

OFFICIAL STATEMENT DATED AUGUST 23, 2005

NEW ISSUE - Book-Entry-Only

Ratings: See "RATINGS" herein.

In the opinion of Winstead Sechrest & Minick P.C. ("Special Tax Counsel"), under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, interest on the Bonds described herein is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, REMIC, or FASIT) for purposes of computing its alternative minimum tax liability. See "TAX MATTERS," herein.



\$32,575,000
TEXAS PUBLIC FINANCE AUTHORITY
Revenue Bonds
(Texas Building and Procurement Commission Projects)
Series 2005

Interest Accrual Date: Delivery Date

Due: August 1, as shown on the inside cover

The Texas Public Finance Authority (the "Authority") is issuing its Revenue Bonds (Texas Building and Procurement Commission Projects) Series 2005 (the "Bonds"), in the aggregate principal amount shown above. The Bonds are being issued to (i) finance the acquisition of certain land and facilities currently leased to the Texas Building and Procurement Commission (formerly the General Services Commission) (the "Commission") by exercising the purchase option under the existing leases and (ii) provide funds for capital improvements to certain of the facilities. Proceeds of the Bonds will also be used to pay costs of issuance. See "PLAN OF FINANCE" herein.

The Bonds shall bear interest from their Delivery Date (defined below). Interest on the Bonds is payable on August 1 and February 1 of each year, commencing February 1, 2006, until maturity or redemption. The Bonds are subject to redemption prior to maturity, as more fully described herein. See "THE BONDS." The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the book-entry system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the paying agent/registrant (the "Paying Agent/Registrar"), initially the Authority, to Cede & Co., which will make distribution of the amounts so paid to DTC's participating members for subsequent remittance to the owners of the beneficial interests in the Bonds.

The Bonds are special and limited obligations of the Authority payable only from certain pledged security (as described herein), which consists primarily of rent payments to be made by the Commission pursuant to a lease agreement between the Authority and the Commission (the "Series 2005 Lease"). The Series 2005 Lease obligates the Commission to make rent payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds. See "THE BONDS - Source of Payment of the Bonds."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.



The obligation of the Commission to make payments under the Series 2005 Lease is subject to, and dependent upon, appropriation by the Legislature of the State of Texas (the "State") of funds necessary to make such payments. The Legislature has no obligation to make any such appropriation. Neither the State nor any agency, political corporation, or political subdivision of the State will be obligated to pay the principal of, premium, if any, or interest on the Bonds, except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the faith and credit nor the taxing power of the State or any agency, political corporation, or political subdivision of the State (including the Authority) will be pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds are offered for delivery when, as, and if issued by the Authority and accepted by and delivered to the Underwriters, subject to the approving opinion of the Attorney General of the State and the opinion of Winstead Sechrest & Minick P.C. and Locke Liddell & Sapp LLP ("Co Bond Counsel") as to the validity of the issuance of the Bonds under the Constitution and laws of the State. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P. and Cantey & Hanger, L.L.P. The Bonds are expected to be available for delivery through the facilities of DTC on or about August 31, 2005 (the "Delivery Date").

Estrada Hinojosa & Company, Inc.

Citigroup

Piper Jaffray & Co.

Morgan Keegan & Company, Inc.

Siebert Brandford Shank & Co., L.L.C.

MATURITY SCHEDULE

\$32,575,000
Texas Public Finance Authority
Revenue Bonds
(Texas Building and Procurement Commission Projects) Series 2005

Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> ⁽¹⁾
2006	\$1,840,000	3.000%	2.939%	882756WM7
2007	2,095,000	3.000	2.990	882756WN5
2008	2,825,000	5.000	3.130	882756WP0
2009	2,920,000	5.000	3.230	882756WQ8
2010	3,025,000	3.500	3.340	882756WR6
2011	3,110,000	5.000	3.470	882756WS4
2012	2,175,000	4.500	3.580	882756WT2
2013	1,820,000	5.000	3.670	882756WU9
2014	1,870,000	4.500	3.780	882756WV7
2015	1,925,000	5.000	3.860	882756WW5
2016	1,230,000	3.875	4.000	882756WX3
2017	1,285,000	4.000	4.100	882756WY1
2018	1,335,000	5.000	4.050 †	882756WZ8
2019	1,190,000	5.000	4.080 †	882756XA2
2020	1,250,000	5.000	4.110 †	882756XB0
2021	1,315,000	4.125	4.350	882756XC8
2022	1,365,000	4.250	4.390	882756XD6

The Bonds maturing on and after August 1, 2016 will be subject to redemption on August 1, 2015 or any date thereafter, in whole or in part, at the option of the Authority, in such manner as the Authority may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

(1) CUSIP numbers have been assigned to this issue by the Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, and included solely for the convenience of the owners of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

† Yield to first optional call date. See "THE BONDS – Optional Redemption" herein.

STATE OF TEXAS

Rick Perry
Governor

David Dewhurst
Lieutenant Governor

Greg Abbott
Attorney General

Carole Keeton Strayhorn
Comptroller of Public Accounts

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

R. David Kelly
Chairman

H.L. Bert Mijares, Jr.
Vice Chairman

J. Vaughn Brock
Secretary

Mark A. Ellis
Member

Linda McKenna
Member

Ruth C. Schiermeyer
Member

Marcellus A. Taylor
Member

Certain Appointed Officials

Kimberly K. Edwards
Executive Director

Judith Porras
General Counsel

Coastal Securities
Caprock Securities, Inc.
Co-Financial Advisors to the Authority

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. All other information contained herein has been obtained from the Authority, DTC and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Issuer or the Underwriters.

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof.

Marketability

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

Certain information set forth herein has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters.

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

Securities Laws

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

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

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SUMMARY STATEMENT

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

Offering	\$32,575,000 Texas Public Finance Authority Revenue Bonds (Texas Building and Procurement Commission Projects) Series 2005.
Maturity	August 1 of each of the years and in the principal amounts set forth on the inside cover page of this Official Statement.
Interest	Payable semiannually on August 1 and February 1 of each year, beginning February 1, 2006, until maturity or redemption. See "THE BONDS."
Purpose	The Bonds are being issued to (i) finance the acquisition of certain land and facilities currently leased to the Texas Building and Procurement Commission (formerly the General Services Commission) (the "Commission") by exercising the purchase option under the existing leases and (ii) provide funds for capital improvements to certain of the facilities. Proceeds of the Bonds will also be used to pay costs of issuance. See "PLAN OF FINANCE."
Redemption	The Bonds are subject to redemption in whole or in part from time to time prior to maturity as described herein. See "THE BONDS."
Book-Entry System	The Bonds are initially issuable only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to a book-entry system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest and principal will be paid to Cede & Co., which will distribute the payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Source of Payment	The Rent Payments (as defined herein) due under the lease agreement between the Authority and the Commission (the "Series 2005 Lease") are the primary source of payment for the Bonds. The Series 2005 Lease obligates the Commission to make rent payments sufficient to pay the principal of and interest on the Bonds. The obligation of the Commission to make payments under the Series 2005 Lease is subject to, and dependent upon, appropriation by the Legislature of the State (the "Legislature") of funds necessary to make such payments. The Legislature has no obligation to make such appropriations. There is no mortgage on or other security interest in any portion of the Project financed with the Bonds. See "THE BONDS - Source of Payment of the Bonds"
Payment History	The Authority has never defaulted on bonds or other obligations payable from rent payments subject to biennial appropriation by the Legislature.
Ratings	The Bonds are expected to be rated "Aaa" and "AAA" from Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), respectively, based upon the issuance of a municipal bond insurance policy to be issued for the Bonds by MBIA Insurance Corporation. Moody's and S&P have assigned underlying ratings of "Aa2" and "AA-" respectively, to the Bonds. See "RATINGS."
Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See "MUNICIPAL BOND INSURANCE."

