

Delivery of the 2000B Bonds is subject to receipt of the opinion of Co-Bond Counsel, to the effect that, assuming continuing compliance by the Authority with certain covenants contained in the Bond Resolution described herein and subject to the matters described under "TAX MATTERS" herein, interest on the 2000B 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 MATTERS" herein.

NEW ISSUE - Book-Entry-Only

Ratings (Uninsured Bonds): Moody's: "Aa2"
Standard & Poor's: "A+"
Ratings (Insured Bonds): Moody's: "Aaa"
Standard & Poor's: "AAA"
See "MUNICIPAL BOND INSURANCE"
and "RATINGS."

TEXAS PUBLIC FINANCE AUTHORITY

\$29,480,000
Building Revenue Bonds
(State Preservation Board Project)
Series 2000B

Dated: July 1, 2000

Due: August 1, as shown below

The Texas Public Finance Authority Building Revenue Bonds (State Preservation Board Project), Series 2000B (the "2000B 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 2000B Bonds are being issued to finance the third phase of construction of a State History Museum to be located in the Capitol Complex (the "Project") and to pay the costs of issuing the 2000B Bonds, as more fully described herein. See "THE PROJECT."

The 2000B Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry system described herein. Beneficial ownership of the 2000B Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the 2000B Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the 2000B Bonds will be payable by the paying agent/registrant (the "Paying Agent/Registrar"), initially the Authority, to Cede & Co., nominee of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the 2000B Bonds. The 2000B Bonds will be dated, and will bear interest from July 1, 2000. Interest on the 2000B Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2001. The 2000B Bonds are subject to redemption prior to maturity in whole or in part, from time to time, as more fully described herein. See "THE BONDS - Optional Redemption."

The 2000B Bonds and any Additional 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 an amended and restated lease agreement (the "Lease Agreement") dated as of July 1, 2000 between the Authority and the State Preservation Board (the "Preservation Board"), relating to the Project. The Lease Agreement obligates the Preservation Board to make lease payments sufficient to pay, when due, the principal of, premium, if any, and interest on all the "Preservation Board Bonds" (as defined herein), which includes the 2000B Bonds.

The obligation of the Preservation Board to make payments under the Lease Agreement 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 2000B 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 2000B Bonds. The Authority has no taxing power. See "THE BONDS - Source of Payment" and "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Lease Agreement."

The scheduled payment of principal of and interest on the 2000B Bonds maturing on August 1 of the years 2011 through 2020, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC. See "MUNICIPAL BOND INSURANCE" herein. [LOGO]

The 2000B Bonds are subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE, INTEREST RATE AND YIELD

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Maturity (August 1)	Principal Amount	Interest Rate	Yield
2001	\$1,145,000	4.400%	4.400%	2011	\$1,490,000	6.000%	5.150%
2002	1,495,000	4.550%	4.550%	2012	1,490,000	6.000%	5.230%
2003	1,495,000	4.650%	4.650%	2013	1,490,000	6.000%	5.320%
2004	1,495,000	4.650%	4.700%	2014	1,490,000	6.000%	5.370%
2005	1,495,000	4.700%	4.750%	2015	1,490,000	6.000%	5.430%
2006	1,495,000	4.750%	4.800%	2016	1,490,000	6.000%	5.490%
2007	1,490,000	4.800%	4.850%	2017	1,490,000	5.500%	5.570%
2008	1,490,000	4.900%	4.950%	2018	1,490,000	5.500%	5.610%
2009	1,490,000	4.950%	5.000%	2019	1,490,000	5.625%	5.650%
2010	1,490,000	5.000%	5.050%	2020	1,490,000	5.625%	5.680%

(plus accrued interest from July 1, 2000)

The 2000B 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 legal opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P., Austin, Texas, and Wickliff & Hall, P.C., Houston, Texas, Co-Bond Counsel. Certain other legal matters will be passed upon for the Underwriters by their counsel, Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas. It is expected that the 2000B Bonds will be delivered on or about July 27, 2000, through the facilities of DTC.

SALOMON SMITH BARNEY
BEAR, STEARNS & CO. INC. DAIN RAUSCHER INCORPORATED ESTRADA HINOJOSA & COMPANY, INC.
RAMIREZ & CO., INC. SBK-BROOKS INVESTMENT CORP.

Dated July 18, 2000

STATE OF TEXAS

**George W. Bush
Governor**

**Rick Perry
Lieutenant Governor**

**John Cornyn
Attorney General**

**Carole Keeton Rylander
Comptroller of Public Accounts**

TEXAS PUBLIC FINANCE AUTHORITY

**Daniel H. Branch
Chairman**

**Daniel T. Serna
Vice Chairman**

**Cynthia L. Meyer
Secretary**

**Helen Huey
Member**

**John C. Kerr
Member**

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

**Kimberly K. Edwards
Executive Director**

**Judith Porras
General Counsel**

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

Co-Financial Advisors

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2000B 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.

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

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "MUNICIPAL BOND INSURANCE" and in Appendix D "Specimen Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2000B Bonds; or (iii) the tax exempt status of the interest on the 2000B Bonds.

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 2000B 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 2000B BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the 2000B Bonds and has no control over the trading of the 2000B Bonds after their sale by the Authority. Information regarding reoffering yields or prices is the responsibility of the Underwriters.

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 2000B 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 2000B Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the 2000B 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 2000B Bonds under the securities laws of any jurisdiction in which the 2000B Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the 2000B Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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OFFICIAL STATEMENT

relating to

TEXAS PUBLIC FINANCE AUTHORITY

\$29,480,000

Building Revenue Bonds

(State Preservation Board Project)

Series 2000B

INTRODUCTION

The purpose of this Official Statement (which includes the cover page and attached Appendices) is to furnish information concerning the offering of the Texas Public Finance Authority Building Revenue Bonds (State Preservation Board Project), Series 2000B (the "2000B Bonds"), which are being issued by the Texas Public Finance Authority (the "Authority") in the aggregate principal amount set forth above, pursuant to the authority granted to it by the Texas Public Finance Authority Act, as amended, Chapter 1232, Texas Government Code (the "Enabling Act"), certain other statutes and a Bond Resolution (as defined below) adopted by the Board of Directors of the Authority and a certificate of the pricing committee appointed by the Board of Directors. The 2000B Bonds are issued under and pursuant to an amended and restated bond resolution adopted by the Board of Directors of the Authority on June 20, 2000 (the "Bond Resolution").

The 2000B Bonds are being issued to finance the third phase of construction of a State History Museum to be located in the Capitol Complex in Austin, Texas (the "Project") and to pay the costs of issuing the 2000B Bonds, as more fully described herein. See "THE PROJECT."

The Project will be leased by the Authority to the State Preservation Board (the "Preservation Board") pursuant to an Amended and Restated Lease Agreement, dated as of July 1, 2000 (the "Lease Agreement"), between the Authority and the Preservation Board. The Lease Agreement will obligate the Preservation Board to make or cause to be made lease payments sufficient to pay, when due, the principal of, premium, if any, and interest on all Preservation Board Bonds, including the 2000B Bonds, and to pay certain expenses related to the Preservation Board Bonds and the Project. As used herein, "Preservation Board Bonds" means the Authority's 1997B Bonds and 1999A Bonds which were issued to finance the first two phases of the acquisition and construction of the Project, the 2000B Bonds and any Additional Bonds issued under the Bond Resolution. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Lease Agreement," and "THE PROJECT." Pursuant to the Bond Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Preservation Board 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 (ii) hereof; (ii) all rights and remedies of the Authority under the Amended and Restated Funds Management Agreement between the Authority and the Comptroller of Public Accounts of the State of Texas dated as of July 1, 2000 (the "Funds Management Agreement"), the Lease Agreement 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 Project (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the Project, (B) to indemnification and (C) to payment of Bond Administration Costs); and (iii) the Interest and Sinking Fund. The moneys held by the Comptroller of Public Accounts of the State of Texas (the "Comptroller") in the Project Fund, Issuance Cost and Operations Fund, Restoration Fund and Rebate Fund do not constitute security for any of the Preservation Board Bonds. See "THE BONDS - Source of Payment," "Investment Considerations" and "Flow of Funds."

The obligation of the Preservation Board to make payments under the Lease Agreement 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 2000B 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 2000B Bonds. The Authority has no taxing power. See "THE BONDS - Source of Payment."

