

OFFICIAL STATEMENT DATED DECEMBER 7, 2006

Interest on the Bonds (defined below) is includable in gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.

NEW ISSUE - Book-Entry-Only

Ratings: *Moody's: "Aa2"; S&P: "AA-"*



\$8,680,000
TEXAS PUBLIC FINANCE AUTHORITY
TAXABLE LEASE REVENUE BONDS
(TEXAS HISTORICAL COMMISSION PROJECT), SERIES 2006

Interest Accrual Date: December 1, 2006

Due: February 1, as shown on the inside cover page

The Texas Public Finance Authority (the "Authority") is issuing its Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006 (the "Bonds") in the principal amount shown above. The Bonds are being issued by the Authority on behalf of the Texas Historical Commission (the "Commission") to finance the repair, renovation, improvement, expansion, and equipping of the National Museum of the Pacific War, formerly the Fleet Admiral Chester W. Nimitz Naval Museum, in Fredericksburg, Texas (the "Museum"). A portion of the proceeds of the Bonds will be used to pay costs of issuance. See "PLAN OF FINANCE" herein.

The Bonds are dated December 1, 2006 (the "Dated Date") and will accrue interest from the Dated Date. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2007, 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, redemption premium, if any, and interest on the Bonds will be payable by the paying agent/registrars (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 made pursuant to a lease agreement between the Authority and the Commission (the "Lease"). The Lease obligates the Commission to make rent payments sufficient to pay, when due, the principal of, redemption premium, if any, and interest on the Bonds. See "THE BONDS - Source of Payment of the Bonds."

The obligation of the Commission to make payments under the 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 State 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, redemption 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, redemption 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, subject to prior sale, when, as, and if issued by the Authority subject to the approving opinion of the Attorney General of the State and the legal opinion of Winstead Sechrest & Minick P.C., Austin, Texas ("Bond Counsel"). The Bonds are expected to be available for delivery through the facilities of DTC on or about December 20, 2006 (the "Delivery Date").

MORGAN KEEGAN & COMPANY, INC.

MATURITY SCHEDULE

\$8,680,000 Texas Public Finance Authority Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006

\$8,680,000 Term Bonds

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP⁽¹⁾</u>
2020	\$5,950,000	5.10%	100.528	882669 AA 2
2026	\$2,730,000	5.33%	100.000	882669 AB 0

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⁽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 Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

STATE OF TEXAS

Rick Perry
Governor

David Dewhurst
Lieutenant Governor

Greg Abbott
Attorney General

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

Carin M. Barth
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
Financial Advisor 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, the Commission, DTC, and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Authority or the Initial Purchaser.

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.

Award of the Bonds

After requesting competitive bids for the Bonds, the Authority accepted the bid resulting in the lowest true interest cost, which bid was tendered by Morgan Keegan & Company, Inc. (the "Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at prices shown on the inside cover page hereof of the principal amount thereof plus accrued interest to the date of delivery which resulted in a true interest cost of 5.201281% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Authority has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER 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 Initial Purchaser.

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, THE COMMISSION, 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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TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>		
INTRODUCTION	1	RATINGS	23
PLAN OF FINANCE	1	TAX MATTERS	23
Purpose	1	In General	24
SOURCES AND USES OF FUNDS	2	Payments of Interest	24
THE AUTHORITY	2	Disposition or Retirement	24
General	2	Information Reporting and Backup Withholding	24
Sunset Review	3	Circular 230 Notice	25
Additional Authorized but Unfunded Revenue		THE BONDS AS LEGAL INVESTMENTS IN	
Bond Projects	4	TEXAS	25
Authority’s Enabling Act; Payment and Approval		LITIGATION	26
of the Bonds	4	CONTINUING DISCLOSURE OF	
Authority’s Relationship with Certain State		INFORMATION	26
Agencies	4	Continuing Disclosure Undertaking of the	
TEXAS HISTORICAL COMMISSION	4	Authority	26
General	4	Continuing Disclosure Undertaking of the	
Sunset Review	5	Comptroller	26
The Project	5	Availability of Information from NRMSIRs and	
THE BONDS	6	SID	27
Description of the Bonds	6	Limitations and Amendments	27
Optional Redemption	6	Compliance with Prior Undertakings	28
Mandatory Sinking Fund Redemption	7	FORWARD-LOOKING STATEMENTS	28
Notice of Redemption	7	THE FINANCIAL ADVISOR	28
Redemption Through The Depository Trust		REGISTRATION AND QUALIFICATION OF	
Company	7	BONDS FOR SALE	29
Source of Payment of the Bonds	8	LEGAL MATTERS	29
Investment Considerations	9	UNDERWRITING	29
State Lease Fund Account	9	MISCELLANEOUS	29
Flow of Funds	9		
BOOK-ENTRY-ONLY SYSTEM	10	Appendix A – The State of Texas	
Use of Certain Terms in Other Sections of this		Appendix B – Debt Service Requirements	
Official Statement	12	Appendix C – Form of Opinion of Bond Counsel	
DESCRIPTION OF THE TRANSACTION			
DOCUMENTS	12		
Selected Definitions	12		
The Resolution	14		
The Lease	20		