OFFICIAL STATEMENT

relating to

\$32,575,000

TEXAS PUBLIC FINANCE AUTHORITY

Revenue Bonds

(Texas Building and Procurement Commission Projects)

Series 2005

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover pages, Summary Statement, and attached Appendices) is to furnish information concerning the offering by the Texas Public Finance Authority (the "Authority") of its Revenue Bonds (Texas Building and Procurement Commission Projects) Series 2005 (the "Bonds"), which are being issued in the aggregate principal amount set forth above, pursuant to the authority granted to the Authority by the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended (the "Enabling Act"), Chapter 1371 and Sections 2166.454, 2166.4541, and 2166.4542 Texas Government Code, as amended, and pursuant to a resolution adopted by the Board of Directors of the Authority (the "Resolution") and a pricing certificate executed by the pricing committee designated in such Resolution. Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Resolution except as otherwise indicated herein.

The Bonds are being issued to (i) finance the acquisition of certain land and facilities currently leased to the Texas Building and Procurement Commission (formerly the General Services Commission) (the "Commission") by exercising the purchase option under the existing leases and (ii) provide funds for capital improvements to certain of the facilities (collectively, the "Project"). Proceeds of the Bonds will also be used to pay costs of issuance.

The Project will be leased by the Authority to the Commission pursuant to a lease agreement, dated as of August 31, 2005 (the "Series 2005 Lease"), between the Authority and the Commission. The Series 2005 Lease will obligate the Commission to make lease payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds and to pay certain expenses related to the Bonds and the Project. Pursuant to the Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Bonds (i) all right, title and interest of the Authority in and to the Pledged Revenues, which consist primarily of Rent Payments made by the Commission pursuant to the Series 2005 Lease; (ii) all rights and remedies of the Authority under the Series 2005 Lease and any other lease or use agreement or arrangement of 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) amounts on deposit in the Interest and Sinking Fund. The moneys held by the Comptroller of Public Accounts of the State of Texas (the "Comptroller") in the Acquisition Account, the Construction Account, and the Costs of Issuance Account within the Project Fund, the Restoration Fund and the Rebate Fund do not constitute security for the Bonds. See "THE BONDS – Source of Payment," "Investment Considerations" and "Flow of Funds."

The obligation of the Commission to make payments under the Series 2005 Lease is subject to and dependent upon, appropriation by the Legislature of the State of Texas (the "Legislature") of funds necessary to make such payments. Neither the State of Texas (the "State") nor any state agency, political corporation or political subdivision of the State will be obligated to pay the principal of, premium, if any, or interest on the Bonds except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the full faith and credit nor the taxing power of the State or any state agency, political corporation or political subdivision of the State (including the Authority) will be pledged for payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

This Official Statement includes descriptions of the Bonds (including the source of payment therefor), the Authority and the Commission and certain other matters, along with summaries of the Resolution and the Series 2005 Lease. Because payments to be made under the Series 2005 Lease by the Commission will come from appropriations of State general funds made by the Legislature, the information concerning the State of Texas (the "State") that is contained in Appendix A to this Official Statement should be reviewed carefully. See "THE BONDS - Source of Payment of the Bonds."

The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents. The form of the Resolution and the Series 2005 Lease are available for inspection at the offices of the Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701. Reference is made to the section herein captioned "DESCRIPTION OF THE TRANSACTION DOCUMENTS - Selected Definitions" and to the Resolution and the Series 2005 Lease for the definition of certain terms used herein.

This Official Statement speaks only as to its date. The information contained herein is subject to change. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCE

Purpose

The Bonds are being issued to (i) finance the acquisition of certain land and facilities currently leased to the Texas Building and Procurement Commission (formerly the General Services Commission) (the "Commission") by exercising the purchase option under the existing leases and (ii) provide funds for capital improvements to certain of the facilities (collectively, the "Project"). Proceeds of the Bonds will also be used to pay costs of issuance.

The land and facilities to be acquired are currently leased to the Commission pursuant to five separate lease agreements with various private entities (collectively, the "Prior Leases" and each, a "Prior Lease"). Under each Prior Lease, the rights of the respective lessor have been assigned to a trustee (the "Trustee," with respect to each Prior Lease) for the benefit of entities that purchased participation interests in the respective Prior Lease (the "Participants," with respect to each Prior Lease). Each of the Prior Leases contains an option to purchase which may be exercised by the Commission, subject to certain terms and conditions, on a particular date (each a "Purchase Date"). The Authority, at the request of the Commission, intends to exercise the option to purchase under each of the Prior Leases on behalf of the Commission. The Project will then be leased by the Authority to the Commission pursuant to the Series 2005 Lease (defined herein) between the Authority and the Commission.

The Purchase Dates for each of the Prior Leases are indicated below. On the Delivery Date, the Authority will provide instructions directing the Comptroller to pay the applicable Trustee, on the respective Purchase Date under each of the Prior Leases, an amount of Bond proceeds sufficient to pay the respective purchase option price under such Prior Lease. The Trustees will then distribute such proceeds to the applicable Participants under each of the Prior Leases.

Under the terms of each of the Prior Leases, upon the exercise by the Commission of its option to purchase, the applicable lessor is required to take all action necessary to vest in the Commission the lessor's right, title and interest in and to the property, free and clear of all liens and encumbrances. Pursuant to the terms of the Series 2005 Lease, the Commission has assigned to the Authority the Commission's right to exercise its option to purchase under the Prior Leases, so that upon the issuance of the Bonds and the exercise by the Authority of such option, title to the Project shall be vested in the Authority.

The Project

The Project includes the acquisition of certain land and facilities at the following locations, to be acquired on the indicated Purchase Date with the proceeds of the Bonds and leased to the Commission pursuant to the Series 2005 Lease:

<u>Location</u>	<u>Purchase Date</u>	<u>Current Occupant</u>
12124 Park 35 Circle Austin, Texas 78753-1808	September 1, 2005	Texas Commission on Environmental Quality
12118 North IH 35 Austin, Texas 78753-1902	September 15, 2005	Texas Commission on Environmental Quality
12100 Park 35 Circle Austin, Texas 78753-1808	September 1, 2005	Texas Commission on Environmental Quality
4044 Promontory Point Drive Austin, Texas 78744-6469	September 1, 2005	Texas Office of the Attorney General
3303 Mineola Highway Tyler, Texas 75702-1126	September 1, 2005	Texas Health and Human Services Commission and Texas Department of Family and Protective Services

A portion of the proceeds of the Bonds are expected to be used to pay the costs of certain capital improvements to all or a portion of the facilities listed above.

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 Commission, be used to restore or replace the Project or be transferred to the Interest and Sinking Fund. See “THE BONDS–Investment Considerations.”