This Official Statement includes a description of the 2000B Bonds (including the source of payment of the 2000B Bonds), the Authority, the Preservation Board, the Project and certain other matters, along with summaries of the Bond Resolution, the Lease Agreement and the Funds Management Agreement. Because payments to be made by the Preservation Board under the Lease Agreement will come from appropriations made by the Legislature of the State from general revenue funds, the information concerning the State that is contained in Appendix A to this Official Statement should be reviewed carefully. The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents. The forms of the Bond Resolution, the Lease Agreement 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 Bond Resolution, Lease Agreement, and Funds Management Agreement for the definition of certain terms used herein.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2000B Bonds, including accrued interest, are expected to be applied as follows:

<u>Sources</u>	
Par Amount of Bonds	\$29,480,000.00
Accrued Interest on the Bonds	112,625.14
Net Premium	349,088.70
Total	\$29,941,713.84

<u>Uses</u>	
Deposit to Project Fund	\$29,487,537.50
Deposit to Interest and Sinking Fund	112,625.14
Cost of Issuance ⁽¹⁾	341,551.20
Total	\$29,941,713.84

⁽¹⁾ Includes Underwriters' discount in the amount of \$174,772.60 and bond insurance premium in the amount of \$46,778.60.

THE AUTHORITY

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

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

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

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

Pursuant to the Enabling Act and Chapter 1401, Texas Government Code, 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 Preservation Board, the General Services Commission, Texas Parks and Wildlife Department, Texas Department of Health, the Texas Department of Criminal Justice, the Texas Military Facilities Commission (formerly the National Guard Armory Board), the Texas State Technical College System, Midwestern State University, Stephen F. Austin State University, and Texas Southern University. It has also issued general obligation bonds for the Texas Department of Criminal Justice, the Texas Youth Commission, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Parks and Wildlife Department, the Texas National Research Laboratory Commission (the "Superconducting Super Collider Project") and the Texas Juvenile Probation Commission.

In September 1997, the Authority was also granted exclusive bond issuing authority for the Texas Low-Level Radioactive Waste Disposal Authority. In 1999 however the Low-Level Radioactive Waste Disposal Authority was abolished and its responsibilities were transferred to the Texas Natural Resource Conservation Commission. The Authority is also authorized to issue bonds on behalf of certain joint power municipal utilities to finance their stranded costs, under S.B. 7, Acts, 76th Legislature, R.S. (1999).

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

Sunset Review

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, as amended by the 75th Legislature, 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 either the Authority or the Preservation Board is abolished pursuant to the Texas Sunset Act, the Governor is required to designate an appropriate state agency to carry out the Authority's or the Preservation Board's covenants contained in the 2000B Bonds and in the documents authorizing the 2000B Bonds. In such event, Co-Bond Counsel believes (1) the 2000B Bonds would remain valid and binding obligations, subject to all applicable terms and conditions of the laws and proceedings authorizing the 2000B 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 2000B Bonds in accordance with the terms thereof until the 2000B Bonds are paid in full.

Additional Authorized 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 State agency responsible for the project to be financed is also responsible for initiating the project and requesting financing. The Authority cannot determine in advance when a client agency will be ready to begin an authorized project, nor can the Authority determine which, if any, additional projects will be authorized 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 Preservation Board 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 Project.

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

Payments on the 2000B Bonds are expected to be made from money appropriated by the Legislature for each purpose or other available money transferred to the Interest and Sinking Fund. See "THE BONDS - Source of Payment."

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 2000B Bonds received the final approval of the Texas Bond Review Board on June 22, 2000.

THE PRESERVATION BOARD

General

The Preservation Board is an agency of the State, whose membership consists of the Governor, the Lieutenant Governor, the Speaker of the House, a member of the Senate appointed by the Lieutenant Governor, a member of the House of Representatives appointed by the Speaker, and a public citizen member appointed by the Governor. Each of the Governor, Lieutenant Governor and Speaker of the House may act through a designee. The current members of the Preservation Board, the position of each member, and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
George W. Bush, Chairman	Governor	Ex officio
Rick Perry, Co-Vice Chairman	Lieutenant Governor	Ex officio
James E. "Pete" Laney, Co-Vice Chairman	Speaker of the House	Ex officio
Chris Harris	State Senator	January 9, 2001
Tony Goolsby	State Representative	January 9, 2001
Dealey Decherd Herndon	Citizen Board Member	February 1, 1997 ⁽¹⁾

⁽¹⁾ Ms. Herndon is authorized under law to serve until she is replaced.

The Preservation Board employs an Executive Director who is charged with managing the affairs of the Preservation Board, subject to and under its direction. Rick Crawford is the Executive Director of the Preservation Board.

Pursuant to Chapter 443, Texas Government Code (the "Preservation Board Act"), the Preservation Board is generally responsible for restoring, maintaining and preserving the State Capitol, the State Capitol Extension, the Historic Grounds, and the General Land Office Building. This responsibility includes the facilities management of the buildings and grounds; the maintenance, documentation, and restoration of historical items; the management of a comprehensive educational program focusing on the history of the buildings; and the management of all events, exhibits, and activities at the State Capitol. The Preservation Board Act was amended by the Legislature during the 1997 legislative session to grant the Preservation Board authority to develop and construct the State History Museum in the Capitol Complex. The Preservation Board also operates the State Capitol gift shops and controls areas such as the cafeteria, press area, and ATM machine at the State Capitol. In addition, the Preservation Board operates and controls the Capitol Visitors Parking Garage for the benefit of visitors to the Capitol Complex and receives all revenues from 780 parking meters located in the Capitol Complex. None of the receipts or revenue described above are pledged to secure the 1997B Bonds (as defined in the Bond Resolution), the 1999A Bonds (as defined in the Bond Resolution) or the 2000B Bonds.

Authority's Relationship with the Preservation Board

The Authority and the Preservation Board have entered into a memorandum of understanding, dated as of November 1, 1997 (the "Preservation Board Memorandum"), which defines the division of authority between the Authority and the Preservation Board with respect to projects financed by the Authority. The Preservation Board Memorandum provides that the Authority, at the request of the Preservation Board, will issue bonds to finance projects identified by the Preservation Board and approved by the Legislature. The Preservation Board Memorandum also provides that the Preservation Board 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. Under the terms of the Preservation Board Memorandum, the Preservation Board 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 Preservation Board has transferred title to the land upon which the State History Museum will be built to the Authority by a quit-claim deed dated September 4, 1998. Under the Enabling Act and the Preservation Board Memorandum, the Preservation Board will reacquire title to the Museum Project once the Preservation Board Bonds and any additional bonds issued under the Bond Resolution related to the Museum Project are paid in full. In the event of a conflict between the Preservation Board Memorandum and the Lease Agreement, the Lease Agreement will control.

Sunset Review

The Preservation Board is subject to Sunset Review. The next scheduled review of the Preservation Board under the Texas Sunset Act is during the legislative session in 2007. The Preservation Board's enabling act provides that if the Preservation Board is not continued in existence, the Preservation Board will cease to exist on September 1, 2007; however, the Texas Sunset Act provides that the Preservation Board will exist until September 1 of the following year (September 1, 2008) in order to conclude its business.

THE PROJECT

The Project is to be financed with the proceeds of the Preservation Board Bonds, including the 2000B Bonds. Proceeds of the 2000B Bonds are expected to be used to finance the costs of the third phase of construction of the State History Museum to be located in the Capitol Complex at 1800 North Congress Avenue, Austin, Texas. As currently planned, the four levels of museum space will include exhibits on three levels and allow for single-story, two-story and three-story exhibit spaces to allow for dramatic displays of certain parts of Texas history. The remaining level will be utilized for mechanical operations and administrative support. The underground parking facility will accommodate up to 500 cars.

The first phase of the Project was financed with proceeds of the Authority's Building Revenue Bonds (State Preservation Board Project) Series 1997B (the "1997B Bonds") issued on December 11, 1997. The second phase of the Project was financed with proceeds of the Authority's Building Revenue Bonds (State Preservation Board Project) Series 1999A (the "1999A Bonds") issued on January 27, 1999. Costs of this third phase are expected to include direct and indirect construction costs, site and construction testing and professional design fees. The Legislature originally authorized this Project pursuant to Section 443.021, Texas Government Code, and H.B. 1, 75th Legislature, R.S., Article I, pp. I-73-74, §9 (1997), at an estimated project cost of \$80 million. Authorization to complete the third phase of construction of the State History Museum, at an estimated cost of \$30,000,000, was continued by the 76th Legislature in H.B. 1, 76th Legislature, R.S., Article I, p. I-74, §4 (1999). The Enabling Act authorizes the Authority to issue bonds in an amount that is 1½ times such estimated project cost, or \$45 million, for the third phase construction. Although the total costs of the third phase of construction of the State History Museum are expected to be \$30 million, there is no assurance at this time as to what actual construction costs will be.

Although it is currently expected that fees generated by visitors to, or other users of, the State History Museum will be sufficient to pay for the operating costs of the State History Museum, there is no assurance at this time that the number of visitors to the State History Museum, once built, will actually meet such expectations. To the extent that operating costs are not payable in full from visitors' fees or other user fees, such costs will need to be paid from appropriated money or other lawfully available funds. The fees generated by visitors to, or other users of, the State History Museum are not pledged as security for the 1997B Bonds, the 1999A Bonds or the 2000B Bonds. See "THE BONDS – Source of Payment." The State History Museum, once built, may be operated by the Preservation Board or by another state agency or other operator with whom the Preservation Board may contract for such purpose.