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SUMMARY STATEMENT

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

Issuer	Texas Public Finance Authority
Offering	\$8,680,000 Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006.
Maturity	February 1 of each of the years and in the principal amounts set forth on the inside cover page of this Official Statement. See "THE BONDS."
Interest	Payable semiannually on February 1 and August 1 of each year, beginning August 1, 2007, until maturity or redemption. See "THE BONDS."
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."
Purpose	The Bonds are being issued by the Authority on behalf of the Texas Historical Commission (the "Commission") to finance the repair, renovation, improvement, expansion, and equipping of the National Museum of the Pacific War (the "Museum"). A portion of the proceeds of the Bonds will be used to pay costs of issuance.
Source of Payment	The Rent Payments (as defined herein) due under the Lease are the primary source of payment for the Bonds. The Lease obligates the Commission to make rent payments sufficient to pay the principal of and interest on Bonds. The obligation of the Commission to make payments under the Lease is subject to, and dependent upon, appropriation by the Legislature of the State 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 the project financed with the Bonds. See "THE BONDS - Source of Payment of the Bonds" and "— Investment Considerations."
Payment History	The Authority has never defaulted on bonds or other obligations payable from rent payments subject to biennial appropriation by the Legislature of the State.
Ratings	Moody's and S&P have assigned ratings of "Aa2" and "AA-," respectively, to the Bonds.

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OFFICIAL STATEMENT

relating to

\$8,680,000

TEXAS PUBLIC FINANCE AUTHORITY TAXABLE LEASE REVENUE BONDS (TEXAS HISTORICAL COMMISSION PROJECT), SERIES 2006

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover page, Summary Statement, and attached Appendices) is to furnish information concerning the offering by the Texas Public Finance Authority (the "Authority") of its Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006 (the "Bonds" or, as to any of the Bonds individually, a "Bond"), which are being issued in the 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 442, Texas Government Code, as amended, and pursuant to a resolution adopted by the Board of Directors of the Authority with respect to the Bonds (the "Resolution"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Resolution except as otherwise indicated herein.

This Official Statement includes descriptions of the Bonds, the Authority, the Texas Historical Commission (the "Commission"), and certain other matters, along with summaries of the Resolution and a lease between the Authority and the Commission (the "Lease"). Because payments to be made under the Lease by the Commission will come from appropriations of State of Texas (the "State") general funds made by the State Legislature (the "Legislature"), the information concerning 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 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 Lease for the definition of certain terms used herein.

This Official Statement speaks only as of 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 finance the repair, renovation, improvement, expansion, and equipping of the National Museum of the Pacific War (the "Project"). A portion of the proceeds of the Bonds will be used to pay the costs of issuing the Bonds. See "TEXAS HISTORICAL COMMISSION – The Project."

SOURCES AND USES OF FUNDS

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

Sources

Par Amount of Bonds	\$8,680,000
Net Original Issue Premium/Discount	3,384.50
Accrued Interest	<u>23,695.06</u>
Total	<u>\$8,707,079.56</u>

Uses

Deposit to Nat'l Museum of Pacific War Account for Project Costs	\$8,581,175.76
Deposit to Interest and Sinking Fund	28,953.80
Deposit to Issuance Cost Fund	<u>96,950.00</u>
Total	<u>\$8,707,079.56</u>

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>Chair</i>	2007
H.L. Bert Mijares, Jr.	<i>Vice Chair</i>	2009
J. Vaughn Brock	<i>Secretary</i>	2007
Carin M. Barth	<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 March, 1997.

Pursuant to the Enabling Act and Chapters 1401 and 1403, Texas Government Code, as amended, 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. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code.

The Authority has issued revenue bonds on behalf of the Parks & Wildlife Department, the Building and Procurement 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 Building and Procurement Commission, the Texas 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 any of them.

Sunset Review

In 1977, the State 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, 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 the 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. 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.