SOURCES AND USES OF FUNDS

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

Sources		
Par Amount of Bonds		\$32,575,000.00
Net Premium		<u>1,375,943.25</u>
	Total	\$33,950,943.25
Uses		
Deposit to Acquisition Account ¹		\$26,912,513.45
Deposit to Construction Account		6,500,000.00
Costs of Issuance ²		<u>538,429.80</u>
	Total	\$33,950,943.25

¹ The aggregate purchase option price under the Prior Leases will be paid both from proceeds of the Bonds deposited to the Acquisition Account (in the amount indicated above) and from certain lease payment fund and operating fund balances held by the Trustees under the Prior Leases (the “Prior Fund Balances”). The Prior Fund Balances are held by the respective Trustees and will be applied by such Trustees to the purchase option price as provided under the respective Prior Lease. The aggregate amount of the Prior Fund Balances to be used for such purpose is approximately \$764,813.89.

² The Costs of Issuance includes the Underwriters’ discount, the premium for municipal bond insurance, and other costs of issuance.

THE AUTHORITY

General

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

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

<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
R. David Kelly	<i>Chairman</i>	2007
H.L. Bert Mijares, Jr.	<i>Vice Chairman</i>	2009
J. Vaughn Brock	<i>Secretary</i>	2007
Mark A. Ellis	<i>Member</i>	2009
Linda McKenna	<i>Member</i>	2011
Ruth C. Schiermeyer	<i>Member</i>	2007
Marcellus A. Taylor	<i>Member</i>	2011

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

Pursuant to the Enabling Act and Chapter 1401 and 1403, Texas Government Code, the Authority issues general obligation and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers three commercial paper programs; namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a General Obligation commercial paper program for certain general state government construction projects; and a General Obligation commercial paper program for the Colonia Roadway program. The Authority has also recently established a fourth commercial paper program that is available to fund loans to defense communities pursuant to Chapter 436 of the Government Code. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53 of the Education Code.

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

Before the Authority may issue obligations for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the obligations are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of obligations. The

Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of them.

Sunset Review

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

Additional Authorized but Unfunded Revenue Bond Projects

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

Authority's Enabling Act; Payment and Approval of the Bonds

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

Payments on the Bonds are expected to be made solely from the Pledged Security. See "THE BONDS - Source of Payment of the Bonds." Any default in payments on the Bonds will not affect the payment of any other obligations of the Authority.

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

TEXAS BUILDING AND PROCUREMENT COMMISSION

General

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

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

Name	Term Expires (January 31)
Brenda Pejovich, Chair	2009
Stuart S. Coleman	2007
James S. Duncan	2009
Bob Jones	2007
Victor E. Leal	2009
Mary Ann Newman-Buckley	2005

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

Sunset Review

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

THE BONDS

Description of the Bonds

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of Bonds will not receive physical delivery of the bond certificates. The Bonds will be issuable in fully registered form and purchases of Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest at the respective rates shown on the inside cover page of this Official Statement, calculated on the basis of a 360-day year composed of 12 months of 30 days each. The Bonds will mature in the respective principal amounts and on the respective dates shown on the inside cover page of this Official Statement. The Bonds are dated August 15, 2005, but bear interest from their Delivery Date (as defined on the cover page hereof). Interest on the Bonds is payable semiannually on each August 1 and February 1 (each an "Interest Payment Date"), commencing February 1, 2006, until maturity or redemption.

Optional Redemption

The Bonds maturing on and after August 1, 2016 will be subject to redemption on August 1, 2015 or any date thereafter, in whole or in part, at the option of the Authority, in such manner as the Authority may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

The Bonds may be redeemed only in integral multiples of \$5,000 of principal amount. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Paying Agent/Registrar will treat each Bond as representing that number of Bonds of \$5,000 denomination that is obtained by dividing the principal amount by \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver for exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption

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

Redemption Through The Depository Trust Company

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

Source of Payment of the Bonds

Pursuant to the Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Bonds (the "Pledged Security") all right, title, and interest of the Authority in and to (i) the Pledged Revenues (described below); (ii) all rights and remedies of the Authority under the Series 2005 Lease and any other lease or use agreement or arrangement of 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) amounts on deposit in the Interest and Sinking Fund.

Bonds. Pledged Revenues with respect to the Bonds include: (i) all Rent Payments transferred from the State Lease Fund Account (or from other sources of funds lawfully available); (ii) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and (iii) if the Series 2005 Lease is terminated with respect to the Project, the net revenues (i.e. revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from the Project.

The Series 2005 Lease obligates the Commission to make Rent Payments in amounts sufficient to pay the principal of, premium, if any, and interest when due on the Bonds. With respect to Rent Payments due during the 2006-2007 biennium, Section 2166.4542(d) of the Texas Government Code provides that (upon purchase of the Project by the Authority with proceeds of the Bonds) money which has been appropriated by the Legislature to State agencies occupying space in the Project for lease payments relating to a portion of the Project or money available to and budgeted by such State agencies for such purpose, shall be transferred to the Commission for use by the Commission to make Rent Payments and other Lease Payments during the 2006-2007 biennium.

The obligation of the Commission to make Rent Payments and other payments under the Series 2005 Lease is subject to, and dependent upon, the appropriation of Pledged Revenues by the Legislature in amounts sufficient to make such payments. Under the State Constitution, an appropriation may not be made for more than one biennium. Accordingly, at any given time, the obligations of the Commission under the Series 2005 Lease 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 Series

2005 Lease extends beyond the current fiscal year or biennium, the continuation of the Series 2005 Lease is dependent upon the successive appropriation in the budget for each fiscal year or biennium of sufficient money to make the payments required thereunder, and the failure of the Legislature to make such appropriation may result in the termination of the Series 2005 Lease. While it is expected that the Legislature will make appropriations for each fiscal year or biennium in an amount sufficient to allow the Commission to make the Rent Payments and other required payments under the Series 2005 Lease, the Legislature has no legal obligation to do so, and the owners of the Bonds will have no right to compel the Legislature to make such appropriations.

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

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

Because the Rent Payments will ultimately be made from funds appropriated by the Legislature to the Commission, potential investors are encouraged to review Appendix A to this Official Statement (which contains certain information regarding the State) as though the State were the source of revenues for debt service payments on the Bonds, even though the State will not be obligated to pay debt service on the Bonds. The financial condition of the State has a bearing upon whether the Legislature will be willing to appropriate funds to make Lease Payments and whether the State will be able to satisfy obligations for Rent Payments if funds are appropriated.

Investment Considerations

The Authority has not granted the Bond Owners a mortgage or security interest in, the Project, as security for the Bonds. If the Commission defaults in the payment of amounts due under the Series 2005 Lease or the Series 2005 Lease is terminated because of nonappropriation, the Authority has the right, in accordance with the Series 2005 Lease, to re-lease the Project, or any portion thereof, to other users. However, the ability of the Authority to re-lease the Project may be impaired by factors such as the integration of the Project with other State facilities, the specialized nature of the Project, and market demand for rental space generally. The Authority's ability to re-lease the Project is further limited by federal income tax-related covenants contained in the Resolution authorizing the issuance of the Bonds which, in order to preserve the excludability of interest on the Bonds from gross income for federal income purposes, effectively prohibits the lease of the 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.