At the direction of the Legislature, the Authority may sell or otherwise dispose of the Project, 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 the Project, the proceeds received may, at the election of the Preservation Board, be used to restore or replace such 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 BONDS

Description of the 2000B Bonds

The 2000B Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of 2000B Bonds will not receive physical delivery of the bond certificates. The 2000B Bonds will be issuable in fully registered form and purchases of 2000B Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The 2000B Bonds will bear interest at the respective rates shown on the cover page of this Official Statement, calculated on the basis of a 360-day year composed of 12 months of 30 days each. The 2000B Bonds will mature in the respective principal amounts and on the respective dates shown on the cover page of this Official Statement. The 2000B Bonds will be dated and will bear interest from July 1, 2000. Interest on the 2000B Bonds will be payable semi-annually on each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2001.

Optional Redemption

The 2000B Bonds stated to mature on or after August 1, 2010, will be subject to redemption, in whole or in part from time to time, at the option of the Authority on August 1, 2009, and on any date thereafter at a redemption price equal to the principal amount to be redeemed plus accrued but unpaid interest to, but not including, the date of redemption.

Notice of Redemption

Not less than thirty (30) nor more than forty-five (45) days prior to a redemption date for any Bond, a notice of redemption will be sent in the name of the Authority to each Bond Owner of a Bond to be redeemed in whole or in part at the address of such Bond Owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notice will state the redemption date, the redemption price, the place at which 2000B Bonds are to be surrendered for payment and, if less than all the 2000B Bonds outstanding are to be redeemed, the numbers of 2000B Bonds or portions thereof to be redeemed. So long as the 2000B Bonds remain Book-Entry Bonds, the Authority will only be required to send such notice of redemption to the Securities Depository (or its nominee). Any notice of redemption so sent as provided in this provision will be conclusively presumed to have been duly given, whether or not the Bond Owner receives such notice by the date fixed for redemption, and due provisions will be made with the Paying Agent/Registrar for payment of the redemption price of the 2000B Bonds or portions thereof to be redeemed. When 2000B Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as herein provided, the 2000B Bonds or portions thereof so redeemed will no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

Source of Payment

Pursuant to the Bond Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Preservation Board Bonds, including the 2000B 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 (ii) hereof; (ii) all rights and remedies of the Authority under the Funds Management Agreement, the Lease Agreement 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 Project (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the Project, (B) to indemnification, and (C) to payment of Bond Administration Costs); and (iii) the Interest and Sinking Fund. The moneys held by the Comptroller in the Project Fund, the Issuance Cost Fund, the Restoration Fund and the Rebate Fund do not constitute security for the 2000B Bonds or any other Preservation Board Bonds.

The Lease Agreement obligates the Preservation Board to make Rent Payments in amounts sufficient to pay the principal of, premium, if any, and interest on the Preservation Board Bonds, including the 2000B Bonds. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Lease Agreement - *Rent Payments*."

The obligation of the Preservation Board to make Rent Payments and other payments under the Lease Agreement 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 Preservation Board's obligation under the Lease Agreement 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 the Lease Agreement extends beyond the current fiscal year or biennium, the continuation of the Lease Agreement is dependent upon the successive appropriation in the budget for each fiscal year or biennium of sufficient moneys to make the payments required thereunder, and the failure of the Legislature to make such appropriation may result in the termination of the Lease Agreement. While it is expected that the Legislature will make appropriations for each fiscal year or biennium in an amount sufficient to allow the Preservation Board to make the Rent Payments and other required payments under the Lease Agreement, the Legislature has no legal obligation to do so, and the owners of the 2000B Bonds and any other Preservation Board Bonds will have no right to compel the Legislature to make such appropriations.

The Preservation Board has been appropriated amounts for lease payments sufficient to pay debt service on the Preservation Board Bonds, including the 2000B Bonds, in the current biennium and will request appropriations sufficient to meet its Rent

Payment obligation under the Lease Agreement in future bienniums. Because the Rent Payments will ultimately be made from funds appropriated by the Legislature to the Preservation Board for such purpose, prospective purchasers of the 2000B 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 2000B Bonds, even though the State will not be obligated to pay the 2000B 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.

The Legislature has never failed to appropriate sufficient amounts to enable the Authority to receive rental payments from State agencies and departments necessary to pay the Authority's revenue bonds issued to finance facilities leased to such State agencies and departments.

Additional Bonds

The Authority has reserved the right to issue Additional Bonds secured on a parity with the 2000B Bonds for the purpose of paying additional costs of the Project. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Bond Resolution - *Additional Bonds.*" At present the Preservation Board does not anticipate the need to issue Additional Bonds.

Investment Considerations

The Authority has not granted the Bond Owners a lien against, or security interest in, the Project as security for the 2000B Bonds or any Additional Bonds. If the Preservation Board defaults in the payment of amounts due under the Lease Agreement or the Lease Agreement is terminated because of non-appropriation, the Authority has the right, in accordance with the Lease Agreement, to re-lease the Project to other users. However, the ability of the Authority to re-lease the Project upon default under the Lease Agreement (or termination of the same because of non-appropriation) may be impaired by factors such as the specialized nature of the Project and market demand for rental property generally. The Authority's ability to re-lease the Project is further limited by federal income tax-related covenants contained in the Bond Resolution which, in order to preserve the excludability of interest on the 2000B Bonds from gross income for federal income purposes, effectively prohibits the lease of the Project to non-governmental users without the consent of the Bond Owners. The ability of the Authority to re-lease the 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, pursuant to the terms of another valid agreement.

Flow of Funds

Under the Bond Resolution, the Interest and Sinking Fund established for the Preservation Board Bonds, including the 2000B Bonds, 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 Bond 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 Preservation Board by transferring funds from the State Lease Fund (or from such other source of funds lawfully available to the Preservation Board as may be directed by the Preservation Board) 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 Preservation Board Bonds (including the 2000B 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 2000B Bonds next comes due following such Rent Payment Date, the Comptroller of Public Accounts-Treasury Operations receives telephonic instructions from 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 Preservation Board as may be directed by the Preservation Board, in order to cure a deficiency in the Interest and Sinking Fund, the Comptroller of Public Accounts-Treasury Operations, upon receipt of such instructions, will make such transfer in the amount and otherwise in accordance with such instructions.

The Rebate Fund is established for purposes of complying with provisions of the Code that require the Authority to pay over to the federal government any excess earnings (generally, the portion of investment income attributable to a yield on investments that is higher than the yield on the 2000B Bonds) received from investment of the proceeds of the 2000B Bonds and certain money held in connection with the 2000B Bonds. The Rebate Fund is 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.

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 moneys in a fund will be deposited in such fund.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act initially as securities depository for the 2000B Bonds. The 2000B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each stated maturity of the 2000B Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 2000B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2000B Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the 2000B Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2000B Bonds, except in the event that use of the book-entry system for the 2000B Bonds is discontinued.

To facilitate subsequent transfers, all 2000B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2000B Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2000B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2000B Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to Cede & Co. If less than all of the 2000B Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such stated maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2000B Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2000B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2000B Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payment dates. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, the Underwriters 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 DTC is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2000B Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, 2000B Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2000B Bonds will be printed and delivered in accordance with the Bond Resolution.

In reading this Official Statement it should be understood that while the 2000B Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 2000B Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

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

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

The following capitalized terms appearing in this Official Statement 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.

Act or Enabling Act means the Texas Public Finance Authority Act (Chapter 1232, Texas Government Code), as amended.

Additional Bonds mean any additional parity bonds permitted to be issued pursuant to Section 2.3 of the Bond Resolution.

Authority Board means the Board of Directors of the Authority.

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

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

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

Authorizing Law means collectively, the Enabling Act and H.B. 1, Art. I, pages I-72 through I-74, Sec. 9, Acts of the 75th Legislature, R.S. (1997), and H.B. 1, Art. I, page I-74, Sec. 4, Acts of the 76th Legislature, R.S. (1999).

Bond Administration Costs mean the costs as set forth in the Lease Agreement including paying agency, financial advisory, legal, arbitrage compliance, and other costs incurred by or on behalf of the Authority (including, without limitation, costs of enforcement of the Transaction Documents and attorney's fees) in connection with the administration of the Project and the Preservation Board Bonds.

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

Bond Insurance Policy means the bond insurance policy, if any, issued by a Bond Insurer that guarantees payment of principal of and interest on any of the Preservation Board Bonds.

Bond Insurer means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation, with respect to the 1997B Bonds and the 1999A Bonds, and Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, with respect to the 2000B Bonds.