Authority's Relationship with Certain State Agencies

The Authority has entered into a memorandum of understanding (the "Memorandum") with the Commission, which defines the division of authority between the Authority and the Commission with respect to the Project financed by the Authority. The Memorandum provides that the Authority, at the request of the Commission, will issue bonds to finance the Project identified by the Commission and approved by the State Legislature. The Memorandum also provides that the Commission will be responsible for the planning, construction, maintenance, and operation of the Project, except that in certain circumstances but not with respect to the Project, the Authority is required to provide certain insurance deemed necessary or appropriate for any other projects. Under the terms of the Memorandum, the Commission is obligated to provide to the Authority a deed to any building project or real property that is the site of the Project and any necessary easements, without cost. With respect to the projects financed pursuant to the Memorandum, the Commission has transferred title of the financed projects to the Authority. Under the Enabling Act and the Memorandum, the Commission will reacquire title to the Project once the debt is paid in full. In the event of a conflict between the Memorandum and the Lease, the Lease controls.

TEXAS HISTORICAL COMMISSION

General

The Commission, an agency of the State, is generally responsible for historic preservation. The Commission staff consults with citizens and organizations to preserve Texas' architectural, archeological, and cultural landmarks. The Commission is recognized nationally for its preservation programs.

The Legislature established the Commission in 1953 as the "Texas State Historical Survey Committee" with the task to identify important historic sites across the State. The Legislature changed the agency's name to the Texas Historical Commission in 1973. Along with the name change came more protective powers, an expanded leadership role, and broader educational responsibilities.

The Commission is composed of 17 citizen-members appointed by the Governor to staggered six-year terms. The agency employs about 100 people who work in various fields, including archeology, architecture,

history, economic development, heritage tourism, public administration, and urban planning. The Commission oversees a number of preservation programs including the restoration of many of Texas' historic county courthouses and the conservation of the French explorer La Salle's ship "*The Belle*" that sank off the Texas Gulf Coast in 1686. The Commission also oversees a highly successful heritage tourism program that partners with local communities and other State agencies to increase tourism and strengthen local economies.

Current members of the Commission and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Term Expires</u>
John L. Nau, III, Chair	2009
Thomas E. Alexander	2009
Jane Cook Barnhill	2007
Bob Bowman	2009
Earl Broussard, Jr.	2011
Diane Bumpas	2011
Shirley W. Caldwell	2007
Donna Carter	2011
Lareatha H. Clay	2007
Frank W. Gorman	2007
David A. Gravell	2007
Albert F. (Boo) Hausser	2009
Sarita Hixon	2011
Dr. Eileen Johnson	2003
Justice Thomas R. Phillips	2011
Marcus Watson	2011
Frank D. Yturria	2007

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. Lawrence Oaks is the Executive Director of the Commission, a position he has held since 1999. Oaks also serves as the State Historic Preservation Officer and oversees the State historic preservation review process. Oaks has served as executive director of the Alabama Historical Commission, on the President's Advisory Council on Historic Preservation, and as president of the National Council of State Historic Preservation Officers. Oaks received the National Medal of Honor from the Daughters of the American Revolution and the Jefferson Davis Medal from the Daughters of the Confederacy for his dedication to preserving America's historic resources.

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 2007. The Commission's enabling act provides that if the Commission is not continued in existence, the Commission will cease to exist on September 1, 2007; however, the Texas Sunset Act provides that the Commission will exist until September 1 of the following year (September 1, 2008) in order to conclude its business.

The Project

The Project includes improvements to the National Museum of the Pacific War (the "Museum") including the expansion and renovation of the George Bush Gallery, improvements and furnishings for the Center for Pacific War Studies, and the costs of professional services and equipment related thereto. Pursuant to Chapter 442, Texas

Government Code, a separate account in the State's General Revenue Fund has been established as the "National Museum of the Pacific War Account" (the "Account") to hold funds to be used by the Commission for the preservation, repair, renovation, improvement, expansion, equipping, operation, or maintenance of the Museum or the acquisition of historical items appropriate to the Museum. The Account will hold revenue from operation of the Museum; grants and donations; legislative appropriations to the Commission for the preservation, operation, or maintenance of the Museum; investment income earned on the Account; and proceeds of the Bonds.

Pursuant to the "Operating Agreement" dated as of November 1, 2005 (the "Operating Agreement") and entered into by and between the Commission and The Admiral Nimitz Foundation (the "ANF"), the ANF is responsible for the daily operation of the Museum in a manner that assists the Commission with preserving and enhancing the historic integrity, appeal, financial and physical condition, and overall quality of the Museum. Further, ANF is charged with operating the Museum in such a way so that the Museum will not require financial assistance from the Commission, including the solicitation of donations for on-going support of the Museum. However, the Commission is responsible for oversight of ANF's operation and management of the Museum, including review of budgets and financial records, and the establishment of a management plan for the Museum, and members of both the Commission's board and ANF's board are members of the Museum's Operating Board. **Revenues of the Museum are not available to make debt service payments due on the Bonds; the Bonds are payable solely from payments to be made by the Commission pursuant to the Lease, from funds appropriated for such payments by the Legislature.**

At the direction of the Legislature, the Authority may sell or otherwise dispose of the Project, provided that 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: (i) be used to restore or replace the Project or (ii) be applied to the prepayment of Rent Payments in the inverse order of their due dates (as provided in the Lease). See "THE BONDS - Investment Considerations." There is no mortgage on or other security interest with respect to the Bonds in the Museum or the Project.