State Lease Fund Account

The Enabling Act provides for the State Lease Fund Account (0507), and provides that the Legislature may make its appropriation of funds (including funds appropriated for Rent Payments due under the Series 2005 Lease) to the Commission directly into the State Lease Fund Account. The State Lease Fund Account (0507) is a separate account in the State Treasury for accounting purposes, but money credited to the account will not be segregated from other State money. The owners of the Bonds will have no interest in, or rights to, money credited to the State Lease Fund Account (0507).

Flow of Funds

The Authority will establish a separate interest and sinking fund for the Bonds (the “Interest and Sinking Fund”) which will be held by the Comptroller of Public Accounts in the State Treasury and administered by the Authority pursuant to the Resolution. 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 (hereinafter defined) that have become due, will be subject to the pledge created by the Resolution.

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

If, after any Rent Payment Date but before the date that payment of the principal of, premium, if any, and interest on the Bonds next comes due following such Rent Payment Date, the Authority will transfer funds to the Interest and Sinking Fund from the applicable State Lease Fund Account (or from such other source of funds lawfully available to the agency as may be directed by such agency) in order to cure a deficiency in the Interest and Sinking Fund.

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

Pursuant to the Series 2005 Lease, insurance or condemnation proceeds received as a result of damage, destruction, or condemnation of all or any portion of the Project may either be: (i) applied toward the prepayment of Rent Payments under the Series 2005 Lease in the inverse order of their due dates; or (ii) used to restore or replace the Project. If such proceeds are to be used to restore or replace the Project, such proceeds must be deposited into the Restoration Fund. Proceeds derived from the sale or other disposition of the Project, at the direction of the Legislature, must be deposited in the Restoration Fund. Funds so deposited in the Restoration Fund shall be disbursed therefrom in accordance with the procedures applicable to the disbursement of the Construction Account within the Project Fund (to the extent such procedures can be made applicable), with such alteration in procedures as the Authority deems appropriate. 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, must be deposited into the Interest and Sinking Fund or into the State Lease Fund Account.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

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

Authorizing Law – Chapter 1232 and Sections 2166.454, 2166.4541, and 2166.4542 Texas Government Code, as amended.

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

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

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

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

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

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

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

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

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

Event of Nonappropriation – any “*Event of Nonappropriation*” as defined in the Series 2005 Lease.

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

Fund(s) – collectively, or individually, Project Fund (including the Acquisition Account, the Construction Account, and the Costs of Issuance Account therein), the Interest and Sinking Fund, the Restoration Fund, and the Rebate Fund.

Government Obligations - any of the following:

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

(2) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent;

(3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or

(4) such other investments now and hereafter authorized by Chapter 1207, Texas Government Code or any successor thereto, for investments of escrow deposits.

Interest and Sinking Fund - the "Texas Public Finance Authority Revenue Bonds (Texas Building and Procurement Commission Projects) Series 2005 Interest and Sinking Fund," created pursuant to the Resolution.

Lease Payment(s) - the Rent Payments and/or any other payments of money required to be paid or made available by the Commission pursuant to the Series 2005 Lease, including (without limitation) costs of issuance, if any, required to be maintained pursuant to the Series 2005 Lease and Bond Administration Costs.

Legislature - the Legislature of the State.

Paying Agent/Registrar - initially, the Authority, and any financial institution hereafter appointed by the Authority Board to act in accordance with the Resolution as the paying agent/registrar for the Bonds.

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

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

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

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

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

Rent Payment Date - any date on which Rent Payments are required to be paid pursuant to the Series 2005 Lease.

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

State - the State of Texas.

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

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

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due; and
- (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay such Bond Obligations when due.

Transaction Document(s) – collectively, the Resolution, the Series 2005 Lease, the Bonds and the Purchase Agreement.

The Resolution

The Bonds are issued pursuant to Resolution adopted and approved by the Authority on August 11, 2005. The following is a summary of certain provisions contained in the Resolution. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution. Copies of the Resolution are available for examination at the offices of the Authority.

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

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

Additional Bonds. So long as the Series 2005 Lease is in effect, one or more series of Additional Bonds may be issued for the purpose of financing, in whole or in part, the costs for any project that the Legislature by law has authorized or for the purpose of refunding any outstanding Bonds or Additional Bonds. Such Additional Bonds, when issued, and the interest thereon shall 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 Bonds and any Additional Bonds at the time outstanding, and the Bonds and any Additional Bonds, when issued and the interest thereon, shall be on a parity and in all respects of equal dignity with each other. Notwithstanding the foregoing, no installment, series or issue of Additional Bonds shall be issued and delivered unless the Chairman of the Authority Board signs a written certificate to the effect that the Authority is not in default, or as of the date of issuance and delivery of the Additional Bonds then being issued will not be in default, as to any of its covenants, conditions or obligations set forth in the Series 2005 Lease, the Resolution or any supplemental or amending resolution authorizing Additional Bonds.

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

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

The Paying Agent/Registrar will obtain and record in the Register the address of the Bond Owner of each Bond to which payments with respect to the Bonds will be made, as provided in the Resolution. It will be the duty, however, of each Bond Owner to notify the Paying Agent/Registrar in writing of the address to which payments will be mailed, and such interest payments will not be mailed unless such notice has been given. Each Bond issued and delivered pursuant to the Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Bond at the principal office of the Paying Agent/Registrar, together with a written request therefor duly executed by the Bond Owner or its assignee, or its duly authorized attorney or representative, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the Bond Owner or such assignee, as

appropriate, be converted into and exchanged for fully registered Bonds of the same series, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bonds so surrendered, and payable to the appropriate Bond Owner or assignee, as the case may be. The Authority will pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer will pay any taxes or other governmental charges required to be paid with respect thereto.

The Paying Agent/Registrar is not required to make any transfer of registration, conversion and exchange, or replacement of any Bond or any portion thereof (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 Bonds, the Paying Agent/Registrar is required to transfer or exchange any such 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 Bond issued in exchange for or upon transfer of the Bonds so selected for redemption of an appropriate legend to the effect that such new Bond has been so selected for redemption.

If a portion of any Bond is redeemed prior to its scheduled maturity as provided in the Resolution, a substitute 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 Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar will cause to be printed, executed, and delivered a new Bond of the same principal amount, maturity, and interest rate as the damaged, mutilated, lost, stolen, or destroyed Bond.

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

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

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

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

The Authority will make the deposits and transfers required under the Resolution, and will cause a warrant to be drawn and instruct the Comptroller to make funds available at the place of payment for the Bonds to pay principal of and interest on the Bonds when due and to provide funds as are required for the redemption thereof prior

to maturity, or to make any payments under one or more Credit Agreements with respect to principal of or interest on the Bonds.

Application of Interest and Sinking Fund. The Authority will apply any funds in the Interest and Sinking Fund representing accrued interest received from the sale of the Bonds to the payment of the interest first coming due on the Bonds. The Authority shall prepare and submit to the Comptroller a warrant drawn on the Interest and Sinking Fund to transfer funds to DTC as directed by the Authority as the Paying Agent/Registrar for the Bonds for the payment of Bond Obligations.

