonds"), are special and limited obligations of the Texas Public Finance Authority (the "Authority"), a public authority and body politic and corporate, being issued in the principal amount shown above. The Bonds are being issued to (i) refund portions of the Authority's outstanding (A) Building Revenue and Revenue Refunding Bonds, Series 1992B, which were issued to pay for the construction of two buildings, a parking facility, and other building improvements (the "Series 1992B Project"), and to refund other bonds previously issued by the Authority; (B) Building Revenue Bonds, Series 1994A, which were issued to acquire and renovate the Baker-Hughes Building (now the Elias Ramirez State Office Building) and Waco Office Building and renovate three buildings owned by the State (the Sam Houston Building, the School for the Deaf, and the School for the Blind and Visually Impaired) (the "Series 1994A Project"); and (C) Building Revenue Bonds, Series 1996A, which were issued to pay for the acquisition and construction of a Health and Human Services state office building located in Fort Worth and for the rehabilitation and renovation of various state owned buildings in Austin (the "Series 1996A Project"; collectively with the Series 1992B Project and the Series 1994A Project, the "Commission Projects") and (ii) to pay the costs of issuing the Bonds, as more fully described herein.

The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, 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/registrant (the "Paying Agent/Registrar"), initially the Authority, to Cede & Co., which will make distribution of the amounts so paid to the participating members of The Depository Trust Company for subsequent remittance to the owners of the beneficial interests in the Bonds. The Bonds will be dated and will bear interest from November 15, 2002. Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2003. The Bonds are not subject to redemption prior to maturity. See "THE BONDS."

The Bonds will be special and limited obligations of the Authority payable only from certain pledged security, which will consist primarily of lease payments made pursuant to lease agreements (the "Commission Leases") between the Authority and the Texas Building and Procurement Commission, formerly the General Services Commission (the "Commission"). The Commission Leases obligate the Commission to make lease payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds.

The obligation of the Commission to make payments under the Commission 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 appropriation. Neither the State of Texas nor any state 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 state agency, political corporation, or political subdivision of the State of Texas (including the Authority) 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 Commission Leases."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company. See "BOND INSURANCE."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

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 approval of certain legal matters by Andrews & Kurth L.L.P. and Escamilla & Poneck, Inc., Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Winstead Sechrest & Minick P.C. It is expected that the Bonds will be delivered on or about December 4, 2002, through the facilities of The Depository Trust Company.

U.S. Bancorp Piper Jaffray Inc.

RBC Dain Rauscher

Ramirez & Co., Inc.

MATURITY SCHEDULE

\$35,240,000 Revenue Refunding Bonds, Series 2002

<u>CUSIP Number</u>	<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
882756 ME 6	2006	\$1,985,000	5.00%	2.43%
882756 MF 3	2007	2,000,000	3.00%	2.78%
882756 MG 1	2007	2,915,000	5.00%	2.78%
882756 MH 9	2008	3,120,000	5.00%	3.13%
882756 MJ 5	2009	3,255,000	3.50%	3.35%
882756 MK 2	2010	10,850,000	5.00%	3.60%
882756 ML 0	2011	3,495,000	4.00%	3.74%
882756 MM 8	2012	2,000,000	5.00%	3.84%
882756 MQ 9	2012	1,650,000	4.00%	3.84%
882756 MN 6	2014	910,000	4.10%	4.15%
882756 MP 1	2015	3,060,000	5.00%	4.28%

STATE OF TEXAS

**Rick Perry
Governor**

**Bill Ratliff
Lieutenant Governor**

**John Cornyn
Attorney General**

**Carole Keeton Rylander
Comptroller of Public Accounts**

TEXAS PUBLIC FINANCE AUTHORITY

**John C. Kerr
Chair**

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

**Cynthia L. Meyer
Secretary**

**J. Vaughn Brock
Member**

**Helen Huey
Member**

**R. David Kelly
Member**

**Daniel T. Serna
Member**

**Kimberly K. Edwards
Executive Director**

**Coastal Securities
and
CKW Financial Group, Inc.**

Co-Financial Advisors to the Authority

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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.

Securities Laws

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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SUMMARY STATEMENT

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

Issuer	Texas Public Finance Authority.
Offering	\$35,240,000 Texas Public Finance Authority Revenue Refunding Bonds, Series 2002.
Maturity	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."
Interest	Payable semiannually on February 1 and August 1 of each year, beginning February 1, 2003. See "THE BONDS."
Redemption	The Bonds are not subject to redemption prior to maturity. See "THE BONDS."
Book-Entry System	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."
Purpose	The Bonds are being issued to (i) refund portions of the Authority's outstanding (A) Building Revenue and Revenue Refunding Bonds, Series 1992B, which were issued to pay for the construction of two buildings, a parking facility, and other building improvements, and to refund other bonds previously issued by the Authority; (B) Building Revenue Bonds, Series 1994A, which were issued to acquire and renovate the Baker-Hughes Building (now the Elias Ramirez State Office Building) and Waco Office Building and renovate three buildings owned by the State (the Sam Houston Building, the School for the Deaf, and the School for the Blind and Visually Impaired); and (C) Building Revenue Bonds, Series 1996A, which were issued to pay for the acquisition and construction of a Health and Human Services state office building located in Fort Worth and for the rehabilitation and renovation of various state owned buildings in Austin and (ii) to pay the costs of issuing the Bonds, as more fully described herein.
The Commission	The Texas Building and Procurement Commission, formerly the General Services Commission (the "Commission"), is an agency of the State of Texas. The Commission generally is responsible for, among other things, the construction, acquisition, and equipping of state-owned buildings and the maintenance of certain buildings in the Capitol Complex and certain other state-owned buildings and personal property. See "THE TEXAS BUILDING AND PROCUREMENT COMMISSION."

Source of Payment

The Commission Leases (defined on the cover page) are the primary source of payment for the Bonds. The Commission Leases obligate the Commission to make lease payments sufficient to pay the principal of and interest on the Bonds. **The obligation of the Commission to make payments under the Commission 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 Commission Projects (defined on the cover page) or other property securing the Bonds.** See "THE BONDS - Source of Payment of the Bonds" and "—Investment Considerations."

Payment History

The Texas Public Finance Authority has never defaulted on bonds or other obligations payable from lease payments subject to biennial appropriation by the Texas Legislature.

Ratings

The Bonds have been rated "AAA" and "Aaa" by Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, with the understanding that upon delivery of the Bonds, the Authority will obtain a municipal bond insurance policy issued by Financial Guaranty Insurance Company. The Authority has received underlying ratings for the Bonds of "AA-" and "Aa2," from S&P and Moody's, respectively.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company. See "BOND INSURANCE."

Legality

The issuance of the Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Andrews & Kurth L.L.P. and Escamilla & Poneck, Inc. as Co-Bond Counsel. See "LEGAL MATTERS."

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OFFICIAL STATEMENT

RELATING TO

TEXAS PUBLIC FINANCE AUTHORITY \$35,240,000 Revenue Refunding Bonds, Series 2002

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 Revenue Refunding Bonds, Series 2002 (the "Bonds" or, as to any of the Bonds individually, a "Bond"), 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 Act"), Chapters 1207 and 1371, Texas Government Code, as amended, and pursuant to a resolution adopted by the Board of Directors of the Authority (the "Resolution"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Resolution except as otherwise indicated herein. The Bonds are being issued to (i) refund portions of the Authority's outstanding (A) Building Revenue and Revenue Refunding Bonds, Series 1992B which were issued to pay for the construction of two buildings, a parking facility, and other building improvements (the "Series 1992B Project"), and to refund other bonds previously issued by the Authority; (B) Building Revenue Bonds, Series 1994A, which were issued to acquire and renovate the Baker-Hughes Building (now the Elias Ramirez State Office Building) and Waco Office Building and renovate three buildings owned by the State (the Sam Houston Building, the School for the Deaf, and the School for the Blind and Visually Impaired) (the "Series 1994A Project"); and (C) Building Revenue Bonds, Series 1996A, which were issued to pay for the acquisition and construction of a Health and Human Services state office building located in Fort Worth and for the rehabilitation and renovation of various state owned buildings in Austin (the "Series 1996A Project"); and (ii) to pay the costs of issuing the Bonds, as more fully described herein.