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 principal amounts and on the dates shown on the inside cover page of this Official Statement. The Bonds are dated December 1, 2006, and will bear interest from such Dated Date (as defined on the cover page hereof). Interest on the Bonds is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2007, until maturity or redemption.

Optional Redemption

The Bonds will be subject to redemption on February 1, 2017 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.

Mandatory Sinking Fund Redemption

The Bonds will be subject to mandatory sinking fund redemption prior to their scheduled maturities in the following amounts, on the following dates, at a price equal to the principal amount thereof and accrued and unpaid interest to the date of redemption, without premium.

\$5,950,000 Term Bonds Due February 1, 2020

Redemption Date (February 1)	Principal Amount
2008	\$460,000
2009	460,000
2010	460,000
2011	460,000
2012	460,000
2013	460,000
2014	460,000
2015	455,000
2016	455,000
2017	455,000
2018	455,000
2019	455,000
2020*	455,000

* Final Maturity

\$2,730,000 Term Bonds Due February 1, 2026

Redemption Date (February 1)	Principal Amount
2021	\$455,000
2022	455,000
2023	455,000
2024	455,000
2025	455,000
2026*	455,000

* Final Maturity

To the extent that Bonds required to be redeemed on any such redemption date have been previously purchased for cancellation or redeemed other than pursuant to a sinking fund redemption payment, each principal amount for such Bonds remaining outstanding shall be reduced in the manner determined by the Authority.

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 (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners (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 Lease, and any other lease or use agreement or arrangement of all or any part of the Project (with the exception of income earned by ANF pursuant to the Operating Agreement and 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 in the Interest and Sinking Fund.

Pledged Revenues with respect to the Bonds includes: (i) all Rent Payments under the Lease, except the amount of such payments used by the Authority, if any, for the purchase of insurance or to fund a self-insurance program as described in the Lease; (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 Lease is terminated, the net revenues (i.e. revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from the Project.

The Lease obligates the Commission to make Rent Payments in amounts sufficient to pay the principal of, redemption premium, if any, and interest when due on the Bonds. **The obligation of the Commission to make Rent Payments and other payments under the 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 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 Lease extends beyond the current fiscal year or biennium, the continuation of the 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 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 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 lien against, or security interest in, the Project as security for the Bonds. If the Commission defaults in the payment of amounts due under the Lease, or the Lease is terminated because of nonappropriation, the Authority has the right, in accordance with the Lease, to re-lease the Project to other users. However, the ability of the Authority to re-lease the Project upon default under the Lease (or termination of the same because of nonappropriation) 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 similar space generally. 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 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 an interest and sinking fund for the Bonds (the "Interest and Sinking Fund") which will be administered by the Comptroller of Public Accounts-Treasury Operations. 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, redemption premium, if any, and interest on the Bonds next coming due. Upon receipt of written instructions from the Executive Director to transfer funds to the Interest and Sinking Fund from another account of the Authority, or to deposit funds received by the Comptroller of Public Accounts-Treasury Operations from, or for the account of, the Authority into the Interest and Sinking Fund, the Comptroller of Public Accounts-Treasury Operations will make such transfer or deposit in accordance with such instructions.

If, after any Rent Payment Date but before the date that payment of the principal of, redemption premium, if any, and interest on the Bonds next comes due following such Rent Payment Date, the Comptroller receives instructions of the Executive Director to transfer funds to the Interest and Sinking Fund 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) in order to cure a deficiency in the Interest and Sinking Fund, the Comptroller, upon receipt of such instructions, shall make such transfer in the amount and otherwise in accordance with such instructions.

Pursuant to the 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 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 created under the Resolution. 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-Treasury Operations may be invested in any investment authorized by law for State funds as selected by the Comptroller of Public Accounts-Treasury Operations. Income from any investment of money in a Fund shall be deposited in such Fund.

BOOK-ENTRY-ONLY SYSTEM

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

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants (defined herein), (2) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (defined herein), 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 Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment 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 Participants 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 Act – Chapters 442 and 1232, Texas Government Code, as amended.

Bond Administration Costs - the paying agency, financial advisory, legal, 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 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 the 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.

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

Fund(s) – collectively, or individually, the Interest and Sinking Fund; the Restoration Fund; the Issuance Cost Fund, and the Project 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; or

(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.

Interest and Sinking Fund - the "Texas Public Finance Authority Taxable Lease Revenue Bonds (Texas Historical Commission Project), Series 2006 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 Lease.

Legislature - the Legislature of the State.

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

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

Pledged Revenues – collectively, the following: (1) all Rent Payments, except the amount of Rent Payments used by the Authority for the purchase of insurance or to fund a self-insurance program, if any, as described in the Lease; (2) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and (3) if the Lease is terminated with respect to any or all of 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.

Pledged Security – collectively, all right, title, and interest of the Authority in and to the following: (1) the Pledged Revenues; (2) any rights and remedies of the Authority under the Lease or any other lease or use arrangement of all or any part of the Project (except for the Authority's right to receive proceeds of insurance maintained with respect to the Project, to indemnification, and to payment of Bond Administration Costs); and (3) amounts in the Interest and Sinking Fund.

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 Lease.

Rent Payment(s) - the payments of rent pursuant to the Lease defined as "*Rent Payments*" in the Lease.

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 Lease, the Bonds, and the Book Entry Representation Letter.

The Resolution

The Bonds are issued pursuant to a resolution adopted and approved by the Authority on December 7, 2006. 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 in the Resolution, the Authority reserves the right to issue Additional Bonds to refund any outstanding Bonds or Additional Bonds and to issue Additional Bonds to finance improvements to any or all of the Project or any other Commission project, or any part thereof or the property on which any part of the Project or other Commission project is situated pursuant to the Lease or other lease agreements and to secure such Additional Bonds with a pledge of the amounts to be received from the Lease or such other lease agreements.

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

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

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

The Paying Agent/Registrar is not required to make any transfer of registration, conversion and exchange, or replacement of any Bond or any portion thereof (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.

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

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

Unclaimed 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 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) The Resolution may also be amended without consent of or notice to the owners of outstanding Bonds in order to issue Additional Bonds.
- (c) The Resolution may be otherwise amended with the consent of Bond Owners holding a majority in principal amount of the aggregate principal amount of the Bonds then outstanding. However, 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, redemption 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 Lease.

The Lease may be amended by the Authority and the Commission by mutual agreement in accordance with the provisions of the Lease, if, prior to the time the amendment takes effect (a) the Executive Director receives an opinion of Bond Counsel or the written advice of the Attorney General to the effect that such amendment will not violate the Resolution or applicable law, and such amendment is determined not to adversely affect the rights of the Bond Owners or a majority of the Bond Owners of the outstanding Bonds consents to such amendment as provided for in the Resolution. The Lease may be amended by the Authority and the Commission to provide for the issuance of Additional Bonds without notice to or consent of the Bond Owners.

Defeasance of Bonds.

- (a) The Bond Obligations 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 complies with State law; and
 - (B) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;
 - (3) all amounts (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Resolution (including, without limitation, compensation of the Paying Agent/Registrar) with respect to such Bond(s) have been paid, or provision satisfactory to the person to whom any such payment is or will be due for making such payment has been made; and
 - (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.
- (b) If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Bonds, the particular maturity or maturities of Bonds (or, if less than all of a maturity, the principal amount within a maturity) will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines.
- (c) The Paying Agent/Registrar must transfer funds from the Interest and Sinking Fund or an escrow account established pursuant to the Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations.
- (d) To the extent permitted by law, the Paying Agent/Registrar, at the Executive Director's direction, may substitute, for any of the securities or obligations deposited as Sufficient Assets, other

securities or obligations constituting Sufficient Assets if, upon such substitution, the above referenced requirements are satisfied. Any net proceeds realized from such a substitution shall be paid to the Authority.

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

- (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% in aggregate principal amount of the outstanding Bonds;
- (3) the occurrence of any act of bankruptcy of the Authority, the State, or the Commission, as applicable; or
- (4) the occurrence of any "Event of Default" as defined in the Lease.

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 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, or the Executive Director, within 10 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 Event of Default or Event of Nonappropriation.

No Personal Liability. No obligation imposed under the Resolution, the Bonds, or any document executed by the Authority, the Comptroller, 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 Lease

The Commission (for purposes of this section, the "Lessee") entered into the Lease for the purpose of financing the Project and to provide for the financing or refinancing by the Authority of other Commission projects that may be authorized by the Legislature. The Project is currently the only Commission project financed pursuant to the Lease. The following is a summary of certain provisions of the Lease. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to each of the Lease. Copies of the Lease are available for examination at the offices of the Authority.

Lease of Project. The Lease provides that the Authority leases the Project to the Lessee, and the Lessee leases the Project from the Authority.

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

The Lessee may prepay Rent Payments or cause Rent Payments to be prepaid at any time and in any amount. Any prepayment by the Lessee will not relieve it of liability for each remaining Rent Payment as provided in the Lease and the Resolution or reduce the amount of any Rent Payment. If all or any part of the Bonds are called for redemption in accordance with the Resolution, the Lessee must prepay, to the extent funds are lawfully available

by legislative appropriation or otherwise, Rent Payments sufficient to pay and redeem such Bonds on the date fixed for redemption, or, if the Authority deems it to be more advantageous, to buy Bonds on the open market for cancellation at a price not greater than the par value thereof plus interest thereon.

The Lessee has agreed to transfer and pay to the Authority as a portion of the Rent Payments (related to certain overhead and operating expenses caused by the Bonds being outstanding and the Project being constructed) an amount determined annually by the Authority and certified to the Lessee as the amount payable. However, no such expenses will be charged by the Authority unless the Authority must pay its operating expenses from sources other than direct legislative appropriation.

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

Changes in Plans and Specifications and Project Site and Substitution of Projects. The Lessee 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 Lessee certifies to the Executive Director that the Lessee has sufficient legally available funds to complete the acquisition and construction of the Project; and
- (2) an Authorized Representative of the Lessee notifies the Executive Director of such alteration or substitution and provides the Executive Director of the Authority with a revised Project Description describing the Project as altered or substituted; and the Authority notifies each Rating Agency and Bond Insurer, if any, of such alteration or substitution and provides such Rating Agency and Bond Insurer, if any, with a revised Project Description describing the Project as altered and substituted.

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. Insurance will be maintained on the Project by the Admiral Nimitz Foundation (the "ANF") and the Commission, pursuant to the terms of the Operating Agreement. The Operating Agreement requires that the ANF obtain public and automobile liability insurance and business interruption insurance, each in amounts and with coverage and deductibles as set out in the Management Plan established pursuant to the Operating Agreement. The Commission and the ANF have further agreed that the Commission, together with the State, will provide a program of self-insurance for any casualty losses relating to the Project. Pursuant to the Lease, the Commission must furnish the Authority with a copy of each policy of insurance maintained on the Project. The Lessee and the Authority, to the extent required and permitted by law, must cooperate in obtaining and maintaining the insurance required. If a claim arises under any insurance maintained under the Lease, the Authority or the ANF, acting on behalf of the Commission, as applicable, must diligently pursue collection under the insurance policy.

Use. The Lease in no way limits or prohibits the Legislature or the Lessee from using the Project for any lawful purposes under the laws of the State, including leasing or subleasing any portion of the Project to any State

agency or political subdivision of the State or any other entity. No sublease by the Lessee of the Project may release the Lessee from, or mitigate its obligations under, the Lease and the Lessee will continue to be obligated to make all payments required under the Lease.

Disposition of Project. At the direction of the Legislature, the Authority may sell or otherwise dispose of all or any part of the Project, provided the Authority applies the proceeds of such sale or disposition in accordance with such directive. Any such legislative directive must appropriate the proceeds of such sale or other disposition 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 Lease and the term "Event of Default" means, whenever used in the Lease, any one or more of the following events:

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

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

- (a) Enter and take possession of the Project without terminating the Lease, and sublease all or any part of the Project for the account of the Lessee, holding the Lessee and any sublessee of the Lessee liable for the difference in the rent and other amounts payable by the sublessee in such subleasing and the Lease Payments and other amounts payable by the Lessee under the Lease so long as the Legislature shall have appropriated funds to the Lessee to pay such amounts.
- (b) Terminate the Lease, enter and take possession of the Project, and at its option, to the extent permitted by law, lease the Project to another party for the account of the Lessee, holding the Lessee and any sublessee of the Lessee liable for all Lease Payments and other amounts due under the Lease and not paid by such other party so long as the Legislature has appropriated funds to the Lessee to pay such amounts.
- (c) Take any action at law or in equity to collect any amount due or that may become due under the Lease, or to enforce performance of any obligation of the Lessee under the 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 Lease, the Lessee 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 Lease, except to the extent that the Authority receives payments as a result of leasing or subleasing the Project. With respect to the Project, the Authority may elect to continue the Operating Agreement or similar agreement if continuation of the Operating Agreement or similar agreement will not be an impediment to the ability of the Authority to lease or sublease the Project to an entity other than the Commission.

No remedy in the 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 Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default will impair any such right or power or will be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it will not be necessary to give any notice other than such notice as may be required in the 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 Lessee's Obligations by Authority. While the Lessee is in default of any provision of the Lease, the Lessee authorizes (to the extent permitted by law) the Authority to take any lawful action to cure such default and to act in the name and stead of the Lessee to the same extent as the Lessee is empowered to act.

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

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

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

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

RATINGS

In connection with the sale of the Bonds, the Authority has received a rating of "Aa2" from Moody's and "AA-" from S&P. An explanation of the significance of the ratings may be obtained from the respective rating agency. The ratings reflect only the views of such organizations at the time the ratings were given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

TAX MATTERS

The following discussion describes the principal United States federal tax treatment of U.S. persons (defined below) that are Beneficial Owners of the Bonds. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), published revenue rulings, judicial decisions, and existing and proposed federal Treasury regulations, changes to any of which subsequent to the date of this official statement may affect the tax

consequences described herein. GENERALLY, THE INTEREST ON OR GAIN FROM THE SALE OF THE BONDS IS TAXABLE TO INVESTORS.

This summary discusses only Bonds held as capital assets within the meaning of Code Section 1221. It does not discuss tax consequences that may be relevant to a Beneficial Owner in light of its particular circumstances, or to Beneficial Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, or Beneficial Owners whose functional currency (as defined in Code Section 95) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Investors who are subject to special provisions of the Code should consult their tax advisors regarding the tax consequences to them of purchasing, holding, owning, and disposing of the Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Bonds.

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States, or a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust the income of which is subject to United States federal income taxation regardless of its source of income. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts to the extent that their ownership of the Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from United States sources as if they were citizens or residents.

In General

Income derived from a Bond by a Beneficial Owner is subject to United States federal income taxation. In addition, a Bond held by an individual who, at the time of death, is a U.S. person is subject to United States federal estate tax.

Payments of Interest

Stated interest paid on a Bond generally will be taxable to a Beneficial Owner as ordinary interest income at the time it accrues or is received in accordance with the Beneficial Owner’s method of accounting for federal income tax purposes.

Disposition or Retirement

Upon the sale, exchange, or other disposition of a Bond (including by redemption), a Beneficial Owner will recognize gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement and the Beneficial Owner’s basis in the Bond. Such gain or loss will be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if at the time of disposition or retirement the Bond has been held for more than one year.

Information Reporting and Backup Withholding

Interest on Bonds held by U.S. persons (other than corporations and other exempt holders) are required to be reported to the IRS. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address, and taxpayer identification number of the Beneficial Owner. A copy of Form 1099 will be sent to each Beneficial Owner of a Bond for federal income tax reporting purposes.

Interest paid to a Beneficial Owner of a Bond ordinarily will not be subject to withholding of federal income tax if such Beneficial Owner is a U.S. person. Backup withholding of federal income tax at a rate of 28% may apply, however, to payments made with respect to the Bonds, as well as payments of proceeds from the sale of Bonds, to registered holders or Beneficial Owners that are not “exempt recipients” and that fail to provide certain

identifying information. This withholding generally applies if the Beneficial Owner of a Bond (who is not an exempt recipient) (i) fails to furnish to the payor such Beneficial Owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the payor an incorrect TIN, (iii) fails properly to report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such Beneficial Owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such Beneficial Owner is not subject to backup withholding. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. To prevent backup withholding, each prospective holder will be requested to complete an appropriate form.

Any amounts withheld under the backup withholding rules from a payment to a person would be allowed as a refund or a credit against such person's United States federal income tax, provided that the required information is furnished to the IRS. Furthermore, certain penalties may be imposed by the IRS on a holder or Beneficial Owner who is required to supply information but who does not do so in the proper manner.

Circular 230 Notice

The tax discussion set forth above with respect to the United States federal tax consequences of owning the Bonds was written in connection with the marketing of the Bonds and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. No limitation has been imposed by Bond Counsel on disclosure of the tax treatment or tax structure of the Bonds. Bond Counsel will receive a non-refundable fee contingent on the successful marketing of the Bonds, but not contingent on any taxpayer's realization of tax benefits from the Bonds. Each taxpayer should seek advice based on its particular circumstances from an independent tax advisor. This notice is provided solely for purposes of ensuring compliance with Treasury Circular 230.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A BENEFICIAL OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

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 (interest on the Bonds **is not** excludable from gross income of the holders thereof); (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 this agreement for so long as the Bonds may be paid from money drawn on the State's General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings ("Appendix A"). The Comptroller intends to continue to prepare Appendix A quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with his disclosure agreement. Quarterly updates to Appendix A are also available at

www.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 1-800-531-5441.

Annual Reports. The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in Appendix A in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each fiscal year ending in or after 1996. The Comptroller will provide the updated information to each NRMSIR and to any SID that is designated by the State and approved by the staff of the Securities and Exchange Commission ("SEC").

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

The State's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 or 29 in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID of the change.

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

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

The Authority and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither the Authority or the Comptroller has agreed to provide other information that may be relevant or material to a complete presentation of the Authority's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither the Authority or the Comptroller make 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 the Bonds may seek a writ of mandamus to compel the Authority or the Comptroller to comply with their agreements.