Investment of Funds. The money on deposit in any Fund may be invested and reinvested only in Eligible Investments by the Comptroller in accordance with the provisions of applicable law, including Chapters 403 and 404 of the Texas Government Code. The investments of each Fund will be made under conditions that will timely provide amounts sufficient to satisfy the purpose(s) for which such Fund is intended. The proceeds received from the disposition of any investment acquired with money from any Fund, and any income received from any such investment, are to be deposited into such Fund. Uninvested money (if any) in any Fund is to be secured in the manner and to the extent required by law.

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

Amendment of Resolution.

- (a) The Resolution may be amended without consent of or notice to the owners of outstanding Bonds if the Executive Director first receives (i) Bond Counsel's opinion to the effect that such amendment will not constitute an Event of Taxability and (ii) Bond Counsel's opinion or written advice of the Attorney General of the State 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 Bonds under the Transaction Documents, including without limitation, amendments, changes, or modifications to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange, or similar types of agreements with respect to the Bonds.
- (b) Notwithstanding the foregoing, nothing contained in the Resolution or any Transaction Document may permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds, the amendment of the terms and conditions of any Transaction Document or in any Bond so as to:
 - (1) Make any change in the maturity of the outstanding Bonds;
 - (2) Reduce the rate of interest borne by any of the outstanding Bonds;
 - (3) Reduce the amount of the principal payable on the outstanding Bonds;
 - (4) Modify the terms of payment of principal of, premium (if any), or interest on the outstanding Bonds, or impose any conditions with respect to such payment;
 - (5) Affect the rights of the owners of less than all of the Bonds then outstanding;

- (6) Change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment; or
- (7) Change the Pledged Revenues.

Amendment of Series 2005 Lease. The Series 2005 Lease may not be amended without Bond Owners' Direction consenting to such amendment unless such amendment, in the opinion of Bond Counsel, will not constitute an Event of Taxability and, in the opinion of Bond Counsel or the Attorney General of the State, will not adversely affect the rights of any Bond Owner under the Transaction Documents.

Defeasance of Bonds.

- (a) The Bond Obligations on any Bond (or Bonds) will be deemed discharged when the following requirements have been satisfied:
 - (1) the payment of such Bond Obligations has been provided for by irrevocably depositing Sufficient Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar, which Sufficient Assets are to be held in trust in a separate escrow account and applied exclusively to the payment of such Bond Obligations;
 - (2) the Authority has received an opinion of Bond Counsel to the effect that:
 - (A) such deposit of Sufficient Assets:
 - (i) will not constitute an Event of Taxability; and
 - (ii) complies with State law; and
 - (B) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;
 - (3) all amounts (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Resolution (including, without limitation, compensation of the Paying Agent/Registrar) with respect to such Bond(s) have been paid, or provision satisfactory to the person to whom any such payment is or will be due for making such payment has been made; and
 - (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.
- (b) If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Bonds, the particular maturity or maturities of Bonds (or, if less than all of a maturity, the principal amount within a maturity) will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines (provided that a portion of a 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 Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations on the Bond(s).
- (d) To the extent permitted by law, the Paying Agent/Registrar, at the Executive Director's direction, may substitute, for any of the securities or obligations deposited as Sufficient Assets, other securities or obligations constituting Sufficient Assets if, upon such substitution, the above referenced requirements are satisfied. Any net proceeds realized from such a substitution shall be paid to the Authority.

- (e) The Authority retains the right to call any Bonds deemed discharged pursuant to the Resolution.

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

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

- (1) the failure to pay when due any Bond Obligations except upon an Event of Nonappropriation;
- (2) the breach by the Authority of any of its obligations (other than its obligation to pay Bond Obligations) under the Transaction Documents, which breach materially and adversely affects the rights of any Bond Owner under the Transaction Documents, and the continuation of such breach for at least 45 days after the date of receipt by the Executive Director of written notice of such breach from the owners of not less than 25 percent in aggregate principal amount of the outstanding Bonds;
- (3) the occurrence of any act of bankruptcy of the Authority, the State, or the Commission; or
- (4) the occurrence of any “Event of Default” as defined in the Series 2005 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 Rent Payment when due (other than as the result of an Event of Nonappropriation), pursuant to the Bond Owners’ Direction, the Bond Obligations on all outstanding Bonds may be declared immediately due and payable to the extent an appropriation for payment has been made by the Legislature, and thereupon such Bond Obligations must be immediately due and payable to the extent the Legislature has appropriated funds for payment. Any acceleration of Bond Obligations may be annulled pursuant to the Bond Owners’ Direction upon receipt by the Executive Director. An annulment of an acceleration of Bond Obligations will not affect any subsequent acceleration of Bond Obligations pursuant to the Resolution.

Enforcement of Rights and Remedies.

- (a) During the continuance of an Event of Default or an Event of Nonappropriation, the owners of the Bonds, as the pledgees and assignees for security purposes of all right, title, and interest of the Authority in and to the Pledged Security, acting pursuant to the Bond Owners’ Direction, and upon compliance with applicable requirements of law, will have standing and the exclusive right to enforce the rights and remedies of the Authority with respect to the Pledged Security to the extent permitted by law. The Authority will cooperate in such enforcement to the extent permitted by law, but the Authority is not required to take any action in that connection except pursuant to the Bond Owners’ Direction.
- (b) During the continuance of an Event of Default or an Event of Nonappropriation, an agent of the owners of the outstanding Bonds may be appointed through a Bond Owners’ Direction, to exercise any rights and remedies available to the owners of the outstanding Bonds with respect to the Pledged Security as though such agent were the Authority.
- (c) Upon the occurrence of an Event of Default or an Event of Nonappropriation, any one or more of the following actions may be taken acting pursuant to the Bond Owners’ Direction:
 - (1) by suit for damages or injunction, or by other action or proceeding at law or in equity, enforce all rights of the owners of the outstanding Bonds or require the Authority to carry out any agreements with or for the benefit of the owners of the outstanding Bonds and to perform its duties under the Transaction Documents;

- (2) by action in equity, enjoin any acts that may be unlawful or in violation of the rights of the owners of the outstanding Bonds;
 - (3) by out-of-court proceeding or by suit, action, or other proceeding at law or in equity, enforce and exercise all rights of the owners of the outstanding Bonds and the Authority under the Transaction Documents; and
 - (4) upon the filing of a suit or commencement of any other action or proceeding to enforce the rights of the Authority or the owners of the outstanding Bonds, have a receiver appointed for the Pledged Security with such powers as are provided by law and such additional powers as the court making such appointment may confer.
- (d) In addition to the remedies provided under the Resolution, the owners of the outstanding Bonds, acting pursuant to Bond Owners' Direction, may exercise any other rights and remedies afforded by law.
 - (e) To the extent permitted by law, any suit or other action or proceeding instituted by the owners of the outstanding Bonds may be instituted, if necessary, in the name of the Authority for the benefit of the owners of the outstanding Bonds.
 - (f) No delay or omission to exercise any right or power existing upon any breach of the Resolution or the Series 2005 Lease may impair such right or power or constitute a waiver thereof, and each such right or power may be exercised as often as may be deemed expedient.
 - (g) Any judgment against the Authority will be enforceable only against the Pledged Security. A deficiency judgment will not be authorized against any assets of or the general credit of, the Authority, the Comptroller, the Commission, or the State.