Bond Obligations mean the principal, premium (if any) and interest payment obligations of the Authority on any Preservation Board Bonds.

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

Bond Owners' Direction means an instrument or instruments executed by the owners of not less than a majority in aggregate principal amount of the Preservation Board Bonds then outstanding, directing or consenting to the taking of some specific actions.

Bond Resolution means the Bond Resolution adopted by the Board as described and identified under the caption "INTRODUCTION" in this Official Statement, including any amendments or supplements thereto.

Book Entry Bond means any Preservation Board Bond administered under a book entry system pursuant to the Bond Resolution.

Book Entry Representation Letter means any representation letter of, or agreement delivered by, the Authority pursuant to the Bond Resolution providing for administration of a book entry system for any of the Preservation Board Bonds.

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

Chairman means the Chairman of the Authority Board, or any member of the Authority Board authorized to act as Chairman.

Closing means the concurrent delivery of any of the Preservation Board Bonds to or upon the order of any purchasers of such Preservation Board Bonds in exchange for payment thereof.

Closing Date means the date of any Closing.

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

Comptroller means the Comptroller of Public Accounts of the State or any successor thereto.

Costs of Issuance means the costs of issuance as provided in the Act and the Authority Regulations, incurred in connection with the issuance of Preservation Board Bonds.

Credit Agreement means an interest rate swap or other credit agreement authorized pursuant to Chapter 1371, Texas Government Code, as amended.

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

Event of Default means 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 Preservation Board Bonds;
- (3) the occurrence of any act of bankruptcy of the Board, the Authority, or the State; or
- (4) the occurrence of any "Event of Default" as defined in the Board Lease or any other lease (or other use arrangement) of the Project entered into by the Authority relating to the Project.

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

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

Fund(s) means collectively, or individually, the Interest and Sinking Fund, the Issuance Cost and Operations Fund, the 1997B Project Fund, the 1999A Project Fund, the 2000B Project Fund, the Rebate Fund and the Restoration Fund.

Funds Management Agreement means the Amended and Restated Funds Management Agreement dated July 1, 2000 (including any other amendments thereto) between the Authority and the Comptroller providing for the administration of the

proceeds of the Preservation Board Bonds and the availability of State funds for the payment of the Bond Obligations related thereto.

Government Obligations mean, with respect to all series of Preservation Board Bonds, any direct noncallable obligation of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (ii) with respect to the 2000B Bonds and Additional Bonds only, (a) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Authority Board approves the issuance of refunding bonds refunding the 2000B Bonds or any Additional Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (b) 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 Authority Board approves the issuance of refunding bonds refunding the 2000B Bonds or Additional 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 means the “Interest and Sinking Fund” described in the Bond Resolution.

Issuance Cost and Operations Fund means the “Issuance Cost and Operations Fund” described in the Bond Resolution.

Lease or Lease Agreement means the Amended and Restated Lease Agreement dated July 1, 2000 (including any other amendments thereto) between the Authority and the Preservation Board, providing the terms and conditions (1) under which the financing of the Project for the benefit of the Preservation Board is to be undertaken, and (2) of the lease of the Project to the Preservation Board.

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

Legislature means the Legislature of the State of Texas.

Paying Agent/Registrar means initially, the Authority, or any financial institution appointed by the Authority to act in accordance with the Bond Resolution as the paying agent/registrar for the Preservation Board Bonds.

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

Plans and Specifications mean the plans and specifications for the Project as provided in the Lease Agreement, as the same may be amended or supplemented.

Pledged Revenues mean collectively, the following:

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

Pledged Security means 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 Lease or any other lease or use arrangement of the Project (except for any right to receive proceeds of insurance maintained with respect to the Project, to indemnification, and to payment of Bond Administration Costs) and under the Funds Management Agreement; and
- (3) amounts in the Interest and Sinking Fund.

Project means the project authorized to be financed or refinanced and leased pursuant to the Lease, consisting of the 1997B Project, the 1999A Project, and the 2000B Project.

Preservation Board means the State Preservation Board and any successor thereto.

Preservation Board Bonds mean the outstanding Series 1997B Bonds, the Series 1999A Bonds, and the Series 2000B Bonds, and any Additional Bonds, as defined in and issued under the Bond Resolution.

Project Completion Certificate means the certificate delivered on behalf of the Preservation Board, pursuant the Lease, to the effect that the Project has been completed or that no further proceeds of the Preservation Board Bonds are required for the payment of Project Costs with respect to the Project.

Project Completion Date means the date on which the Project is completed as certified in the Project Completion Certificate.

Project Costs mean any costs associated with the Project that are authorized under the Authorizing Law and the Authority Regulations, and Chapter 1201, Texas Government Code, as amended, to be paid with proceeds of the Preservation Board Bonds.

Project Description means the description of the Project set forth as an exhibit to the Lease Agreement.

Project Fund means, collectively, the 1997B Project Fund, 1999A Project Fund, and the 2000B Project Fund.

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

Rebate Fund means the "Rebate Fund" described in the Bond Resolution.

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

Register means the official registration records for the Preservation Board Bonds maintained by the registrar for the Preservation Board Bonds pursuant to the Bond Resolution.

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

Rent Payment Date means any date on which Rent Payments are required to be paid pursuant to the Lease, including any Regular Rent Payment Date or Special Rent Payment Date.

Rent Payments mean the rental payments required to be made by the Preservation Board pursuant to the Lease in consideration of use of the Project.

Restoration Fund means the "Restoration Fund" created pursuant to the Bond Resolution.

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

State means the State of Texas.

State Lease Fund means the fund identified as such in the Authorizing Law or any successor fund created pursuant to law for the same purpose.

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

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due;
- (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) mean collectively, the Bond Resolution, the Lease Agreement, the Funds Management Agreement, the Book Entry Representation Letter, the Purchase Agreement, and the Preservation Board Bonds, and amendments thereto, if any.

1997B Project means such project as defined in the Bond Resolution.

1999A Project means such project as defined in the Bond Resolution.

2000B Project means such project as defined in the Bond Resolution.

1997B Project Fund means the 1997B Project Fund created pursuant to the Bond Resolution.

1999A Project Fund means the 1999A Project Fund created pursuant to the Bond Resolution.

2000B Project Fund means the 2000B Project Fund created pursuant to the Bond Resolution.

The Bond Resolution

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

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

Additional Bonds. So long as the Lease Agreement is in effect, one or more series of Additional Bonds may be issued under the Bond Resolution for the purpose of financing or refinancing, in whole or in part, the Project Costs for any Project that the Legislature by law has authorized or for the purpose of refunding any outstanding Preservation Board Bonds. Such Additional Bonds, when issued, and the interest thereon will be equally and ratably secured by and payable from a first lien on and pledge of Pledged Security, in the same manner and to the same extent as the Preservation Board Bonds at the time outstanding, and the Preservation Board Bonds, when issued, and the interest thereon will be on a parity and in all respects of equal dignity with each other.

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 Bond Resolution unless such debt is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of the Bond Resolution. Notwithstanding anything to the contrary in the Bond Resolution, the Authority reserves the right to issue Additional Bonds and obligations to refund the Preservation Board Bonds, to refinance existing obligations and to finance other improvements to the Project, or any part thereof or the property on which any part of such Project is situated by the issuance of Additional Bonds pursuant to other lease agreements and to secure such Additional Bonds 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 Preservation Board Bonds for all purposes. The Paying Agent/Registrar is not bound to recognize any Person as the owner of any Preservation Board Bond or take action at such Person's request unless such Person furnishes evidence of its identity as the Bond Owner satisfactory to the Paying Agent/Registrar. Notwithstanding any contrary provision of the Bond Resolution, for purposes of determining whether the requisite number of registered owners of Preservation Board Bonds have taken any action authorized thereunder, the Authority will count the beneficial owners of Preservation Board 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 Preservation Board 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 Preservation Board Bond to which payments with respect to the Preservation Board Bonds will be made, as provided in the Bond 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 Preservation Board Bond issued and delivered pursuant to the Bond Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Preservation Board 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 Preservation Board Bonds of the same series, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Preservation Board 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 Preservation Board 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 Preservation Board Bond or any portion thereof (i) 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 or (ii) called for redemption prior to maturity, within 45 days prior to its redemption date; except that at the option of the Owner of at least \$1,000,000 in principal amount of Preservation Board Bonds, the Paying Agent/Registrar is required to transfer or exchange any such Preservation Board Bond which has been selected in whole or in part for redemption upon surrender thereof. In which event, the Paying Agent/Registrar will make such arrangements as it deems appropriate for notation on each new Preservation Board Bond

issued in exchange for or upon transfer of the Preservation Board Bonds so selected for redemption of an appropriate legend to the effect that such new Preservation Board Bond has been so selected for redemption.