The Series 1992B Project, the Series 1994A Project, and the Series 1996A Project (collectively, the "Commission Projects") have been financed and leased by the Authority to the Texas Building and Procurement Commission (the "Commission") pursuant to the lease agreements entered into relating to the Commission Projects (the "Commission Leases"), between the Authority and the Commission. The Commission Leases obligate the Commission to make or cause to be made lease payments sufficient to pay, when due, the principal of, premium, if any, and interest on the remaining outstanding Series 1992B Bonds, Series 1994A Bonds, and Series 1996A Bonds; the portion of the Authority's Building Revenue and Revenue Refunding Bonds (General Services Commission Projects), Series 1997A attributable to the refunding of a portion of the Series 1992B Bonds and of the Series 1994A Bonds; and the Bonds, and to pay certain expenses related to the Bonds and the Commission Projects. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Commission Leases." Pursuant to the Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Bonds (i) all right, title, and interest of the Authority in and to the Pledged Revenues, which consist of all Lease Payments with certain exceptions as described in clause (ii) hereof; (ii) all rights and remedies of the Authority under the Funds Management Agreement, the Commission Leases, and any other lease or use agreement or arrangement between the Authority and any Person whereby such Person uses or occupies all or any part of the Commission Projects (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the Commission Projects, (B) to indemnification, and (C) to payment of Bond Administration Costs); and (iii) the Interest and Sinking Fund. The money held by the Comptroller of Public Accounts of the State of Texas (the "Comptroller") in the Rebate Fund, if any, 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 Commission 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 state agency, political corporation, or political subdivision of the State (including the Authority) 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."

This Official Statement includes descriptions of the Bonds (including the source of payment of each series of the Bonds), the Authority, the Commission, the Commission Projects, and certain other matters, along with summaries of the Resolution, the Commission Leases, and the Funds Management Agreement. Because payments to be made by the Commission under the Commission 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 form of the Resolution, the Commission Leases, and the Funds Management Agreement are available for inspection at the offices of the Authority, 300 West 15th Street, Suite 411, William P. Clements State Office Building, Austin, Texas 78701. Reference is made to the section herein captioned "DESCRIPTION OF THE TRANSACTION DOCUMENTS - Selected Definitions" and to the Resolution, Commission Leases, and Funds Management Agreement for the definition of certain terms used herein.

This Official Statement speaks only as to its date. The information contained herein is subject to change. Copies of the Final Official Statement and the Escrow Agreement will be filed 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 undertaking to provide certain information on a continuing basis.)

PLAN OF FINANCE

Purpose

A portion of the proceeds of the Bonds are being issued to refund portions of the Authority's outstanding Series 1992B Bonds, Series 1994A Bonds, and Series 1996A Bonds. The refunding will result in debt service savings to the Authority. The remainder of the proceeds of the Bonds will be used to pay the costs of issuing the Bonds. See "THE COMMISSION PROJECTS" for a more detailed description of the Commission Projects.

Refunded Bonds

A description of the Refunded Bonds appears in Appendix D to this Official Statement. The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such bonds from funds to be deposited pursuant to the Escrow Agreement (the "Escrow Agreement") between the Authority and the Texas Treasury Safekeeping Trust Company (the "Escrow Agent"). The Resolution provides that a portion of the proceeds of the sale of the Bonds 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 provide (or 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 under the Escrow Agreement.

McGladrey & Pullen, LLP, Certified Public Accountants, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the initial purchaser the arithmetical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities, and other uninvested funds in the Escrow Fund, will not be available to pay the Bonds. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash 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. Co-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 Agreement.

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

SOURCES AND USES OF FUNDS

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

Sources

Par Amount of Bonds	\$35,240,000.00
Net Reoffering Premium	2,140,550.15
Accrued Interest from November 15, 2002	<u>85,158.79</u>
Total	<u>\$37,465,708.94</u>

Uses

Deposit to Escrow Fund for Refunded Bonds	\$36,948,351.21
Underwriters' Discount	195,583.74
Bond Insurance Premium	84,278.24
Costs of Issuance	150,000.00
Deposit into Interest and Sinking Fund	<u>87,495.75</u>
Total	<u>\$37,465,708.94</u>

THE AUTHORITY

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

The Authority is currently governed by a board of directors (the "Board") composed of seven members appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. The current members of the 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>
John C. Kerr	Chair	2001*
H.L. Bert Mijares, Jr.	Vice Chair	2005
Cynthia L. Meyer	Secretary	2003
J. Vaughn Brock	Member	2007
Helen Huey	Member	2005
R. David Kelly	Member	2007
Daniel T. Serna	Member	2003

*Mr. Kerr was reappointed Chair and serves at the pleasure of the Governor.

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

Pursuant to the Enabling Act, the Authority issues general obligation and revenue bonds for designated State agencies and maintains the Master Lease Purchase Program, a revenue commercial paper program, to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Texas Building and Procurement Commission, the Texas Parks & Wildlife Department, the Texas State Preservation Board (for the Texas State History Museum), the Texas Department of Health, the Texas Military Facilities Commission, the Texas Department of Criminal Justice, Texas State Technical College, Midwestern State University, Stephen F. Austin University, and Texas Southern University. It has also issued general obligation bonds for the Texas Department of Criminal Justice, the Texas Youth Commission, the Texas Juvenile Probation Commission, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Parks & Wildlife Department, the Texas National Research Laboratory Commission (for the "Super Conducting Super Collider Project"), the Texas Department of Health, the Texas School for the Deaf, the Texas School for the Blind and Visually Impaired, and the Texas Department of Transportation.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the acquisition and construction of the building for which the bonds are to be issued and the estimated cost of the acquisition or construction of the building or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S. W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the Texas Constitution.

Sunset Review

In 1977 the Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code), which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

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

Additional Authorized but Unfunded Revenue Bond Projects

The Texas 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 Act, 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 Act directs state agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of the Commission Projects.

Payments on the Bonds are expected to be made from money appropriated by the Legislature or other available money transferred to the State Lease Fund. Information concerning the State Lease Fund is contained herein under the caption "THE BONDS - Source of Payment of the Bonds" and "- State Lease Fund."

With certain exceptions, bonds issued by state agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller of Public Accounts. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. The Bonds received the final approval of the Texas Bond Review Board on October 17, 2002.

THE TEXAS BUILDING AND PROCUREMENT COMMISSION

General

The Commission is an agency of the State. Three members 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; and two members are appointed by the Lieutenant Governor. Members of the Commission hold office for staggered terms of six years. The 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>
Tom Beard, Chair	2005
Stuart S. Coleman	2007
Noe Fernandez	2003
Bob Jones	2007
Mary Ann Newman	2005
Richard "Rick" Salwen	2003

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. Randall H. Riley is the Executive Director of the Commission.

The Commission is generally responsible for the (i) procurement of all supplies, materials, services and equipment for state agencies and departments (with certain limited exceptions); (ii) acquisition, construction, equipping, modernization and remodeling of state-owned buildings (also with certain limited exceptions); and (iii) execution of leases for space in privately-owned buildings to be occupied by state agencies and for maintenance of state-owned property.

Authority's Relationship with the Commission

The Authority and the Commission have 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 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, except that the Authority is required to provide certain insurance deemed necessary or appropriate for any project. The Commission Memorandum specifies that the Commission has sole responsibility for the selection of the state agencies that will occupy a project. 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 transferred title to the Commission Projects to the Authority. Under the Enabling Act and the Commission Memorandum, the Commission will reacquire title to the Commission Projects once the Bonds are paid in full. In the event of a conflict between the Commission Memorandum and the Commission Leases, the Commission 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 on September 1, 2013; however, the Texas Sunset Act provides that the Commission will exist until September 1 of the following year (September 1, 2014) in order to conclude its business.