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

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

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

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

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

- (1) first, to the payment of Bond Administration Costs;
- (2) second, to the ratable payment of all unpaid interest due on the Bonds;

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

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

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

The Series 2005 Lease

The Commission has entered into the Series 2005 Lease for the purpose of financing the Project. The following is a summary of certain provisions of the Series 2005 Lease. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Series 2005 Lease. Copies of the Series 2005 Lease are available for examination at the offices of the Authority.

Lease of Project. The Series 2005 Lease provides that the Authority leases the Project to the Commission, and the Commission leases the Project from the Authority.

Rent Payments. On each Rent Payment Date, the Commission must pay or cause to be paid Rent Payments in the amounts, at the times, and otherwise in accordance with the Series 2005 Lease. The Commission must pay the Rent Payments or cause the Rent Payments to be paid, from funds lawfully available for the payment of Rent Payments, to the Comptroller for deposit into the Interest and Sinking Fund. Each Rent Payment must be paid in immediately available funds in an amount that is sufficient (together with any funds then on deposit in the Interest and Sinking Fund) to provide for the timely payment of the Bond Obligations next coming due.

Rent Payments are due on each Regular Rent Payment Date (the second Business Day preceding the date each payment of principal, premium, if any, or interest is due on the Bonds), provided, however, that the Executive Director may establish any other date as a Special Rent Payment Date for the payment of any amounts due under the Series 2005 Lease. If, on the Business Day immediately preceding any date on which Bond Obligations come due, the Authorized Representative of the Commission receives telephonic notice from the Executive Director (promptly confirmed in writing) to the effect that the Interest and Sinking Fund does not contain sufficient funds for the payment of such Bond Obligations, the Commission must immediately (before the close of business) cause to be deposited into the Interest and Sinking Fund immediately available funds (to the extent lawfully available) in an amount that is sufficient (together with the funds then on deposit in the Interest and Sinking Fund) to pay such Bond Obligations.

The Commission may prepay Rent Payments or cause Rent Payments to be prepaid at any time and in any amount. Any prepayment by the Commission will not relieve it of liability for each remaining Rent Payment as provided in the Series 2005 Lease and the Resolution or reduce the amount of any Rent Payment. If all or any part of the Bonds are called for redemption in accordance with the Resolution, the Commission must prepay, to the extent funds are lawfully available by legislative appropriation or otherwise, Rent Payments sufficient to pay and redeem such Bonds on the date fixed for redemption, or, if the Authority deems it to be more advantageous, to buy Bonds on the open market for cancellation at a price not greater than the par value thereof plus interest thereon.

The Commission has agreed to transfer and pay to the Authority as a portion of the Lease Payments (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 Commission as the amount payable.

Commission's Obligation Unconditional Subject to Appropriation. All obligations of the Commission under its Series 2005 Lease are absolute and unconditional and are not subject to any diminution, abatement, set-off, or counterclaim and the Commission may not suspend or discontinue any Lease Payment (inclusive of any Rent Payment). The Commission must apply, or cause to be applied, any funds lawfully available to it to the Lease Payments as they come due. The Commission waives, to the extent permitted by applicable law, any right that it may have to terminate or cancel the Series 2005 Lease, except in accordance with the express terms thereof. Notwithstanding any other provision of the Series 2005 Lease, including the preceding provision, the payment of Lease Payments and other payments required to be made by the Commission thereunder will be subject to appropriations by the Legislature of funds necessary to make the payments required under the Series 2005 Lease.

Changes in Plans and Specifications and Project Site and Substitution of Projects. The Commission may alter the Project (as described in the Project Description) or substitute other facilities for all or 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 Commission certifies to the Executive Director that the Commission has sufficient legally available funds to complete the acquisition and construction of the Project;
- (2) the Authorized Representative of the Commission obtains an opinion of Bond Counsel 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 Commission 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; and the Executive Director of the Authority approves such alteration or substitution.

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

Project Insurance; Damage or Destruction; Condemnation.

- (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 and to the extent such insurance is available on commercially reasonable terms:
 - (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 the Project;
 - (2) business interruption or other time element coverage in an amount not less than one year's debt service on the outstanding Bonds and Additional 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 Commission with a copy of each policy of insurance maintained under the Series 2005 Lease. The Commission (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 Series 2005 Lease, 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 Commission must make, or cause to be made, available to the Authority lawfully available funds sufficient for the timely payment of premiums on insurance maintained pursuant to, and other costs incident to the administration of, the provisions described under this subheading.

Use. The Series 2005 Lease does not limit or prohibit the Legislature or the Commission 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, Bond Counsel or Special Tax Counsel determines that such action will not constitute an Event of Taxability. Any sublease or other use arrangement for the Project with any State agency will terminate upon termination of the Series 2005 Lease, unless otherwise authorized by the Authority. No sublease by the Commission of all or a portion of the Project may release the Commission from, or mitigate its obligations under, the Series 2005 Lease and the Commission will continue to be obligated to make all payments required under the Series 2005 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 to be used to pay project costs of a substitute Project or transferred in part to the Interest and Sinking Fund to be applied in accordance with the Resolution.

Events of Default Defined. The following are “Events of Default” under the Series 2005 Lease and the term “Event of Default” means, whenever used in the Series 2005 Lease, any one or more of the following events:

- (a) Failure by the Commission to pay any Lease Payment when due, except upon an Event of Nonappropriation;
- (b) Failure by the Commission to cure any breach by the Commission of any representation, warranty, or agreement under the Series 2005 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) The occurrence of any act of bankruptcy by the Commission, the Authority, the Comptroller, or the State; or
- (d) The occurrence of an “Event of Default” under the Resolution.

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

- (a) Take possession of the Project without terminating the Series 2005 Lease, and sublease all or any part of the Project for the account of the Commission.
- (b) Terminate the Series 2005 Lease, take possession of the Project, and at its option, to the extent permitted by law, lease all or a portion of the Project to another party.
- (c) Take any action at law or in equity to collect any amount due or that may become due under the Series 2005 Lease, or to enforce performance of any obligation of the Commission under the Series 2005 Lease, by mandamus or otherwise.

If the Authority leases or subleases the Project as a result of its exercise of remedies taken in enforcement of the Series 2005 Lease, the Commission shall remain liable (to the extent of legally available funds and as otherwise permitted by law) for all payments that are due or become due under the Series 2005 Lease, except to the extent that the Authority receives payments as a result of leasing or subleasing the Project.

No remedy in the Series 2005 Lease conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy is cumulative and in addition to every other remedy given under the Series 2005 Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any remedy will impair the right to exercise such remedy. 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 Series 2005 Lease.

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

Performance of Commission's Obligations by Authority. While the Commission is in default of any provision of the Series 2005 Lease, the Commission authorizes (to the extent permitted by law) the Authority to take any lawful action to cure such default and to act in the name and stead of the Commission to the same extent as the Commission is empowered to act.

Remedies Upon an Event of Nonappropriation. Upon an Event of Nonappropriation, the Authority may exercise its remedies to the extent described above, except that the Authority may not seek to compel payment from the Commission, whether by an acceleration of the Bonds or any Additional 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. Unless otherwise terminated as provided therein, the Series 2005 Lease will remain in full force and effect from the date thereof until the Bond Obligations on all outstanding Bonds, or Additional Bonds have been paid (or provision has been made for such payment pursuant to the Resolution or other applicable resolutions) and all other obligations of the Series 2005 Lease have been satisfied.