If a portion of any Preservation Board Bond is redeemed prior to its scheduled maturity as provided in the Bond Resolution, a substitute Bond or Bonds or Additional Bond or Bonds of the same series, having the same maturity date, bearing interest at the same rate, in any authorized denomination requested by the Bond Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Bond Owner upon surrender thereof for cancellation, at the expense of the Authority.

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

In every case of loss, theft or destruction of a Preservation Board Bond, the applicant for a replacement Preservation Board 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 Preservation Board Bond, the applicant must furnish to the Paying Agent/Registrar evidence to its satisfaction of the loss, theft or destruction of such Preservation Board Bond, as the case may be. In every case of damage or mutilation of a Preservation Board Bond, the applicant must surrender to the Paying Agent/Registrar for cancellation the Preservation Board Bond so damaged or mutilated.

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

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

Bond Insurance.

1997B Bonds and 1999A Bonds

The Authority has agreed that, in the event the principal and interest due on the 1997B Bonds or the 1999A Bonds is paid by the Bond Insurer pursuant to the Bond Insurance Policy, the assignment and pledge of all funds and all covenants, agreements and other obligations of the Authority to the owners of the 1997B Bonds or the 1999A Bonds will continue to exist and the Bond Insurer will be subrogated to the rights of such owners; and furthermore, the Authority has agreed that:

Consent of the Bond Insurer Where Bond Owner Consent Required. The Bond Insurer will be deemed to be the owner of the 1997B Bonds or the 1999A Bonds insured by the Bond Insurer at all times for the purpose of the execution and delivery of any amendment, change or modification of the Bond Resolution, the Lease or the Funds Management Agreement or the initiation by the owners of the 1997B Bonds or the 1999A Bonds of any action to be taken under the Bond Resolution, the Lease or the Funds Management Agreement at the Bond Owner's request, which under the Bond Resolution, the Lease or the Funds Management Agreement (or under such underlying documents) requires the written approval or consent of or can be initiated by the owners of a majority in aggregate principal amount of the 1997B Bonds or the 1999A Bonds at the time outstanding.

Consent of the Bond Insurer Upon Default. Anything in the Bond Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer will be entitled to control and direct on behalf of the owners of the insured 1997B Bonds or the 1999A Bonds the enforcement of all rights and remedies granted to the owners of the 1997B Bonds or the 1999A Bonds under the Bond Resolution, including without limitation: (i) the right to accelerate the principal of the insured 1997B Bonds or the 1999A Bonds as described in the Bond Resolution and (ii) the right to annul any declaration of acceleration, and the Bond Insurer will also be entitled to approve all waivers of events of default.

Defeasance. In the event that the principal and redemption price, if applicable, and interest due on any 1997B Bonds or the 1999A Bonds is paid by the Bond Insurer pursuant to the Bond Insurance Policy, such 1997B Bonds or 1999A Bonds will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority and all covenants, agreements and other obligations of the Authority to the Bond Owners of such 1997B Bonds or 1999A Bonds will continue to exist and run to the benefit of the Bond Insurer, and the Bond Insurer will be subrogated to the rights of such owners.

Consent of the Bond Insurer. Any provision of the Bond Resolution expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer. Furthermore, anything in the Bond Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Bond Owners of such insured 1997B Bonds and the 1999A Bonds for the benefit of such owners.

The Bond Insurer As Third Party Beneficiary. To the extent that the Bond Resolution confers upon, or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Bond Resolution, the Bond Insurer is recognized as a third party beneficiary under the Bond Resolution and may enforce any such right, remedy, or claim conferred, given or granted thereunder.

2000B Bonds

Claims Upon the Bond Insurance Policy and Payments by and to the Bond Insurer.

(1) If, on the third business day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Paying Agent/Registrar, after making all transfers and deposits required under the Bond Resolution, moneys sufficient to pay the principal of and interest on the 2000B Bonds due on such Payment Date, the Paying Agent/Registrar will give notice to the Bond Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2000B Bonds due on such Payment Date, the Paying Agent/Registrar will make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2000B Bonds and the amount required to pay principal of the 2000B Bonds, confirmed in writing to the Bond Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

The Paying Agent/Registrar will designate any portion of payment of principal on 2000B Bonds paid by the Bond Insurer, whether by virtue of maturity or advancement of maturity, on its books as a reduction in the principal amount of 2000B Bonds registered to the then current Bond Owner, whether DTC or its nominee or otherwise, and will issue a replacement 2000B Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent/Registrar’s failure to so designate any payment or issue any replacement 2000B Bond will have no effect on the amount of principal or interest payable by the Authority on any 2000B Bond or the subrogation rights of the Bond Insurer.

Upon payment of a claim under the Bond Insurance Policy, the Paying Agent/Registrar will establish a separate special purpose trust account for the benefit of Bond Owners referred to herein as the “Policy Payments Account” and over which the Paying Agent/Registrar will have exclusive control and sole right of withdrawal. The Paying Agent/Registrar will receive any amount paid under the Bond Insurance Policy in trust on behalf of Bond Owners and will deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by the Paying Agent/Registrar to Bond Owners in the same manner as principal and interest payments are to be made with respect to the 2000B Bonds under the sections hereof regarding payment of 2000B Bonds. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt services with other funds available to make such payments.

Any funds remaining in the Policy Payments Account following a 2000B Bond payment date shall promptly be remitted to the Bond Insurer.

(2) The Bond Insurer will, to the extent it makes any payment of principal of or interest on the 2000B Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy.

(3) The Bond Insurer will be entitled to pay principal or interest on the 2000B Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Bond Insurance Policy) and any amounts due on the 2000B Bonds as a result of acceleration of the maturity thereof in accordance with the Bond Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

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 moneys 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 the Bond Obligations and otherwise as provided in the Funds Management Agreement.

Application of Restoration Fund. The Restoration Fund will be applied to pay the costs of restoring or replacing the Project if the Preservation Board elects to restore or replace the Project pursuant to the Lease Agreement following any damage to the Project (or any part thereof) or the taking of the Project (or any part thereof) through the exercise of the power of eminent domain. The money on deposit in the Restoration Fund will be disbursed in accordance with the procedures applicable to the disbursement of the Project Fund (to the extent such procedures can be made applicable), with such alteration in such procedures as the Executive Director determines appropriate, and will otherwise be applied in accordance with the Funds Management Agreement. See "The Funds Management Agreement - *Restoration and Replacement of the Project.*"

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 purposes 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 are to be secured in the manner and to the extent required by law.

Creation of Funds. Pursuant to the Bond Resolution, the following funds are established for the Bonds: Interest and Sinking Fund, Rebate Fund, Restoration Fund, Issuance Cost and Operations Fund and Project Fund.

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

Amendment of Bond Resolution.

- (a) The Bond Resolution may be amended without consent of or notice to the owners of outstanding Preservation Board 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 Authorizing Law and other applicable State or federal law or adversely affect the rights of the owners of the outstanding Preservation Board 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 Preservation Board Bonds.
- (b) In addition to amendments described under paragraph (a) above, the Bond Resolution may also be amended with the consent of the registered owners of Preservation Board Bonds aggregating a majority in principal amount of the aggregate principal amount of Preservation Board Bonds then outstanding.
- (c) Notwithstanding the foregoing, nothing contained in the Bond Resolution or any Transaction Document may permit or be construed to permit, without the approval of the owners of all of the outstanding Preservation Board Bonds, the amendment of the terms and conditions of any Transaction Document or in any Preservation Board Bond so as to:
 - (1) Make any change in the maturity of the outstanding Preservation Board Bonds;
 - (2) Reduce the rate of interest borne by any of the outstanding Preservation Board Bonds;
 - (3) Reduce the amount of the principal payable on the outstanding Preservation Board Bonds;
 - (4) Modify the terms of payment of principal of, premium (if any), or interest on the outstanding Preservation Board Bonds, or impose any conditions with respect to such payment;
 - (5) Affect the rights of the Bond Owners of less than all of the Preservation Board Bonds then outstanding;

- (6) Change the minimum percentage of the principal amount of Preservation Board Bonds necessary for consent to such amendment; or
 - (7) Change the Pledged Security.
- (d) The Bond Resolution provides that the Bond Resolution may be supplemented without notice to, or consent of, the holders of the Preservation Board Bonds in connection with the issuance of Additional Bonds.

Amendment of Funds Management Agreement. The Funds Management Agreement shall 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 Texas, will not adversely affect the rights of any Bond Owner under the Transaction Documents.

Defeasance of Bonds.