THE COMMISSION PROJECTS

The Commission Projects leased pursuant to the Commission Leases consist of the projects which were originally financed with the proceeds of the Refunded Bonds. At the direction of the Legislature, the Authority may sell or otherwise dispose of any one or more of the Commission Projects, provided the Authority applies the proceeds of such sale or disposition in accordance with such directive. In the event of damage, destruction, or condemnation of a Commission Project, the proceeds received may, at the election of the Commission, be used to restore or replace such Commission Project or be transferred to the Interest and Sinking Fund to be applied in accordance with the Funds Management Agreement. See "THE BONDS-Investment Considerations."

The Commission Projects

The Series 1992B Project. Approximately \$10,000,000 of the proceeds of the Series 1992B Bonds was used to construct a (i) three story building of approximately 100,000 gross square feet including office and laboratory facilities, and (ii) single story boat storage facility containing approximately 12,000 square feet, located on the campus of Corpus Christi State University, which is a part of The Texas A&M University System located in Corpus Christi, Texas. Approximately \$12,200,000 of proceeds of Series 1992B Bonds was used (i) to purchase real property and to construct thereon a four and one-half story parking facility containing 750 parking spaces in Austin, Texas and (ii) to finance improvements to the William P. Hobby Building in Austin, Texas.

The Series 1994A Project. Approximately \$15,491,840 of the proceeds of the Series 1994A Bonds was used for the rehabilitation and remodeling of the Sam Houston State Office Building in the Capitol Complex. Approximately \$15,800,000 of the proceeds of the Series 1994A Bonds was used for the purchase and renovation of an office building in Harris County, Texas known as the Baker-Hughes Building (now the Elias Ramirez State Office Building). Approximately \$5,000,000 of the proceeds of the Series 1994A Bonds was used for the purchase and renovation of an office building in Waco, Texas. Approximately \$491,691 of the proceeds of the Series 1994A Bonds was used for repair and renovations to the Texas School for the Deaf located in Austin, Texas. Approximately \$600,000 of the proceeds of the Series 1994A Bonds was used for repair and renovations to the School for the Blind and Visually Impaired, also located in Austin, Texas.

The Series 1996A Project. Approximately \$7,000,000 of the proceeds of the Series 1996A Bonds were used pay the acquisition and construction of a Health and Human Services state office building located in Fort Worth. Approximately \$46,000,000 of the proceeds of the Series 1996A Bonds were used for the construction of an office building in Austin for legislative agencies and \$2,304,000 of the proceeds was used for the rehabilitation and renovation of various state owned buildings in Austin.

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 12 months of 30 days each. 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 and will bear interest from November 15, 2002. Interest on the Bonds will be payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2003. The Bonds will not be subject to optional or mandatory redemption prior to maturity.

Notices Through The Depository Trust Company

The Paying Agent/Registrar and the Authority, so long as a book entry system is used for the Bonds, will send any notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the beneficial owner, will not affect the validity of any action premised on any such notice. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Source of Payment of the Bonds

Pursuant to the Resolution, the Authority will pledge to the Bond Owners as security for the payment of the respective series of Bonds all right, title, and interest of the Authority in and to (i) the Pledged Revenues, which consist of all applicable Rent Payments, with certain exceptions as described in clause (ii) hereof; (ii) all rights and remedies of the Authority under the Funds Management Agreement, the Commission Leases, and any other lease or use agreement or arrangement between the Authority and any Person whereby such Person uses or occupies all or any part of the Commission Projects (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the Commission Projects, (B) to indemnification, and (C) to payment of Bond Administration Costs); and (iii) the Interest and Sinking Fund. The money held by the Comptroller in the Rebate Fund, if any, does not constitute security for the Bonds.

The Commission Leases obligate the Commission to make Rent Payments in amounts sufficient to pay the principal of, premium, if any, and interest on the remaining outstanding Series 1992B Bonds, Series 1994A Bonds, and Series 1996A Bonds; the portion of the Authority's Building Revenue and Revenue Refunding Bonds (General Services Commission Projects), Series 1997A attributable to the refunding of a portion of the Series 1992B Bonds and of the Series 1994A Bonds; and the Bonds. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Commission Leases-Rent Payments."

The obligation of the Commission to make Rent Payments and other payments under the Commission 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 Commission 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 Commission Lease extends beyond the current fiscal year or biennium, the continuation of the Commission Leases are 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 the applicable Commission Lease. 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 required payments under the Commission Leases, the Legislature has no legal obligation to do so, and the owners of the Bonds will have no right to compel the Legislature to make such appropriations.

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

Because the Rent Payments will ultimately be made from funds appropriated by the Legislature to the Commission or to state agencies that occupy the Commission Projects, 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 will not be obligated to pay the Bonds. The financial condition of the State has a bearing upon whether the Legislature will be willing to appropriate funds to make Lease 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 Commission Projects as security for the Bonds. If the Commission defaults in the payment of amounts due under a Commission Lease or a Commission Lease is terminated because of nonappropriation, the Authority has the right, in accordance with the respective Commission Lease, to re-lease the respective Commission Project or Commission Projects relating to such Commission Lease to other users. However, the ability of the Authority to re-lease a Commission Project upon default under a Commission Lease (or termination of the same because of nonappropriation) may be impaired by factors such as the integration of the Commission Project with other state facilities, the specialized nature of the Commission Project, and market demand for rental space generally. The Authority's ability to re-lease a Commission Project is further limited by federal income tax-related covenants contained in the resolutions authorizing the issuance of the Refunded Bonds which, in order to preserve the excludability of interest on the Bonds from gross income for federal income purposes, effectively prohibits the lease of the Commission Projects to non-governmental users without the consent of the Bond Owners. The ability of the Authority to re-lease a Commission Project 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.

State Lease Fund

The Enabling Act provides for the State Lease Fund. The Enabling Act requires state agencies occupying or using a Commission Project to make payments to the Commission, other appropriate agency, or directly to the State Lease Fund, when such payments are required, in amounts determined by the Commission to be necessary to properly charge such using agencies for the expenses incurred in financing the respective Commission Project. Alternatively, the Enabling Act provides that the Legislature may make appropriation of necessary funds for using agencies directly into the State Lease Fund. The State Lease Fund may be used to finance appropriations to the Commission or other state agencies or directly to the Authority on behalf of those entities, for payment of the rent due under leases with the Authority, including Rent Payments under the Commission Leases.

The State Lease Fund is a separate fund in the State Treasury for accounting purposes, but money credited to the State Lease Fund will not be segregated from other state money. The owners of the Bonds will have no interest in, or rights to, money credited to the State Lease Fund.

Flow of Funds

The Authority will establish an Interest and Sinking Fund for the Bonds which will be administered by the Comptroller of Public Accounts-Treasury Operations pursuant to the Funds Management Agreement. 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 Resolution.

All Pledged Revenues collected by the Authority will be deposited into the Interest and Sinking Fund. Under the Funds Management Agreement, on each Rent Payment Date, the Authority will make Rent Payments on behalf of the Commission by transferring funds from the State Lease Fund (or from such other source of funds lawfully available to the Commission as may be directed by the Commission to the Interest and Sinking Fund in an amount that (taking into account other funds, if any, on deposit in the Interest and Sinking Fund) is sufficient to pay the principal of, premium, if any, and interest on the Bonds next coming due. Upon receipt of written instructions from the Executive Director to transfer funds to the Interest and Sinking Fund from another account of the Authority, or to deposit funds received by the Comptroller of Public Accounts-Treasury Operations from, or for the account of, the Authority into the Interest and Sinking Fund, the Comptroller of Public Accounts-Treasury Operations will make such transfer or deposit in accordance with such instructions.