Reinstatement. If the Series 2005 Lease is terminated as a result of the occurrence of an Event of Default, the Authority agrees to reinstate the Series 2005 Lease when all defaults under the Series 2005 Lease have been cured or waived, and the Commission 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 Series 2005 Lease is terminated as a result of the Bond Obligations on all outstanding Bonds and any Additional Bonds having been paid, the Executive Director will notify the Commission that Lease Payments are no longer required to be made. In addition, the Authority will, for the sum of \$1.00 paid to it, convey its right, title, and interest in the Project to the Commission.

Amendment of Lease. The Authority and the Commission, by mutual agreement, may amend the Series 2005 Lease in accordance with the provisions of the Series 2005 Lease.

MUNICIPAL BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA’s policy (the “Policy”).

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading “MUNICIPAL BOND INSURANCE.” Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA’s Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA’s Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA’s Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bond or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

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

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2005 MBIA had admitted assets of \$10.7 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual

Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2005 and for the six month periods ended June 30, 2005 and June 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and

The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

RATINGS

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

TAX MATTERS

Opinion of Special Tax Counsel

In the opinion of Winstead Sechrest & Minick P.C., Special Tax Counsel (“Special Tax Counsel”), under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), assuming compliance with certain covenants and the accuracy of certain representations as discussed below. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be included in adjusted current earnings for purposes of calculating the federal alternative minimum tax liability of corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits, and Financial Asset Securitization Investment Trusts). See “Appendix D - Form of Opinion of Special Tax Counsel.”

The Code establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and rebate to the United States of certain earnings from investments. The Authority has covenanted to comply with certain procedures, and has made certain representations and certifications, designed to assure compliance with such Code requirements.

Purchasers are advised that Special Tax Counsel’s opinion is not a guarantee of result and is not binding on the Service; rather, such opinion represents Special Tax Counsel’s legal judgment based on its review of existing law, as well as its assumption that the Authority will continue to comply with its covenants regarding the exclusion from gross income of interest on the Bonds for federal income tax purposes. In addition, Special Tax Counsel’s opinion will rely on representations by the Authority, the Authority’s Co-Financial Advisors, and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority’s Co-Financial Advisors, and the Underwriters, respectively, which Special Tax Counsel has not independently verified. If the Authority should fail to comply with its covenants, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral tax consequences with respect to the Bonds. Special Tax Counsel expresses no opinion regarding any such collateral tax consequences.

The statutes, regulations, published rulings, and court decisions upon which Special Tax Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Service. No assurance can be given that such law or its interpretation will not be changed in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling has been sought from the Service, and the opinion of Special Tax Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the Authority as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the Authority might have different or conflicting interests from those of the owners of the Bonds.

The opinions set forth above are based on existing law and Special Tax Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Special Tax Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to their attention, or any changes in law that may occur after the issuance date of the Bonds. In addition, Special Tax Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the transcript and other relevant documents for the Bonds may be changed, and certain actions may be taken, under circumstances, terms, and conditions set forth in such documents upon the advice or with the approving opinion of nationally-recognized bond counsel. Special Tax Counsel expresses no opinion regarding the federal tax treatment of interest on the Bonds if any such change occurs, or any action is taken, upon the advice or approval of bond counsel other than Special Tax Counsel.

Original Issue Discount

Certain of the Bonds (the "Discount Bonds") may be offered and sold to the public at an "original issue discount" ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Bonds. The issue price of Discount Bonds is the initial offering price to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of Discount Bonds of the same maturity are sold pursuant to that offering.

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond's period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Special Tax Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the University encounters financial difficulties, and it is treated as interest earned by cash-basis owners (with possible tax consequences under the corporate alternative minimum tax as discussed above), even though no cash corresponding to the accrual is received in the year of accrual. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity ("Bond Premium"), which, for federal income tax purposes, is amortized over the period to maturity of the Premium Bond based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, an amortization period and yield determined on the basis of the earliest call date resulting in the lowest yield on that Premium Bond), compounded semiannually. No portion of that Bond Premium is deductible by the Premium Bond owner.

For purposes of determining a Premium Bond owner's gain or loss on sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of Bond Premium that accrues during the ownership period. As a result, an owner of a Premium Bond may realize taxable gain for federal income tax purposes upon the sale or other disposition of such Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A

purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to the earliest call date resulting in the lowest yield on that Premium Bond) will realize no gain or loss upon retirement of that Premium Bond. Owners of Premium Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of Bond Premium properly accruable in any tax year (or portion thereof), and with respect to other federal, state, and local tax consequences of owning and disposing of Premium Bonds.

THE BONDS AS LEGAL INVESTMENTS IN TEXAS

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

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

LITIGATION

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority to deliver Bonds or the validity of the Bonds. There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Attorney General of the State, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge that there is any basis therefor) that (1) affects the existence of the Authority or the right of the present directors and officers of the Authority to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the Bonds are being issued, or (3) would have a material adverse effect upon the power of the Authority to issue the Bonds. See Appendix A to this Official Statement concerning legal proceedings to which the State is a party relating to its operations and governmental functions but unrelated to the Bonds or the security for the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

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

Material Event Notices. In the Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit facilities reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their

failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the Authority will provide timely notice of any failure by the Comptroller to provide information, data, or financial statements in accordance with its agreement described below under “--Continuing Disclosure Undertaking of the Comptroller--*Annual Reports*.” The Authority will provide each notice described in this paragraph to any state information depository (a “SID”) and to either each nationally recognized municipal securities information repository (“NRMSIR”) or the Municipal Securities Rulemaking Board (“MSRB”).

Continuing Disclosure Undertaking of the Comptroller

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

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

Annual Reports. The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in Appendix A in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings “EDUCATION” and “RETIREMENT SYSTEMS.” The Comptroller will update and provide this information within 195 days after the end of each fiscal year ending in or after 2005. The Comptroller will provide the updated information to each NRMSIR and to any SID that is designated by the State and approved by the staff of the Securities and Exchange Commission (“SEC”).

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

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

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

Availability of Information from NRMSIRs and SID

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

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

The Municipal Advisory Council of Texas has also received Securities and Exchange Commission approval to operate, and has begun to operate, a “central post office” for information filings made by municipal issuers, such as the Authority. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.disclosureusa.com (“Disclosure USA”). The Authority may utilize Disclosure USA for the filing of information relating to the Bonds.

Limitations and Amendments

The Authority and the Comptroller have agreed to update information and to provide notices of material events only as described above. None of these entities 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. None of these entities makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person’s continuing disclosure agreement or from any statement made pursuant to such person’s agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority and/or the Comptroller to comply with their agreements.

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the SEC Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Authority, the Comptroller, and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Authority or the Comptroller so amends such person’s agreement, such person must include with the next financial information and operating data provided in accordance with such person’s agreement described above 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 them in accordance with SEC Rule 15c2-12, although neither entered into such an agreement before August 1995.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The Authority's actual results could differ materially from those discussed in such forward-looking statements.