- (a) The Bond Obligations on any Preservation Board Bond(s) 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 Bond Resolution (including, without limitation, compensation of the Paying Agent/Registrar) with respect to such Preservation Board 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 Preservation Board Bonds, the particular maturity or maturities of Preservation Board 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 Preservation Board Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines (provided that a portion of a Preservation Board Bond may be redeemed only in an integral multiple of \$5,000 principal amount).
- (c) The Paying Agent/Registrar must transfer funds from the Interest and Sinking Fund or an escrow account established pursuant to the Bond Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations on the Preservation Board Bonds.
- (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 will 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":

- (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 Preservation Board Bonds;

- (3) the occurrence of any act of bankruptcy of the Preservation Board, the Authority, or the State; or
- (4) the occurrence of any "Event of Default" as defined in the Lease or any lease (or other use arrangement) of the Project entered into by the Authority relating to the 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 Lease 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 Preservation Board 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 Bond Resolution.

Enforcement of Rights and Remedies.

- (a) During the continuance of an Event of Default or an Event of Nonappropriation, the Bond Owners, as the pledgees and assignees for security purposes of all right, title, and interest of the Authority in and to the Pledged Security, acting pursuant to 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 Bond Owners may be appointed at the Bond Owners' Direction to exercise any rights and remedies available to the Bond Owners with respect to the Pledged Security as though such agent were the Authority.
- (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 Preservation Board Bonds or require the Authority to carry out any agreements with or for the benefit of the owners of the outstanding Preservation Board 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 Preservation Board 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 Preservation Board 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 Preservation Board 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) Any judgment against the Authority may be enforceable only against Pledged Security. There may not be authorized any deficiency judgment against any assets of, or the general credit of, the Authority, the Comptroller or the State.
- (e) In addition to the remedies provided under the Bond Resolution, the owners of the outstanding Preservation Board Bonds, acting pursuant to Bond Owners' Direction, may exercise any other rights and remedies afforded by law.
- (f) To the extent permitted by law, any suit or other action or proceeding instituted by the owners of the outstanding Preservation Board Bonds may be instituted, if necessary, in the name of the Authority for the benefit of the owners of the outstanding Preservation Board Bonds.
- (g) No delay or omission to exercise any right or power existing upon any breach of the Bond Resolution or the Lease Agreement 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.

Restoration of Rights. If any action taken by the Bond Owners as a result of an Event of Default or Event of Nonappropriation is discontinued or abandoned for any reason, or is determined adversely to the owners of the outstanding

Preservation Board Bonds, the owners of the outstanding Preservation Board 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 Preservation Board Bonds will continue as though no such action had been taken.

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

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

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

All funds received as a result of any remedies enforced pursuant to the Bond Resolution must be deposited in the Interest and Sinking Fund. All funds so deposited in the Interest and Sinking Fund (other than funds for the payment of Preservation Board 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 Preservation Board Bonds;
- (3) third, to the payment of the unpaid principal of (and any premium on) the Preservation Board 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 Preservation Board 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, will notify, or cause the Paying Agent/Registrar to notify, each Bond Owner of such default or Event of Nonappropriation.

No Personal Liability. No obligation imposed under the Bond Resolution, the Preservation Board Bonds, or any document executed by the Authority, the Preservation Board, 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 Preservation Board or the Comptroller, and no such officer, employee, or agent or any individual executing the Preservation Board Bonds or any such other document on behalf of any such entity will be subject to any personal liability with respect thereto.

The Lease Agreement

The Preservation Board (for purposes of this heading, the “Lessee”) has entered into the Lease Agreement with the Authority. The following is a summary of certain provisions of the Lease Agreement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Lease Agreement. A copy of the Lease Agreement is available for examination at the offices of the Authority.

Lease of Project. The Lease Agreement provides that the Authority leases the Project to the Lessee, and the Lessee leases the 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 Lease Agreement. 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 applicable 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 Preservation Board 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 Lease Agreement. 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 Lease Agreement and the Bond Resolution or reduce the amount of any Rent Payment. If all or any part of the Preservation Board Bonds are called for redemption in accordance with the Bond 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 Preservation Board Bonds on the date fixed for redemption, or, if the Authority deems it to be more advantageous, to buy Preservation Board 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 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 Lease Agreement 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 Lease, except in accordance with the express terms thereof. Notwithstanding any other provision of the Lease Agreement, 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 Lease Agreement.

Alteration and Substitution of Project. The Lessee may alter the Project (as described in the Project Description) or substitute other facilities for any part of the 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 the 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 the 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 the Project as altered or substituted.

Acquisition and Construction of Project. The Lessee will cause the acquisition and construction of the Project to be completed with due diligence substantially in accordance with Plans and Specifications, free of any liens, and in accordance with the law; but if, for any reason, such acquisition or construction is delayed or not completed, there may be no diminution in or postponement of Lease Payments. The Authority will have no responsibility with respect to the acquisition or construction of the Project. The Lessee will make timely payments of Project Costs in accordance with law and the contracts for construction of the Project. The Lessee represents that, as of the Closing Date, it expects that an amount of funds equal to the Project Completion Amount will enable the Lessee to complete the acquisition and construction of the Project. The Lessee will defend title to the Project site conveyed to the Authority, on behalf of and for the benefit of the Authority and the owners of the Preservation Board Bonds. The Lessee will require all contractors to provide performance and payment bonds as required by State law in the full amounts of the construction contracts.

Maintenance and Operation. The maintenance and operation of the Project, 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 Project or for any theft or other loss of any personal property located at the Project.

Project Insurance.

- (a) The Authority must obtain and maintain insurance with respect to the 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 each Project Phase;
 - (2) business interruption or other time element coverage in an amount not less than one year's debt service on the outstanding Preservation Board 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.
- (c) The Authority must furnish the Lessee with a copy of each policy of insurance maintained under the Lease Agreement. 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 Lease Agreement, 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 Lease Agreement in no way limits or prohibits the Legislature or the Lessee from using the Project for any lawful purposes under the laws of the State, including leasing or subleasing any portion of the 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 the Project may release the Lessee from, or mitigate its obligations under, the Lease and the Lessee will continue to be obligated to make all payments required under the Lease.

Disposition of Project. At the direction of the Legislature, the Authority may sell or otherwise dispose of all or any part of the 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 for deposit into the Restoration Fund and be used to pay Project Costs of a substitute Project or transferred to the Interest and Sinking Fund to be applied in accordance with the Bond Resolution and the Funds Management Agreement.

Events of Default Defined. The following are "Events of Default" under the Lease Agreement and the term "Event of Default" means, whenever used in the Lease Agreement, 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 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 Bond 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 the Project without terminating the Lease Agreement, and sublease all or any part of the Project 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 Lease Agreement so long as the Legislature has appropriated funds to the Lessee to pay such amounts.
- (b) Terminate the Lease Agreement, enter and take possession of the Project and at its option, to the extent permitted by law, lease the 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 Lease Agreement 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 Lease Agreement, or to enforce performance of any obligation of the Lessee under the Lease Agreement, by mandamus or otherwise.

No remedy in the Lease Agreement 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 Lease Agreement 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 Lease Agreement.

To the extent provided in the Bond Resolution, such rights and remedies as are given the Authority thereunder will, upon execution and delivery of the Bond Resolution, be assigned to the owners of the Preservation Board Bonds, as provided in the Bond 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 Bond Resolution.

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

Reinstatement. If the Lease is terminated as a result of the occurrence of an Event of Default, the Authority agrees to reinstate the Lease when all defaults under the Lease have been cured or waived, and the Lessee will be restored to the use, occupancy, and possession of the 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 Project.

Conveyance Upon Termination. When the Lease is terminated as a result of the Bond Obligations on all outstanding Preservation Board Bonds 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 Project to the Lessee.

Amendment of Lease Agreement. The Authority and the Lessee, by mutual agreement, may amend the 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 legal counsel to the Authority or the written advice of the Attorney General of the State of Texas to the effect that such amendment will not violate the Authorizing Law or the Bond Resolution; and
- (3) either of the following requirements is satisfied:
 - (A) the Executive Director obtains an opinion of legal counsel to the Authority or Bond Counsel, as the Executive Director determines is necessary after considering all material factors concerning the amendment, to the effect that such amendment will not constitute an Event of Taxability, and such amendment will not adversely affect the rights of the owners of the Preservation Board Bonds under the Bond Resolution; or
 - (B) the owners of at least a majority in aggregate principal amount of the outstanding Preservation Board Bonds affected by such amendment consent thereto, except that the consent of the owner of each outstanding Preservation Board Bond and Additional Bond affected by such amendment is required if such amendment would decrease the minimum percentage of owners of Preservation Board Bonds required for effective consent to such amendment.
- (4) the Lease Agreement may be amended without satisfying the foregoing requirements in connection with the issuance of Additional Bonds in order to provide for the issuance or payment of such Additional Bonds or to modify the description of the Project, or otherwise to facilitate the issuance of any such Additional Bonds.