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 of Public Accounts-Treasury Operations receives telephonic instructions of the Executive Director to transfer funds to the Interest and Sinking Fund from the State Lease Fund (or from such other source of 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 of Public Accounts-Treasury Operations, upon receipt of such instructions, shall make such transfer in the amount and otherwise in accordance with such instructions.

The Rebate Fund is to be established if there exists a Rebate Amount with respect to the Bonds, for purposes of complying with provisions of the Code that require the Authority to pay over to the federal government any excess earnings (generally, the portion of investment income attributable to a yield on investments that is higher than the yield on the Bonds) received from investment of the proceeds of the Bonds and certain money held in connection with the Bonds. The Rebate Fund, if created, will be held for the sole benefit of the United States of America and is not subject to the claim of any Bond Owner. From time to time the Comptroller of Public Accounts-Treasury Operations will transfer to the Rebate Fund the amounts directed by the Authority to be paid to the federal government pursuant to the Code.

Pursuant to the Commission Leases, insurance or condemnation proceeds received as a result of damage, destruction, or condemnation of all or any portion of a Commission Project and proceeds derived from the sale or other disposition of a Commission Project must be deposited in the applicable Restoration Fund created by the applicable bond resolution authorizing the issuance of the Series 1992B Bonds, the Series 1994A Bonds, or the Series 1996A Bonds. The Authority must treat and administer the applicable Restoration Fund as if it were the related Project Fund (as created in the bond resolutions authorizing the issuance of the Refunded Bonds) in all respects, except that pursuant to the Commission 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 a Commission Project. 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 or into the State Lease Fund, pursuant to the applicable Funds Management Agreement.

Money held by the Comptroller of Public Accounts-Treasury Operations pursuant to the Funds Management Agreement may be invested in any investment authorized by law for State funds as selected by the Comptroller of Public Accounts-Treasury Operations. 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, premium, if any, and interest on the Bonds are 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 Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants (defined herein), (2) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

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 certificate will be issued for each maturity of the Bonds, each 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com

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

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

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

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

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

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

will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the 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 registered owners under the 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 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 Board as an Authority Representative.

Authorized Commission Representative - each of the chief administrative officer of the Commission or any member of the staff of the Commission designated by the chief administrative officer or by the governing body of the Commission as an authorized representative.

Board - the Board of Directors of the Authority.

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).

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 serving as Paying Agent/Registrar, on which financial institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located, are not authorized by law or executive order to close.

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

Commission Lease or Commission Leases - all or any one of the Series 1992B Lease, the Series 1994A Lease, and the Series 1996A Lease.

Commission Projects - all or any one of the Series 1992B Project, the Series 1994A Project, and the Series 1996A Project.

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

Costs of Issuance Fund - the "Texas Public Finance Authority Revenue Refunding Bonds, Series 2002 Costs of Issuance Fund" created pursuant to the Resolution.

Credit Agreement - a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase an obligation, purchase or sale agreement, interest rate swap agreement, or other credit agreement authorized by Chapter 1371, Texas Government Code.

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

Enabling Act - 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 Revenue Refunding Bonds, Series 2002 Escrow Fund," created pursuant to the Escrow Agreement.

Event of Default - has the meaning described under the heading "THE BOND RESOLUTION - Events of Default."

Event of Nonappropriation - an "Event of Nonappropriation" as defined in the Commission Leases.

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 Owner of the Bond.

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

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

Government Obligations - any of the following:

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

(2) noncallable obligations of an agency or instrumentality of the United States of America, 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; or

(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.

Interest and Sinking Fund - the "Texas Public Finance Authority Revenue Refunding Bonds, Series 2002 Interest and Sinking Fund" created pursuant to the Resolution.

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

Legislature - the Legislature of the State.

Paying Agent/Registrar - initially, the Authority, and any financial institution appointed by the Authority to act in accordance with the 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, 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 the Commission Leases;
- (2) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and
- (3) if a Commission Lease is terminated, with respect to any or all of a Commission Project, the net revenues (i.e., revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from the respective Commission 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 the Commission Leases or any other lease or use arrangement of all or any part of the Commission Projects (except for any right to receive proceeds of insurance maintained with respect to the Commission Projects, to indemnification, and to payment of Bond Administration Costs) and under the Funds Management Agreement; and
- (3) amounts in the Interest and Sinking Fund.

Purchase Agreement - the bond purchase agreement between the Authority and the purchaser of the Bonds.

Rating Agency - Standard & Poor's Ratings Services, a division of The McGraw Hill Company, or Moody's Investors Service, Inc. or any successor to Standard & Poor's Ratings Services or Moody's Investors Service, Inc., or

any nationally recognized securities rating agency that shall have assigned a rating that is then in effect with respect to the Bonds only upon the application of the Authority.

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

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

Rent Payment Date - any date on which Rent Payments are required to be paid pursuant to the Commission Leases.

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

Series 1992B Commission Lease – the lease agreement (including any amendments thereto) between the Authority and the Commission 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 Commission Lease – the lease agreement (including any amendments thereto) between the Authority and the Commission 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 1996A Commission Lease - the lease agreement (including any amendments thereto) between the Authority and the Commission providing the terms and conditions (1) under which the financing of the Series 1996A Project was undertaken and (2) of the lease of the Series 1996A Project to the Commission.

State - the State of Texas.

State Lease Fund - the fund identified as such in the Enabling Act or any successor fund created pursuant to law for the same purpose.

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

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due; and
- (2) Government Obligations that 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) – collectively, the Resolution, the Commission Leases, the Funds Management Agreement, the Purchase Agreement, the Escrow Agreement, the Bonds, and the Book Entry Representation Letter.

The Resolution

The Bonds will be issued pursuant to a bond resolution adopted and approved by the Authority on October 15, 2002 (the "Resolution"). The following is a summary of certain provisions of the Resolution. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution. Copies of the Resolution are available for examination at the offices of the Authority.

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

No Additional Encumbrance. The Authority may not incur additional debt secured by the Pledged Security in any manner except as specifically set forth in the Resolution unless such debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Resolution. Notwithstanding anything to the contrary herein, the Authority reserves the right to issue obligations to refund the Bonds and to

finance other improvements to any or all of the Commission Projects or any part thereof or the property on which any part of such Commission 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 Bond(s) 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 Resolution, for purposes of determining whether the requisite number of registered owners of Bonds 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.

Transfer, Exchange, and Replacement of Bonds. The Authority will keep or cause to be kept at the principal office for payment of the Paying Agent/Registrar the Register to record ownership and transfer of the Bonds, and the Authority has designated itself as the initial Paying Agent/Registrar to keep such books or records and make such transfers and registrations under such reasonable regulations as the Authority and the Paying Agent/Registrar, if not the Authority, may prescribe.

The Paying Agent/Registrar will obtain and record in the Register the address of the Bond Owner of each Bond to which payments with respect to the Bonds will be made, as provided in the Resolution. It will be the duty, however, of each Bond Owner to notify the Paying Agent/Registrar in writing of the address to which payments will be mailed, and such interest payments will not be mailed unless such notice has been given. Each Bond issued and delivered pursuant to the Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Bond at the principal office of the Paying Agent/Registrar, together with a written request therefor duly executed by the Bond Owner or its assignee, or its duly authorized attorney or representative, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the Bond Owner or such assignee, as appropriate, be converted into and exchanged for fully registered Bonds of the same series, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bonds so surrendered, and payable to the appropriate Bond Owner or assignee, as the case may be. The Authority will pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer will pay any taxes or other governmental charges required to be paid with respect thereto.

The Paying Agent/Registrar is not required to make any transfer of registration, conversion and exchange, or replacement of any Bond or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar will cause to be printed, executed, and delivered a new Bond of the same principal amount, maturity, and interest rate as the damaged, mutilated, lost, stolen, or destroyed Bond.