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

UNDERWRITING

The Underwriters, as set forth on the cover of this Official Statement, have agreed, subject to certain conditions set forth in a bond purchase agreement (the "Purchase Agreement") with the Authority, to purchase the Bonds at a price of \$33,763,073.75 (which represents the par amount of the Bonds, plus a net premium of \$1,375,943.25, less an underwriting discount of \$187,869.50). The Purchase Agreement provides that the Underwriters will purchase all of the Bonds, if any are purchased.

THE CO-FINANCIAL ADVISORS

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

Although the Co-Financial Advisors have read and participated in the preparation of this Official Statement, they have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's records and from other sources which are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The Bonds have not been registered under the federal Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder, nor the blue sky laws of any jurisdiction. The Resolution has not been qualified under the federal Trust Indenture Act of 1939, as amended, in reliance upon an exemption provided thereunder.

LEGAL MATTERS

The delivery of the Bonds is subject to receipt of the approving opinion of the Attorney General of the State and the opinion of Winstead Sechrest & Minick P.C. and Locke Liddell & Sapp LLP, Co-Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State, and receipt of the opinion of Special Tax Counsel in substantially the form attached hereto as Appendix D. The compensation paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the

Bonds. Co-Bond Counsel's opinion will be rendered at the closing of the sale of the Bonds in substantially the form attached to this Official Statement as Appendix C. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P. and Cantey & Hanger, L.L.P. The Underwriters were selected by the governing board of the Authority.

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

MISCELLANEOUS

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

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APPENDIX A

THE STATE OF TEXAS

The Appendix A dated August 2005 is currently on file with each NRMSIR and the Texas SID and is hereby incorporated by reference and made a part of this Official Statement. The Appendix A may also be obtained from the Comptroller's web site at www.window.state.tx.us/treasops/bondapp.html. The Comptroller currently prepares updates to the Appendix A on a quarterly basis.

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APPENDIX B

DEBT SERVICE REQUIREMENTS

Series 2005 Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2006	\$1,840,000	\$1,320,339	\$3,160,339
2007	2,095,000	1,380,819	3,475,819
2008	2,825,000	1,317,969	4,142,969
2009	2,920,000	1,176,719	4,096,719
2010	3,025,000	1,030,719	4,055,719
2011	3,110,000	924,844	4,034,844
2012	2,175,000	769,344	2,944,344
2013	1,820,000	671,469	2,491,469
2014	1,870,000	580,469	2,450,469
2015	1,925,000	496,319	2,421,319
2016	1,230,000	400,069	1,630,069
2017	1,285,000	352,406	1,637,406
2018	1,335,000	301,006	1,636,006
2019	1,190,000	234,256	1,424,256
2020	1,250,000	174,756	1,424,756
2021	1,315,000	112,256	1,427,256
2022	1,365,000	58,013	1,423,013
	\$32,575,000	\$11,301,771	\$43,876,771

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APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

WINSTEAD SECHREST & MINICK P.C.

401 Congress Avenue, Suite 2100
Austin, Texas 78701

LOCKE LIDDELL & SAPP LLP

100 Congress, Suite 300
Austin, Texas 78701

An opinion in substantially the following form will be delivered by Locke Liddell & Sapp LLP and Winstead Sechrest & Minick P.C., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

**TEXAS PUBLIC FINANCE AUTHORITY
REVENUE BONDS
(TEXAS BUILDING AND PROCUREMENT COMMISSION),
SERIES 2005**

WE HAVE ACTED AS CO-BOND COUNSEL for the Texas Public Finance Authority (the "Authority") in conjunction with the issuance of \$32,575,000 aggregate principal amount of the Bonds described above the (the "Bonds"), dated August 15, 2005, solely to pass upon the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas (the "State"). We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority or the Texas Building and Procurement Commission (the "Commission"), or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. Our role in connection with the Authority's Official Statement (the "Official Statement") prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY OF CO-BOND COUNSEL, we examined the legality and validity of the Bonds including a review of the applicable and pertinent provisions of the Constitution and laws of the State; a transcript of certified proceedings of the Authority relating to the authorization and issuance of the Bonds, which contains certified copies of certain proceedings of the Board of Directors of the Authority, customary certificates of officers, agents, and representatives of the Authority, the Commission, and other public officials; the "Lease Agreement" between the Authority and the Commission dated August 31, 2005; the approving opinion of the Attorney General of the State of Texas; and other pertinent instruments authorizing and relating to the issuance of the Bonds. 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 truth and accuracy of the statements contained in such certificates. We have also examined executed Bond No. I-1.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the transcript of certified proceedings evidences legal authority for the issuance of the Bonds in compliance with the Constitution and laws of the State of Texas and that, therefore, the Bonds are valid and binding obligations of the Authority and are payable both as to principal and interest from a lien on and pledge of the Pledged

Revenues (as defined in the "Bond Resolution" and the "Pricing Committee's Pricing Certificate" authorizing the issuance of the Bonds).

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally.

WE EXPRESS NO OPINION and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds, nor with respect to the federal tax status of interest on the Bonds.

THIS LEGAL OPINION expresses the professional judgment of the firms regarding the legal issues explicitly addressed therein. In rendering a legal opinion, we do 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

APPENDIX D

FORM OF OPINION OF SPECIAL TAX COUNSEL



An opinion in substantially the following form will be delivered by Winstead Sechrest & Minick P.C., Special Tax Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

**TEXAS PUBLIC FINANCE AUTHORITY
REVENUE BONDS
(TEXAS BUILDING AND PROCUREMENT COMMISSION),
SERIES 2005**

WE HAVE ACTED AS SPECIAL TAX COUNSEL to the Texas Public Finance Authority (the "Authority") in connection with the issuance of \$32,575,000 aggregate principal amount of the bonds described above (the "Bonds") for the sole purpose of rendering an opinion with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material; we have relied solely upon the transcript of certified proceedings described in the following paragraph.

IN OUR CAPACITY AS SPECIAL TAX COUNSEL, we have participated in the preparation of, and have examined a transcript of certified proceedings pertaining to, the Bonds which contains certified copies of certain proceedings of the Board of Directors of the Authority; customary certificates of officers, agents, and representatives of the Authority and other public officials; other certified showings relating to the authorization and issuance of the Bonds; the approving opinion of the Attorney General of Texas; and the opinion of Locke Liddell & Sapp LLP and Winstead Sechrest & Minick P.C. ("Co-Bond Counsel"). 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 truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant.

BASED ON THE FOREGOING, IT IS OUR OPINION that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, real estate investment trust, real estate mortgage investment conduit, or financial asset securitization investment trust) for purposes of computing its alternative minimum tax liability.

IN RENDERING THIS OPINION, we have relied upon the opinion of Co-Bond Counsel and the representations and certifications of the Authority with respect to matters solely within the knowledge of the Authority and the Texas Building and Procurement Commission (the "Commission"), and we assume continuing compliance by the Authority and the Commission with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the Commission have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we 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 Bonds.

WE CALL YOUR ATTENTION TO THE FACT THAT the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, 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. We express no opinion with respect to any such collateral tax consequences.

THE OPINIONS SET FORTH ABOVE are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention, or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

THE SERVICE HAS AN ONGOING AUDIT PROGRAM to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were commenced, under current procedures, the Service would treat the Authority as the taxpayer, and Owners of the Bonds would have no right to participate in the audit process. We observe that the Authority has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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 any 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 E

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation

Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest: _____

Assistant Secretary

SPECIMEN

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

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