The Funds Management Agreement

The following is a summary of certain provisions of the Funds Management Agreement providing for the administration of the proceeds of the Preservation Board Bonds and availability of funds for the payment thereof. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Funds Management Agreement. A copy of the Funds Management Agreement is available for examination at the offices of the Authority.

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 Preservation Board by transferring funds from the State Lease Fund (or from such other source of funds lawfully available to the Preservation Board, as may be directed by the Preservation Board) 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 from an Authorized Representative of the Preservation Board 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 Preservation Board, as may be directed by the Preservation Board) 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 Debt Service on Bonds. The Authority will apply any funds in the Interest and Sinking Fund representing accrued interest received from the sale of the Preservation Board Bonds to the payment of the interest first coming due on such Preservation Board Bonds.

Prior to the opening of business of the Paying Agent/Registrar on each day on which Bond Obligations come due on Preservation Board Bonds that are not Book-Entry Bonds, the Comptroller, upon receipt of a warrant drawn on the Interest and Sinking Fund by the Authority, must transfer immediately available funds to the Paying Agent/Registrar in an amount sufficient for the payment of such Bond Obligations. The Comptroller, upon receipt of a warrant drawn on the Interest and Sinking Fund by the Authority, must transfer funds for the payment of Bond Obligations on Book-Entry Bonds.

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

Restoration and Replacement of Project. Upon receipt of money representing insurance or condemnation proceeds that are to be applied to the restoration or replacement of the Project pursuant to the Lease Agreement, the Authority will deposit such

money into the Restoration Fund. The Authority may transfer money in the Restoration Fund to the appropriate account(s) of the Preservation Board for the payment of costs of restoring or replacing the Project pursuant to the Bond Resolution or the Lease Agreement. The Authority will treat and administer the Restoration Fund as if it were the Project Fund (to the extent such procedures can be made applicable), with such alteration in such procedures as the Executive Director deems appropriate, except that pursuant to the Lease Agreement certain of such money will be transferred to the Interest and Sinking Fund rather than applied to the restoration or replacement of any portion of the Project. Any money remaining in the Restoration Fund after the payment of all restoration or replacement costs, as evidenced by a certificate of an authorized representative of the Preservation Board, will be deposited into the State Lease Fund.

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 moneys (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 moneys sufficient to meet the Authority's obligations. The proceeds received from the disposition of any investment acquired with moneys 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.

Any profits or losses from investments will be credited or charged, respectively, on a pro rata basis among the Funds and other sources of money, from which such investment was made. The Comptroller will not be held liable for any losses resulting from investments made in accordance with the Funds Management Agreement.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, have assigned ratings of "Aa2" and "A+," respectively, to the uninsured 2000B Bonds maturing in the years 2001 through 2010 and "Aaa" and "AAA," respectively, to the insured 2000B Bonds maturing in the years 2011 and thereafter, with the understanding that upon delivery of the 2000B Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the insured 2000B Bonds will be issued by Financial Security Assurance Inc. 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 2000B Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the 2000B Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy (the "Policy") for the 2000B Bonds maturing on August 1 of the years 2011 through 2020, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. The shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2000, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,340,272,000 and its total unearned premium reserve was approximately \$663,574,000 in accordance with statutory accounting principles. At March 31, 2000, Financial Security's total shareholder's equity was approximately \$1,360,722,000 and its total net unearned premium reserve was approximately \$547,872,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the 2000B Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the 2000B Bonds or the advisability of investing in the 2000B Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

TAX MATTERS

On the date of initial delivery of the 2000B Bonds, Akin, Gump, Strauss, Hauer & Feld, L.L.P. and Wickliff & Hall, P.C., Co-Bond Counsel, will render their opinion that, under existing law, (1) interest on the 2000B Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (2) the 2000B Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code and that, accordingly, interest on the 2000B Bonds will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Co-Bond Counsel will express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the 2000B Bonds. See APPENDIX C - FORM OF OPINION OF CO-BOND COUNSEL.

In rendering their opinions, Co-Bond Counsel will rely upon representations and certifications of the Authority with respect to matters solely within the knowledge of the Authority, which Co-Bond Counsel has not independently verified, and will assume continuing compliance by the Authority with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the 2000B Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the Authority fails to comply with the foregoing covenants, interest on the 2000B Bonds could become includable in gross income retroactively to the date of issuance of the 2000B Bonds, regardless of the date on which the event causing such inclusion occurs.

The statutes, regulations, published rulings, and court decisions upon which Co-Bond Counsel have based their opinions are subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of Treasury. There can be no assurance that such law or the interpretation thereof will be changed in a manner which would adversely affect the tax treatment of their receipt or accrual of interest on or the acquisition, ownership, or disposition of the 2000B Bonds.

Co-Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price of certain stated maturities of the 2000B Bonds may be less than the stated redemption price at maturity (as defined in section 1272 of the Code and Income Tax Regulations thereunder) on the 2000B Bonds (the "Original Issue Discount Bonds"). Assuming that all of the Original Issue Discount Bonds have been initially offered and a substantial amount of each maturity thereof has been sold, to the general public in arm's length transactions for a price (with no other consideration being included) for not more than the initial offering prices stated in the Official Statement, an amount equal to the difference between the initial public offering price of an Original Issue Discount Bond and the stated redemption price at maturity constitutes "original issue discount" to the initial purchaser of such Original Issue Discount Bond. Such original issue discount may result from the payment of accrued interest by the initial purchaser, bonds having an interest payment period longer than six months, or the purchase by the initial purchaser at a discount from the face amount of the 2000B Bonds. Under existing law, such initial purchaser is entitled to exclude from gross income an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such purchaser. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Original issue discount is considered to be accrued actuarially in accordance with the constant interest method over the life of the Original Issue Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Original Issue Discount Bond. The allocation of such original issue discount will generally result in an amount treated

as interest that is different than the amount of the payment denominated as interest actually received by the owner thereof during the taxable year.

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain stated maturities of the 2000B Bonds (the “Premium Bonds”) is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price, and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bond. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. All purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the federal, state, local, and foreign tax consequences of acquisition, ownership, redemption sale, or other disposition of, such Premium Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the 2000B Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECEIPT OR ACCRUAL OF INTEREST ON OR THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the 2000B Bonds will be included in the “adjusted current earnings” of certain corporations for purposes of computing its alternative minimum tax imposed by section 55 of the Code.

Interest on the 2000B Bonds may be subject to the “branch profit tax” imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the 2000B Bonds, may be required to disclose interest received or accrued during each taxable year on their returns with respect to federal income taxes.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the 2000B Bonds, if such obligation 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. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount (defined below) of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). 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.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications resulting from the receipt or accrual of interest

on or the acquisition, ownership, or disposition of the 2000B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

THE BONDS AS LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Texas Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that obligations, such as the 2000B Bonds, are legal and authorized investments for insurance companies, fiduciaries or trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. In addition, various provisions of the Texas Finance Code provide that, subject to the prudent investor standard, the 2000B Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The 2000B Bonds are also eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the 2000B 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 2000B Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the 2000B Bonds for such purposes. The Authority has made no review of laws in other states to determine whether the 2000B 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 2000B Bonds or the validity of the 2000B Bonds. There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Attorney General of the State of Texas, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge is there any basis therefor) that (1) affects the existence of the Authority or the right of the present directors and officers of the Authority to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the 2000B Bonds are being issued, and (3) would have a material adverse effect upon the power of the Authority to issue the 2000B 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 2000B Bonds or the security for the 2000B Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. In the Bond Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Preservation Board Bonds, including the 2000B Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the 2000B Bonds. Under the agreement, the Authority will be obligated to provide timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Material Event Notices. In the Bond Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the 2000B Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 2000B Bonds; (7) modifications to rights of holders of the 2000B Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2000B 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 2000B Bonds to provide certain updated information and notices while the 2000B Bonds remain outstanding. The Authority and the legal and beneficial owners of the 2000B Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe his agreement for so long as the 2000B 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. This disclosure appendix is incorporated herein as described in Appendix A. The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with the Comptroller's disclosure agreement. Appendix A is available via the Internet at <http://www.window.state.tx.us/treasops/bondapp.html>. In addition, the Comptroller publishes, and intends to continue to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues and expenses for State government funds on a combined basis. Bondholders may subscribe to *Fiscal Notes* by writing to *Fiscal Notes*, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Additional information about the State government may be obtained by contacting the Comptroller's *BBS Window on State Government* via the Internet at <http://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 to this Official Statement in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each fiscal year 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 March 13 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 2000B 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 2000B 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 2000B 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 the Underwriters to purchase or sell 2000B 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 2000B 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 2000B 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.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the 2000B Bonds from the Authority. The purchase price for the 2000B Bonds is \$29,654,316.10 (representing the par amount of the 2000B Bonds of \$29,480,000, plus a net premium of \$349,088.70, and less an underwriting discount of \$174,772.60), plus accrued interest on the 2000B Bonds from their dated date to the date of delivery. The Underwriters will be obligated to purchase all of the 2000B Bonds if any 2000B Bonds are purchased. The 2000B Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2000B Bonds into investment trusts) at prices lower than the public offering prices of such 2000B Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