In every case of loss, theft, or destruction of a Bond, the applicant for a replacement Bond must furnish to the Authority and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant must furnish to the Paying Agent/Registrar evidence to its satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant must surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

Notwithstanding the foregoing provisions, in the event any such Bond has matured or will mature within the 90-day period following the Bond Owner's request for a replacement Bond, the Paying Agent/Registrar, at the Authority's direction, may, upon receiving indemnity or security as described in the Resolution, pay the Bond at maturity instead of delivering a replacement Bond.

Prior to the issuance of any replacement bond, the Paying Agent/Registrar will charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement Bond issued pursuant to the provisions of the Resolution by virtue of the fact that any Bond is lost, stolen, or destroyed will constitute a contractual obligation of the Authority whether or not the lost, stolen, or destroyed Bond is found at any time, or be

enforceable by anyone, and will be entitled to all the benefits of the Resolution equally and proportionately with any and all other Bonds duly issued under the Resolution.

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 and otherwise in accordance with the Funds Management Agreement. 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, in accordance with the Funds Management Agreement, at such times and in such amounts as required for the timely payment of Bond Obligations and otherwise as provided in the Funds Management Agreement.

Investment of Funds. The money on deposit in any Fund may be invested and reinvested only in Eligible Investments by the Comptroller in accordance with the Funds Management Agreement. The 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 Resolution.

- (a) The Resolution may be amended without consent of or notice to the owners of outstanding Bonds if the Executive Director 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 of the State of Texas to the effect that such amendment will not violate the terms of the Enabling Act and other applicable State or federal law or adversely affect the rights of the 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.
- (b) In addition to amendments described under paragraph (a) above, the Resolution may also be amended with the consent of the registered owners of Bonds aggregating a majority in principal amount of the aggregate principal amount of Bonds then outstanding.
- (c) Notwithstanding the foregoing, nothing contained in the Resolution or any Transaction Document may permit or be construed to permit, without the approval of the 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 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.

Amendment of Commission Leases and Funds Management Agreement

- (a) A Commission Lease may be amended by the Authority and the Commission by mutual agreement if, prior to the time the amendment takes effect, (1) the Executive Director receives an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability and an opinion of Bond Counsel or the written advice of the Attorney General of the State of Texas to the effect that such amendment will not violate the Resolution, the Enabling Act, or other applicable law; (2) the Commission obtains an opinion of its legal counsel to the effect that such amendment is permitted under applicable law governing the Commission; and (3) either of the following requirements is satisfied:
 - (1) the Executive Director receives an opinion of Bond Counsel or written advice of the Attorney General of the State of Texas to the effect that such amendment will not adversely affect the rights of the owners of the Bonds under the Resolution; or
 - (2) the owners of at least a majority in aggregate principal amount of the outstanding Bonds affected by such amendment consent thereto, except that the consent of the owner of each outstanding Bond affected by such amendment is required if such amendment would decrease the minimum percentage of owners of Bonds required for effective consent to such amendment.
- (b) The Funds Management Agreement may not be amended without Bond Owners' Direction consenting to such amendment unless such amendment, in the opinion of Bond Counsel, will not constitute an Event of Taxability and, in the opinion of Bond Counsel or the Attorney General of the State of Texas, will not adversely affect the rights of any Bond Owner under the Transaction Documents.

Defeasance of Bonds.

- (a) The Bond Obligations on any Bond (or Bonds) will be deemed discharged when the following requirements have been satisfied:
 - (1) 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;
 - (2) the Authority has received an opinion of Bond Counsel to the effect that:
 - (A) such deposit of Sufficient Assets:
 - (i) will not constitute an Event of Taxability; and
 - (ii) complies with State law; and
 - (B) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;

- (3) all amounts (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the 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
 - (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.
- (b) 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 in such manner as the Paying Agent/Registrar determines.
 - (c) The Paying Agent/Registrar must transfer funds from the Interest and Sinking Fund or an escrow account established pursuant to the Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations on the Bond(s).
 - (d) 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 referenced requirements are satisfied. Any net proceeds realized from such a substitution shall be paid to the Authority.

Events of Default. Each of the following events is hereby defined as and declared to be and to constitute an "Event of Default":

Event of Default - the occurrence of any of the following:

- (1) the failure to pay when due any Bond Obligations except upon an Event of Nonappropriation;
- (2) 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 owners of not less than 25 percent in aggregate principal amount of the outstanding Bonds;
- (3) the occurrence of any act of bankruptcy of the Commission, the Authority, or the State; or
- (4) the occurrence of any "Event of Default" as defined in any of the Commission Leases or any lease (or other use arrangement) of the Commission Projects entered into by the Authority relating to any Commission Project.

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 Rent Payment when due (other than as the result of an Event of Nonappropriation), pursuant to the Bond Owners' Direction, the Bond Obligations on all outstanding Bonds may be declared immediately due and payable to the extent an appropriation for payment has been made by the Legislature, and thereupon such Bond Obligations must be immediately due and payable to the extent the Legislature has appropriated funds for payment. Any acceleration of Bond Obligations may be annulled pursuant to the Bond Owners' Direction upon receipt by the Executive Director. An annulment of an acceleration of Bond Obligations will not affect any subsequent acceleration of Bond Obligations pursuant to the Resolution.

Enforcement of Rights and Remedies.

- (a) During the continuance of an Event of Default or an Event of Nonappropriation, the owners of the Bonds, 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 the 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 is not required to take any action in that connection except pursuant to the Bond Owners' Direction.

- (b) During the continuance of an Event of Default or an Event of Nonappropriation, an agent of the owners of the outstanding Bonds may be appointed through a Bond Owners' Direction, to exercise any rights and remedies available to the owners of the outstanding Bonds with respect to the Pledged Security as though such agent were the Authority.
- (c) 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:
 - (1) by suit for damages or injunction, or by other action or proceeding at law or in equity, enforce all rights of the owners of the outstanding Bonds or require the Authority to carry out any agreements with or for the benefit of the owners of the outstanding Bonds and to perform its duties under the Transaction Documents;
 - (2) by action in equity, enjoin any acts that may be unlawful or in violation of the rights of the owners of the outstanding Bonds;
 - (3) by out-of-court proceeding or by suit, action, or other proceeding at law or in equity, enforce and exercise all rights of the owners of the outstanding Bonds and the Authority under the Transaction Documents; and
 - (4) upon the filing of a suit or commencement of any other action or proceeding to enforce the rights of the Authority or the owners of the outstanding Bonds, 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.
- (d) In addition to the remedies provided under the Resolution, the owners of the outstanding Bonds, acting pursuant to Bond Owners' Direction, may exercise any other rights and remedies afforded by law.
- (e) To the extent permitted by law, any suit or other action or proceeding instituted by the owners of the outstanding Bonds may be instituted, if necessary, in the name of the Authority for the benefit of the owners of the outstanding Bonds.
- (f) No delay or omission to exercise any right or power existing upon any breach of the Resolution or a Commission Lease may impair such right or power or constitute a waiver thereof, and each such right or power may be exercised as often as may be deemed expedient.
- (g) Any judgment against the Authority will be enforceable only against the Pledged Security. A deficiency judgment will not be authorized against any assets of or the general credit of, the Authority, the Comptroller, or the State.

Restoration of Rights. If any action taken by the owners of the Bonds 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 owners of the outstanding Bonds, the owners of the outstanding Bonds will be restored to their respective former positions and rights under the Transaction Documents, and all rights, remedies, and powers of the owners of the outstanding Bonds will continue as though no such action had been taken.

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

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

Application of Funds upon Enforcement of Remedies. Upon an acceleration of Bond Obligations pursuant to the 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 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:

- (1) first, to the payment of Bond Administration Costs;
- (2) second, to the ratable payment of all unpaid interest due on the Bonds;
- (3) 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 Bond Owners entitled to such payment; and
- (4) 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, shall notify, or cause the Paying Agent/Registrar to notify, the registered owner of each Bond then outstanding of such default or Event of Nonappropriation.

No Personal Liability. No obligation imposed under the 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 shall be subject to any personal liability with respect thereto.

The Commission Leases

The Commission (for purposes of this section, the "Lessee") entered into the Commission Leases for the purpose of financing the Commission Projects. The following is a summary of certain provisions of the Commission Leases. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Commission Leases. Copies of the Commission Leases are available for examination at the offices of the Authority.

Lease of Commission Project. Each Commission Lease provides that the Authority leases the related Commission Project to the Lessee, and the Lessee leases such Commission Project from the Authority.

Rent Payments. On each Rent Payment Date, the Lessee must pay or cause to be paid Rent Payments in the amounts, at the times, and otherwise in accordance with the Commission Lease. The Lessee 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 in accordance with the Funds Management Agreement. 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 the Commission Lease. If, on the Business Day immediately preceding any date on which Bond Obligations come due, the Authorized Representative of the Lessee 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 Lessee 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 Lessee may prepay Rent Payments or cause Rent Payments to be prepaid at any time and in any amount. Any prepayment by the Lessee will not relieve it of liability for each remaining Rent Payment as provided in the Commission Lease and the 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 Resolution, the Lessee 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 Lessee has agreed to transfer and pay to the Authority as a portion of the Rent Payments (related to certain overhead and operating expenses caused by the Bonds being outstanding and the Commission Project being constructed) an amount determined annually by the Authority and certified to the Lessee as the amount payable.

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

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

- (1) in the case of an alteration or substitution that would cause the amount of funds necessary to complete the acquisition and construction of a Commission Project (as altered or substituted) to exceed the Project Completion Amount, an Authorized Representative of the Lessee certifies to the Executive Director that the Lessee has sufficient legally available funds to complete the acquisition and construction of a Commission Project;
- (2) the Authorized Representative of the Lessee 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
- (3) an Authorized Representative of the Lessee notifies the Executive Director of such alteration or substitution and provides the Executive Director of the Authority with a revised Project Description describing a Commission Project as altered or substituted; and the Authority notifies each Rating Agency of such alteration or substitution and provides such Rating Agency with a revised Project Description describing a Commission Project as altered and substituted.

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

Commission Project Insurance; Damage or Destruction; Condemnation.

- (a) The Authority must obtain and maintain insurance with respect to each Commission Project for the following types of coverage to the extent that Lease Payments (inclusive of Rent Payments) and/or other funds are lawfully available for such purpose:
 - (1) 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 such Commission Project or 100% of the replacement value of all Commission Projects if insurance is written on a blanket basis;
 - (2) business interruption or other time element coverage in an amount not less than one year's debt service on the outstanding Bonds.
- (b) Compliance with (a) above is not required to the extent that:
 - (1) the Authority determines that the prescribed insurance coverage is unavailable or is available only at unreasonable rates; and
 - (2) 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.
- (c) The Authority must furnish the Lessee with a copy of each policy of insurance maintained under the Commission Leases. The Lessee (to the extent permitted by law) must cooperate with the Authority in obtaining and maintaining the insurance required.
- (d) If a claim arises under any insurance maintained under the Commission Leases, the Authority must diligently pursue collection under the insurance policy.
- (e) The net proceeds of any business interruption or other time element insurance will be applied to the payment or prepayment of Rent Payments.
- (f) The Lessee 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. The Authority will obtain such funds pursuant to the Funds Management Agreement.

Use. The Commission Leases in no way limit or prohibit the Legislature or the Lessee from using a Commission Project for any lawful purposes under the laws of the State, including leasing or subleasing any portion of the Commission Project to any state 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 Lessee of one or more Commission Projects may release the Lessee from, or mitigate its obligations under, the Commission Leases and the Lessee will continue to be obligated to make all payments required under the Commission Leases.

Disposition of Commission Project. At the direction of the Legislature, the Authority may sell or otherwise dispose of all or any part of any Commission Project, provided the Authority applies the proceeds of such sale or disposition in accordance with such directive. Any such legislative directive must appropriate the proceeds of such sale or other disposition to be used to pay project costs of a substitute Commission Project or transferred in part to the Interest and Sinking Fund to be applied in accordance with the Resolution and the Funds Management Agreement.

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

- (a) Failure by the Lessee to pay any Lease Payment when due, except upon an Event of Nonappropriation;
- (b) Failure by the Lessee to cure any breach by the Lessee of any representation, warranty, or agreement under the Commission Lease within 45 days (or, in each case, such longer period as the Authority in its discretion, may specify) 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;
- (c) Any act of bankruptcy by the Lessee, the Authority, the Comptroller, or the State; or
- (d) The occurrence of an "Event of Default" under the Resolution.

Remedies Upon 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:

- (a) Enter and take possession of any or each Commission Project (or all Commission Projects) without terminating the Commission Lease(s), and sublease all or any part of any or each Commission Project (or all Commission Projects) for the account of the Lessee, holding the Lessee and any sublessee of the Lessee 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 Lessee under the Commission Lease(s) so long as the Legislature shall have appropriated funds to the Lessee to pay such amounts.
- (b) Terminate the Commission Lease(s), enter and take possession of any or each Commission Project, and at its option, to the extent permitted by law, lease any or each such Commission Project to another party for the account of the Lessee, holding the Lessee and any sublessee of the Lessee liable for all Lease Payments and other amounts due under the Commission Lease(s) and not paid by such other party so long as the Legislature has appropriated funds to the Lessee to pay such amounts.
- (c) Take any action at law or in equity to collect any amount due or that may become due under the Commission Lease(s), or to enforce performance of any obligation of the Lessee under the Commission Lease(s), by mandamus or otherwise.

No remedy in the Commission Leases 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 the Commission Leases 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 the Commission Leases.

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

Performance of Lessee's Obligations by Authority. While the Lessee is in default of any provision of any Commission Lease, the Lessee 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 Lessee to the same extent as the Lessee 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 Lessee, 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 Commission Leases. Unless otherwise terminated as provided therein, the Commission Leases will remain in full force and effect from the date thereof until the Bond Obligations on all outstanding Bonds have been paid (or provision has been made for such payment pursuant to the Resolution) and all other obligations of the Commission Leases have been satisfied.

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

Conveyance Upon Termination. When a Commission Lease is terminated as a result of the Bond Obligations on all outstanding having been paid, the Executive Director will notify the Lessee 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 applicable Commission Project to the Lessee.

Amendment of Commission Lease. The Authority and the Lessee, by mutual agreement, may amend a Commission Lease if, before the amendment takes effect:

- (1) the Lessee obtains an opinion of its legal counsel to the effect that such amendment is permitted under the Lessee's enabling act and other law governing the Lessee;
- (2) the Executive Director obtains an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability or the written advice of the Attorney General of the State of Texas to the effect that such amendment will not violate the Enabling Act or the Resolution or other applicable law; and
- (3) 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 of Texas to the effect that such amendment will not adversely affect the rights of the owners of the Bonds under the Resolution; or
 - (B) the owners of at least a majority in aggregate principal amount of the outstanding Bonds affected by such amendment consent thereto, except that the consent of the owner of each outstanding Bond affected by such amendment is required if such amendment would decrease the minimum percentage of owners of Bonds required for effective consent to such amendment.

The Funds Management Agreement

The Authority and the Comptroller will enter into a Funds Management Agreement with respect to the Bonds. The following is a summary of certain provisions of the Funds Management Agreement providing for the administration of the proceeds of the Bonds and availability of funds for the payment thereof. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Funds Management Agreement. Copies of the Funds Management Agreement are available for examination at the offices of the Authority.

Collection of Rent Payments and Other Funds for Application to Debt Service on Bonds. On each Rent Payment Date, the Authority will make Rent Payments on behalf of the Commission by transferring funds from the State Lease Fund (or from such other source of funds lawfully available to the Commission as may be directed by the Commission) to the Interest and Sinking Fund in an amount that (taking into account other funds, if any, on deposit in the Interest and Sinking Fund) is sufficient to pay the Bond Obligations next coming due.

The Authority may transfer funds to the Interest and Sinking Fund from another account of the Authority, or deposit funds received by the Comptroller from, or for the account of, the Authority into the Interest and Sinking Fund.

If, after any Rent Payment Date but before the payment of the Bond Obligations that next come due following such Rent Payment Date, the Authority receives telephonic instructions of an Authorized Commission Representative to transfer funds to the Interest and Sinking Fund from the State Lease Fund (or from such other source of 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 Authority, upon receipt of such instructions, will make such transfer in the amount and otherwise in accordance with such instructions.

Payment of Other Lease Payments. The Authority may apply funds lawfully available to the Commission or the Authority from the State Lease Fund (or from such other source of lawfully available funds of the Commission or the Authority) to the payment of Lease Payments other than Rent Payments due under the applicable Commission Lease.

Investment of Funds. The money held in the Funds is to be invested (and reinvested) by the Comptroller along with other funds in the State Treasury in Eligible Investments selected by the Comptroller. Uninvested money (if any) in any Fund must be secured in the manner and to the extent required by law.

The investments of each Fund must be made under conditions that will timely provide money sufficient to meet the Authority's obligations. The proceeds received from the disposition of any investment acquired with money from any Fund, and any income from such investment, will be deposited into such Fund.

The Comptroller is required to maintain (or cause to be maintained) detailed records accurately reflecting all investment transactions and all Funds activity, which records are subject to state audit.

With respect to each purchase (except any direct purchase from the United States government) or sale of an investment, the Comptroller represents and warrants that the price for which the investment is purchased or sold will be the "market price" determined in accordance with Treasury Regulation 1.148-5(d) (or any successor regulation) and that the Comptroller will maintain records that adequately support such determination.

Investment Losses. Any losses from investment of any Fund will be charged to the Fund from which such investment was made. The Comptroller will not be held liable for any losses resulting from investments made in accordance with the Funds Management Agreement.

BOND INSURANCE

The Bonds will be insured by Financial Guaranty Insurance Company ("Financial Guaranty"), and the following information has been furnished by Financial Guaranty for use in this Official Statement. The Authority, the Co-Financial Advisors to the Authority, and the Underwriters do not make any representations as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. See APPENDIX E for a specimen of Financial Guaranty's policy.

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds described in the Policy (as used under the heading, the "Bonds"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent/Registrar of the nonpayment of such amount by the Authority. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. See "RATINGS" herein.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 2002, the total capital and surplus of Financial Guaranty was approximately \$1.01 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

RATINGS

The Bonds have been rated "AAA" and "Aaa" by Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, with the understanding that, upon delivery of the Bonds, the Authority will obtain a municipal bond insurance policy issued by Financial Guaranty Insurance Company. The Authority has received underlying ratings for the Bonds of "Aa2" from Moody's and "AA-" from S&P. An explanation of the significance of the ratings may be obtained from the respective rating agency. The ratings reflect only the views of such organizations at the time the ratings were given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

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

The foregoing opinions of Co-Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any

such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Co-Bond Counsel has assumed continuing compliance by the Texas Public Finance Authority (the “Authority”) with certain covenants of the resolution authorizing the issuance of the Bonds (the “Resolution”) and by the Texas Building and Procurement Commission, previously known as the General Services Commission (the “Commission”), with certain covenants of the leases securing repayment of the Bonds (the “Leases”) and has relied on representations by the Authority and the Commission, with respect to matters solely within the knowledge of the Authority and the Commission, which Co-Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the Authority file an information report with the Internal Revenue Service (the “Service”). If the Authority or the Commission should fail to comply with the covenants in the Resolution and the Leases, or if their representations relating to the Bonds that are contained in the Resolution and the Leases should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

Co-Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the Commission described above. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Co-Bond Counsel, and Co-Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the “taxpayer,” and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority and the Commission may have different or conflicting interests from the owners of the Bonds. 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 its ultimate outcome.

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

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

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

If a tax-exempt obligation, such as the Bonds, was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue, the Code provides ordinary income tax treatment of gain recognized upon the disposition of such “market discount bond.” A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in

the case of a bond issued at an original issue discount, the “revised issue price” (*i.e.*, a market discount). Such treatment applies to “market discount bonds” to the extent the gain from the disposition thereof exceeds the accrued market discount of such bonds unless a statutory *de minimis* rule applies. The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of the Bonds. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS

Discount Bonds

According to representations of the Underwriters, certain of the Bonds may be offered at initial offering prices which are less than the stated redemption prices at maturity of such Bonds. If the initial offering prices of the Bonds are lower than the stated redemption price payable at maturity, the Bonds of that maturity (the “Discount Bonds”) will be considered to have “original issue discount” for federal income tax purposes. An initial owner who purchases a Discount Bond in the initial public offering of the Bonds at such an initial offering price will acquire such Discount Bond with original issue discount equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial public offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption “TAX EXEMPTION” generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

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

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

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

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

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

income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Premium Bonds

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

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

THE BONDS AS LEGAL INVESTMENTS IN TEXAS

Under Texas law, obligations such as the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256, 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 Bonds or the validity of the Bonds. There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Attorney General of the State of Texas, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge that there is any basis therefor) that (1) affects the existence of the Authority or the right of the present directors and officers of the Authority to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the Bonds are being issued, and (3) would have a material adverse effect upon the power of the Authority to issue the

Bonds. See Appendix A to this Official Statement concerning legal proceedings to which the State is a party relating to its operations and governmental functions but unrelated to the Bonds or the security for the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. In the Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide 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 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 facilities 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 (a "SID") and to either each nationally recognized municipal securities information repository ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB").

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government, and the Comptroller has agreed for the benefit of the holders of the Bonds to provide certain updated information and notices while the Bonds remain outstanding. The Authority and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe her agreement for so long as the Bonds may be paid from money drawn on the State's General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings ("Appendix A"). The Comptroller intends to continue to prepare Appendix A quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with his disclosure agreement. Quarterly updates to Appendix A are also available at www.cpa.state.tx.us/treasops/bondapp. In addition, the Comptroller publishes, and intends to continue to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Bondholders may subscribe to *Fiscal Notes* by writing to *Fiscal Notes*, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained by contacting the Comptroller's *BBS Window on State Government* via the Internet at window.cpa.state.tx.us or via Worldwide Web at www.window.state.tx.us or by calling 1-800-227-8392.

Annual Reports. The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in Appendix A 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 1996. The Comptroller will provide the updated information to each NRMSIR and to any SID that is designated by the State and approved by the staff of the Securities and Exchange Commission ("SEC").

The Comptroller may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current fiscal year end is August 31. Accordingly, it must provide updated information by February 31 in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID of the change.

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

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

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

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the SEC Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Authority, the Comptroller, and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Authority or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

Neither the Authority nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with SEC Rule 15c2-12, although neither entered into such an agreement before August 1995.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. 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. The Authority's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherent 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, regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions of 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.

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, to purchase the Bonds at a price of \$37,184,966.41 plus accrued interest (which represents the par amount of the Bonds, plus a net reoffering premium of \$2,140,550.15, less an underwriting discount of \$195,583.74, plus accrued interest). The bond purchase agreement pertaining to the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased.

THE CO-FINANCIAL ADVISORS

Coastal Securities and CKW Financial Group, Inc. are employed as Co-Financial Advisors to the Authority in connection with the issuance of the Bonds. The Co-Financial Advisors' fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Although the Co-Financial Advisors have read and participated in the preparation of this Official Statement, they have 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 and the Commission'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 Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters and reviewed by the Authority and its representatives relating to (a) computation of anticipated receipts of principal and interest on the escrowed securities for Refunded Bonds, if any, and the anticipated payments of principal and interest to redeem Refunded Bonds, if any, and (b) computation of the yields on the Bonds and the escrowed securities for the Refunded Bonds was verified by McGladrey & Pullen, LLP, Certified Public Accountants. Such computations were based solely on assumptions and information supplied by the Underwriters and reviewed by the Authority and its representatives. McGladrey

& Pullen, LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used for the reasonableness of the assumptions, or the achievability of the anticipated outcome. Such verification will be relied upon by Co-Bond Counsel in rendering their opinion with respect to the tax exemption of interest on the Bonds and with respect to defeasance of the Refunded Bonds, if any.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal 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 incident to the authorization, issuance, and sale of the Bonds by the Authority are subject to the unqualified approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Andrews & Kurth L.L.P. and Escamilla & Poneck, Inc., Co-Bond Counsel. The compensation paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. Co-Bond Counsel's approving opinion will be rendered in substantially the form attached to this Official Statement as Appendix C.

Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that in their capacity as Co-Bond Counsel, such firms have reviewed the information in the Official Statement under the captions, "PLAN OF FINANCE – The Refunded Bonds," "THE BONDS," "DESCRIPTION OF THE TRANSACTION DOCUMENTS," "TAX EXEMPTION," "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS," "THE BONDS AS LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Authority" and "-Limitations and Amendments," and "LEGAL MATTERS" to verify that the information relating to the Bonds and the Transaction Documents contained under such captions in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate.

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

MISCELLANEOUS

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

This Official Statement has been approved by the Authority.

TEXAS PUBLIC FINANCE AUTHORITY

By: /s/ John C. Kerr
Chair

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APPENDIX A

THE STATE OF TEXAS

The Appendix A dated November 2002 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 Appendix may also be obtained from the Comptroller's web site at www.cpa.state.tx.us/treasops/bondapp.html.

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APPENDIX B

DEBT SERVICE REQUIREMENTS

Date	Principal	Interest	Total Principal and Interest
8/31/2003	-	\$1,147,402.67	\$1,147,402.67
8/31/2004	-	1,613,535.00	1,613,535.00
8/31/2005	-	1,613,535.00	1,613,535.00
8/31/2006	\$1,985,000.00	1,563,910.00	3,548,910.00
8/31/2007	4,915,000.00	1,411,410.00	6,326,410.00
8/31/2008	3,120,000.00	1,230,535.00	4,350,535.00
8/31/2009	3,255,000.00	1,095,572.50	4,350,572.50
8/31/2010	10,850,000.00	767,360.00	11,617,360.00
8/31/2011	3,495,000.00	426,210.00	3,921,210.00
8/31/2012	3,650,000.00	273,310.00	3,923,310.00
8/31/2013	-	190,310.00	190,310.00
8/31/2014	910,000.00	171,655.00	1,081,655.00
8/31/2015	3,060,000.00	76,500.00	3,136,500.00
Total	\$35,240,000.00	\$11,581,245.17	\$46,821,245.17

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APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

ANDREWS & KURTH L.L.P.
111 Congress, Suite 1700
Austin, Texas 78701

ESCAMILLA & PONECK, INC.
100 Travis Park Plaza
711 Navarro
San Antonio, Texas 78205

December 4, 2002

WE HAVE ACTED as Co-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 REVENUE REFUNDING BONDS, SERIES 2002, dated November 15, 2002 in the aggregate principal amount of \$35,240,000, maturing on February 1 in each year from 2006 through 2012, inclusive, and in the years 2014 and 2015. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest and may be transferred and exchanged as set out in the Bonds and in the resolution (the “Resolution”) adopted by the Board of Directors of the Authority authorizing their issuance.

WE HAVE ACTED as Co-Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the “Refunded Bonds”) with the proceeds of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Authority, including the Resolution, the Pricing Certificate, the Escrow Agreement dated as of October 15, 2002 (the “Escrow Agreement”), between the Authority and the Texas Treasury Safekeeping Trust Company, as escrow agent (the “Escrow Agent”); a special report (the “Report”) of McGladrey & Pullen, LLP, certified public accountants (the “Accountants”), relating to the accuracy of certain mathematical computations described in such report; certain certifications and representations and other material facts within the knowledge and control of the Authority, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. T-1. Capitalized terms used herein and not defined shall have the meaning assigned in the Resolution.

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

connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

(1) The Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas and constitute valid and legally binding special limited obligations of the Authority, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted affecting creditors' rights;

(2) The Bonds constitute special limited obligations of the Authority payable exclusively from the Pledged Security including Lease Payments made by the Texas Building and Procurement Commission (the "Commission"). Lease Payments are payable from appropriations which will have to be made by the Legislature. The Bonds are not a debt, a pledge of the faith and credit, or secured by the taxing power of the State of Texas or any agency, political corporation or political subdivision thereof; and

(3) The Escrow Agreement has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of the Pledged Security as set forth in the resolutions authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the

condition that the Authority, the Commission and the Comptroller of Public Accounts (the "Comptroller") comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted in the Resolution, the Commission has covenanted in the Commission Leases and the Comptroller has covenanted in the Funds Management Agreement to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Co-Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

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

UNDER EXISTING LAW and based upon the assumptions stated in the Official Statement prepared for use in connection with the sale of the Bonds, it is also our opinion as follows: (1) the difference between (a) the stated redemption price at maturity of each Bond maturing in the year 2014 (the "Discount Bonds"), and (b) the initial offering price at which a substantial amount of such Discount Bonds of the same maturity were sold to the public, as described in Official Statement, constitutes original issue discount with respect to each such Discount Bond in the hands of an owner who purchased such Discount Bond at the initial offering price in the initial public offering of the Bonds; and (2) such initial owner is entitled to exclude from gross income for federal income tax purposes with respect to such Discount Bond that portion of the original issue discount deemed to be earned for federal income tax purposes during the period that such Discount Bond continues to be owned by such owner. In the event of the redemption, sale or other taxable disposition of such Discount Bond prior to its stated maturity, however, any amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount deemed to be earned during the period for which such Discount Bond was held by such initial owner) is includable in gross income for federal income tax purposes.

PURCHASERS OF DISCOUNT BONDS in the initial public offering are directed to the discussion entitled "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS" set forth in the Official Statement for purposes of determining the portion of the original issue discount which is deemed to be earned for federal income tax purposes during the

period such Bonds are held by an initial owner. The federal income tax consequences of the purchase, ownership, and redemption, sale or other taxable disposition of Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

7874/7866

APPENDIX D

SCHEDULE OF REFUNDED BONDS

<u>Issue</u>	<u>Maturity</u>	<u>Maturity Value</u>	<u>Call Date</u>
Series 1992B	02/01/2010	\$7,480,000	02/01/2003
Subtotal		<u>\$7,480,000</u>	
Series 1994A	02/01/2006	\$1,810,000	02/01/2005
Series 1994A	02/01/2007	1,920,000	02/01/2005
Series 1994A	02/01/2015	4,015,000	02/01/2005
Subtotal		<u>\$7,745,000</u>	
Series 1996A	08/01/2007	2,775,000	08/01/2006
Series 1996A	08/01/2008	2,915,000	08/01/2006
Series 1996A	08/01/2009	3,060,000	08/01/2006
Series 1996A	08/01/2010	3,215,000	08/01/2006
Series 1996A	08/01/2011	3,380,000	08/01/2006
Series 1996A	08/01/2012	3,555,000	08/01/2006
Subtotal		<u>\$18,900,000</u>	
TOTAL		<u>\$34,125,000</u>	

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EXHIBIT E
SPECIMEN BOND INSURANCE POLICY



Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

**Municipal Bond
New Issue Insurance Policy**

Issuer:

Policy Number:

Control Number: 0010001

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

[Signature]

Authorized Officer

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association (Florida Insurance Code, Sec. 631.50 *et seq.*).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

COUNTERSIGNATURE:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Licensed Resident Agent

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001



A GE Capital Company

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association (Florida Insurance Code, Sec. 631.50 *et seq.*).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

COUNTERSIGNATURE:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Licensed Resident Agent