The Authority or the Comptroller may amend their continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Authority or of the State, but only if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with Rule 15c2 12, taking into account any amendments or interpretations of Rule 15c2 12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Authority or the Comptroller (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the Authority or the Comptroller so amends such person's agreement, the Authority or the Comptroller shall include with any amended financial information or operating data next provided an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so 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 Rules 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.

THE FINANCIAL ADVISOR

Coastal Securities is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

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

an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

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., Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. The compensation paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. Bond Counsel's opinion will be rendered at the closing of the sale of the Bonds in substantially the form attached to this Official Statement as Appendix C.

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.

UNDERWRITING

The Purchasers have agreed to purchase the Bonds from the Authority at a price of \$8,683,384.50 (representing the par amount of the Bonds of \$8,680,000 plus original issue premium of \$3,384.50), plus accrued interest on the Bonds to the initial date of delivery of the Bonds to the Purchaser.

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 November 2006 is currently on file with each NRMSIR and the Texas SID and is hereby incorporated by reference and made a part of this Official Statement. The Appendix may also be obtained from the Comptroller's web site at www.window.state.tx.us/treasops/bondapp.html.

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APPENDIX B

DEBT SERVICE REQUIREMENTS

**Texas Public Finance Authority
Taxable Lease Revenue Bonds
(Texas Historical Commission Project),
Series 2006**

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
2007	0	299,306	299,306
2008	460,000	437,229	897,229
2009	460,000	413,769	873,769
2010	460,000	390,309	850,309
2011	460,000	366,849	826,849
2012	460,000	343,389	803,389
2013	460,000	319,929	779,929
2014	460,000	296,469	756,469
2015	455,000	273,137	728,137
2016	455,000	249,932	704,932
2017	455,000	226,727	681,727
2018	455,000	203,522	658,522
2019	455,000	180,317	635,317
2020	455,000	157,112	612,112
2021	455,000	133,383	588,383
2022	455,000	109,132	564,132
2023	455,000	84,880	539,880
2024	455,000	60,629	515,629
2025	455,000	36,377	491,377
2026	455,000	12,126	467,126
<hr/>			
	\$8,680,000	\$4,594,520	\$13,274,520

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

TEXAS PUBLIC FINANCE AUTHORITY

**TAXABLE LEASE REVENUE BONDS
(TEXAS HISTORICAL COMMISSION PROJECT), SERIES 2006
DATED DECEMBER 1, 2006
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$8,680,000**

We have acted as Bond Counsel for the Texas Public Finance Authority (the "Authority") in conjunction with the issuance of the captioned bonds (the "Bonds") for the purpose of rendering an opinion with respect to the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas (the "State") and with respect to the treatment of interest on the Bonds for federal income tax purposes. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. 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 any State agency, or the disclosure thereof in connection with the sale of the Bonds, and we have not assumed any responsibility with respect thereto. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the Authority (the "Board"), including a resolution of the Board authorizing the Bonds adopted on December 7, 2006 (the "Resolution"); the competitive bid awarded by the Board on December 7, 2006 between the purchaser named therein and the Authority; and the approving opinion of the Attorney General of the State of Texas; the laws of the State; customary certificates of officers, agents, and representatives of the Authority, and other public officials; and other certified showings relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have 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. We have also examined executed Bond I-1.

Based on our examination, it is our opinion that:

1. The Authority is a validly existing agency of the State with power to adopt the Resolution, perform its agreements therein, and issue the Bonds.
2. The Bonds have been authorized, sold, and delivered in accordance with law.
3. The Bonds constitute valid and legally binding obligations of the Issuer enforceable in accordance with their terms except as the enforceability thereof may be limited by bankruptcy,

insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. The Bonds have been duly authorized by the Authority and are valid, legally binding, and enforceable obligations of the Authority, payable from a lien on and pledge of the Pledged Security (as defined in the Resolution).

5. Interest on the Bonds is **not** excludable pursuant to section 103 of the Code from gross income of the owners thereof for federal income tax purposes.

The registered owners of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than the sources specified in the Resolution.

The Authority has reserved the right, subject to the restrictions stated in the Resolution, and without obtaining the consent of the registered owners of the Bonds, to issue "Additional Bonds" which may also be secured by and payable from a first lien on and pledge of the Pledged Security, in the same manner and to the same extent as the Bonds.

The Authority has also reserved the right, subject to restrictions stated in the Resolution, to make certain amendments to the Resolution, with approval of the owners of a majority of the outstanding principal amount of the Bonds.

In rendering these opinions, we have relied on representations and certifications of the Authority with respect to matters solely within the knowledge of the Authority which we have not independently verified.

Except as stated above, we express no other opinion regarding federal, State, or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement 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.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds.

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

Respectfully submitted,

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