THE CO-FINANCIAL ADVISORS

FirstSouthwest Company and Walton Johnson & Company (the "Co-Financial Advisors") have acted as co-financial advisors to the Authority in connection with the issuance and sale of the 2000B Bonds. First Southwest Company also serves in other capacities with the Authority. All fees and other remuneration received in such other capacities are separate and distinct from the fees associated with the 2000B Bonds and are not contingent upon the sale and issuance of the 2000B Bonds. First Southwest Company also has a contract with Thomson Financial Municipals Group pursuant to which electronic bidding and electronic official statement dissemination capabilities are made available to municipal finance clients, such as the Authority, through Thomson Financial Municipal Group's Parity electronic bidding, and TFMG Prospectus. First Southwest Company will not receive any remuneration under such contract relating to or contingent upon the issuance and/or sale of the 2000B Bonds. The Co-Financial Advisors have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness (except for the information concerning the Co-Financial Advisors). Investors should not draw any conclusions as to the suitability of the 2000B Bonds from, or base any investment decisions upon, the fact that the Co-Financial Advisors have advised the Authority.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2000B Bonds by the Authority are subject to the unqualified approving opinions of the Attorney General of the State of Texas and the legal opinion of Akin, Gump, Strauss & Feld, L.L.P. and Wickliff & Hall, P.C., Co-Bond Counsel. The compensation paid to Co-Bond Counsel for services rendered in connection with the issuance of the 2000B Bonds is contingent on the delivery of the 2000B 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, "THE BONDS," "DESCRIPTION OF THE TRANSACTION DOCUMENTS," "TAX MATTERS," "THE BONDS AS LEGAL INVESTMENTS IN TEXAS," and "CONTINUING DISCLOSURE OF INFORMATION" to verify that the information relating to the 2000B 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.

Certain legal matters will be passed upon for the Underwriters by their counsel, Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas.

The various legal opinions to be delivered concurrently with the delivery of the 2000B Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion,

the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Forward Looking Statements

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

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

MISCELLANEOUS

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

This Official Statement has been approved by the Authority.

TEXAS PUBLIC FINANCE AUTHORITY

By: /s/ Daniel H. Branch
Chairman

APPENDIX A
THE STATE OF TEXAS

The Appendix A dated May 2000 is on file with each NRMSR and the Texas SID. The Appendix A may be obtained from the Comptroller's website at <http://www.windows.state.tx.us/treasops/bondapp.html>.

APPENDIX B

DEBT SERVICE REQUIREMENTS

Combined Debt Service Requirements for the
Texas Public Finance Authority
Building Revenue Bonds
(State Preservation Board Project)

Fiscal Year	1997B Bonds Debt Service	1999A Bonds Debt Service	2000B Bonds Debt Service			Combined Debt Service
			Principal	Interest	Total	
2000	\$779,505.00	\$3,004,847.50				\$3,784,352.50
2001	779,767.50	3,012,572.50	\$1,145,000.00	\$1,689,377.08	\$2,834,377.08	6,626,717.08
2002	779,355.00	3,017,747.50	1,495,000.00	1,509,045.00	3,004,045.00	6,801,147.50
2003	783,155.00	3,031,897.50	1,495,000.00	1,441,022.50	2,936,022.50	6,751,075.00
2004	781,167.50	3,044,897.50	1,495,000.00	1,371,505.00	2,866,505.00	6,692,570.00
2005	778,505.00	3,055,097.50	1,495,000.00	1,301,987.50	2,796,987.50	6,630,590.00
2006	779,635.00	3,067,397.50	1,495,000.00	1,231,722.50	2,726,722.50	6,573,755.00
2007	779,425.00	3,080,755.00	1,490,000.00	1,160,710.00	2,650,710.00	6,510,890.00
2008	782,925.00	3,093,600.00	1,490,000.00	1,089,190.00	2,579,190.00	6,455,715.00
2009	779,882.50	3,104,137.50	1,490,000.00	1,016,180.00	2,506,180.00	6,390,200.00
2010	780,250.00	3,105,968.75	1,490,000.00	942,425.00	2,432,425.00	6,318,643.75
2011	779,125.00	3,086,100.00	1,490,000.00	867,925.00	2,357,925.00	6,223,150.00
2012	781,625.00	3,066,637.50	1,490,000.00	778,525.00	2,268,525.00	6,116,787.50
2013	782,625.00	3,047,318.75	1,490,000.00	689,125.00	2,179,125.00	6,009,068.75
2014	782,125.00	3,032,750.00	1,490,000.00	599,725.00	2,089,725.00	5,904,600.00
2015	780,125.00	3,017,537.50	1,490,000.00	510,325.00	2,000,325.00	5,797,987.50
2016	781,500.00	3,001,418.75	1,490,000.00	420,925.00	1,910,925.00	5,693,843.75
2017	781,125.00	2,999,050.00	1,490,000.00	331,525.00	1,821,525.00	5,601,700.00
2018	779,000.00	3,000,637.50	1,490,000.00	249,575.00	1,739,575.00	5,519,212.50
2019		3,011,262.50	1,490,000.00	167,625.00	1,657,625.00	4,668,887.50
2020			1,490,000.00	83,812.50	1,573,812.50	1,573,812.50
Total	\$14,830,822.50	\$60,881,631.25	\$29,480,000.00	\$17,452,252.08	\$46,932,252.08	\$122,644,705.83

APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

**AKIN, GUMP, STRAUSS, HAUER & FELD,
L.L.P.**

Attorneys at Law
A Registered Limited Liability Partnership
Including Professional Corporations
300 Covent, Suite 1500
San Antonio, Texas 78205

WICKLIFF & HALL, P.C.

1000 Louisiana
Suite 5400
Houston, Texas 77002

July __, 2000

WE HAVE ACTED AS CO-BOND COUNSEL to the Texas Public Finance Authority (the "Authority") in connection with the issuance of its Building Revenue Bonds (State Preservation Board Project) Series 2000B (the "Bonds") in the aggregate principal amount of \$29,480,000 pursuant to an Amended and Restated Bond Resolution adopted by the Board of Directors of the Authority on June 20, 2000 (the "Bond Resolution"). The Bonds are stated to mature on August 1 of the years specified in the Bond Resolution, and bear interest from July 1, 2000, payable on each February 1 and August 1, commencing February 1, 2001 at the rate (computed on the basis of a 360-day year composed of twelve 30-day months) specified in the Bond Resolution. The Bonds are issuable in fully registered form in denominations of \$5,000 and integral multiples thereof. The Bonds are subject to optional redemption prior to stated maturity as stated in the Bond Resolution.

IN RENDERING THE OPINIONS HEREIN, we have examined and relied upon original or certified copies of the proceedings had in connection with the issuance of the Bonds, including the Bond Resolution; customary certificates and opinions of officials of the Authority and other agencies of the State of Texas including the State Preservation Board (the "Board"); certificates of the Authority related to the expected receipt and use of the proceeds of the sale of the Bonds, and certain other funds of the Authority and to certain other facts within the knowledge and control of the Authority; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We express no opinion concerning any effect on the following opinions that may result from changes in law effected after the date hereof.

WE ARE OF THE OPINION, based upon such examination, that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

- (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, liquidation, and other similar laws now or hereafter enacted relating to creditor's rights generally or the discretion of courts in the granting of equitable relief; and
- (2) the Bonds constitute special limited obligations of the Authority payable exclusively from the Pledged Security (as defined in the Bond Resolution) including Rent Payments (as defined in the Bond Resolution) made by the Board. Rent Payments are payable from appropriations which will have to be made by the Legislature of the State of Texas. 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.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the Authority and the Board with the provisions of the Bond Resolution and in reliance upon representations and certifications of the Authority made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes and regulations, published rulings, and court decisions published to date (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the federal alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

WE CALL TO YOUR ATTENTION THE FACT THAT, with respect to our opinion in clause (2) of the preceding paragraph, interest on all tax-exempt obligations, including the Bonds, owned by a corporation (other than an "S" corporation or a qualified mutual fund, real estate mortgage investment conduit, financial asset securitization investment trust ("FASIT"), or real estate investment trust) is includable in its adjusted current earnings for purposes of calculating its federal alternative minimum taxable income. A corporation's federal alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States of America, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

WE EXPRESS NO OPINION with respect to the marketability of the Bonds or the adequacy or sufficiency of the security therefor.

YOU ARE REMINDED that this opinion expresses our professional judgment as to the legal issues explicitly addressed herein. We express no opinion as to any matters not specifically covered by the foregoing opinion. In rendering this opinion we do not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does this opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY