

OFFICIAL STATEMENT DATED FEBRUARY 18, 2004

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the 2004 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, court decisions and published rulings, and the 2004 Bonds are not "specified private activity bonds" for purposes of the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein.

NEW ISSUE - Book-Entry-Only



RATINGS: Moody's: "Aaa"
See "RATING" and "MUNICIPAL BOND INSURANCE" herein.

**TEXAS PUBLIC FINANCE AUTHORITY
(Texas Military Facilities Commission)**

\$13,595,000

**Armory Improvement Revenue Bonds,
Series 2004**

Dated: February 1, 2004

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

The Texas Public Finance Authority (the "Authority") is issuing its Texas Public Finance Authority (Texas Military Facilities Commission) Armory Improvement Revenue Bonds, Series 2004 (the "2004 Bonds"), which are special and limited obligations of the Texas Military Facilities Commission (the "Commission"), formerly known as the Texas National Guard Armory Board, an agency of the State of Texas (the "State"). The 2004 Bonds are issued under the authority of the Constitution and laws of the State, particularly Chapter 1232, Texas Government Code, as amended, Chapter 435, Texas Government Code, as amended, and resolutions adopted by the Commission and the Authority. Proceeds from the sale of the 2004 Bonds will be used to: (i) construct, remodel, repair and/or equip one or more buildings used or for use as armories, and (ii) pay the costs of issuing the 2004 Bonds, as more fully described herein.

The 2004 Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry system described herein. Beneficial ownership of the 2004 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the 2004 Bonds will be made to the purchasers thereof.

Principal of, premium, if any, and interest on the 2004 Bonds will be payable by the paying agent/registrant (the "Paying Agent/Registrar"), initially JPMorgan Chase Bank, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the 2004 Bonds. Interest on the 2004 Bonds will accrue from February 1, 2004 and will be payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2004. Principal on the 2004 Bonds will be payable annually on April 1, commencing April 1, 2005.

The 2004 Bonds are subject to optional redemption prior to maturity, as more fully described herein. See "THE 2004 BONDS—Optional Redemption."

The 2004 Bonds will be special and limited obligations of the Commission payable solely from Pledged Revenues, as described herein, which will consist primarily of rental payments to the Commission from funds appropriated by the Legislature to the Adjutant General of the State of Texas. **The Legislature has no obligation to make any such appropriation. Neither the State of Texas nor any state agency, political corporation, or political subdivision of the State of Texas will be obligated to pay the principal of, premium, if any, or interest on the 2004 Bonds, except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the full faith and credit nor the taxing power of the State of Texas or any state agency, political corporation, or political subdivision of the State of Texas (including the Authority) will be pledged to the payment of the principal of, premium, if any, or interest on the 2004 Bonds. The Authority has no taxing power. See "THE 2004 BONDS - Source of Payment/Security for the 2004 Bonds."**

MATURITY AND PRICING SCHEDULE

See Inside Cover



The scheduled payment of principal of and interest on the 2004 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2004 Bonds by MBIA Insurance Corporation (the "Bond Insurer"). See "MUNICIPAL BOND INSURANCE" and "RATING" herein.

The 2004 Bonds are offered for delivery by the initial purchaser when, as, and if issued by the Authority, subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. It is expected that the 2004 Bonds will be delivered on or about March 11, 2004 through the facilities of DTC.

MATURITY AND PRICING SCHEDULE ⁽¹⁾

Stated Maturity	Principal Amount	Interest Rate	Yield ⁽²⁾	CUSIP No. ⁽³⁾	Stated Maturity	Principal Amount	Interest Rate	Yield ⁽²⁾	CUSIP No. ⁽³⁾
04/01/2005	\$410,000	2.500%	1.100%	882756QN2	04/01/2015	\$665,000	4.000%	3.640%	882756QY8
04/01/2006	505,000	2.500%	1.420%	882756QP7	04/01/2016	690,000	4.000%	3.780%	882756QZ5
04/01/2007	515,000	2.500%	1.730%	882756QQ5	04/01/2017	720,000	4.000%	3.890%	882756RA9
04/01/2008	525,000	2.500%	2.080%	882756QR3	04/01/2018	750,000	4.000%	4.000%	882756RB7
04/01/2009	540,000	2.500%	2.380%	882756QS1	04/01/2019	785,000	4.000%	4.100%	882756RC5
04/01/2010	560,000	3.500%	2.630%	882756QT9	04/01/2020	820,000	4.000%	4.200%	882756RD3
04/01/2011	580,000	3.500%	2.870%	882756QU6	04/01/2021	860,000	4.250%	4.290%	882756RE1
04/01/2012	600,000	4.000%	3.100%	882756QV4	04/01/2022	895,000	4.250%	4.370%	882756RF8
04/01/2013	620,000	4.000%	3.330%	882756QW2	04/01/2023	935,000	4.375%	4.430%	882756RG6
04/01/2014	640,000	4.000%	3.520%	882756QX0	04/01/2024	980,000	4.375%	4.500%	882756RH4

(Accrued interest from February 1, 2004 to be added)

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- (1) The 2004 Bonds maturing on and after April 1, 2015 are subject to redemption at the option of the Authority acting at the direction of the Commission, prior to maturity, as a whole or from time to time in part, on April 1, 2014 and on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. See “THE 2004 BONDS – Optional Redemption.”
 - (2) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the 2004 Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may change at the discretion of the Initial Purchaser.
 - (3) CUSIP numbers have been assigned to the 2004 Bonds by the CUSIP Service Bureau and are included solely for the convenience of the owners of the 2004 Bonds. Neither the Authority nor the Commission shall be responsible for the selection or the correctness of the CUSIP numbers shown 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

R. David Kelly
Chair

H. L. Bert Mijares, Jr.
Vice Chair

J. Vaughn Brock
Secretary

Helen Huey
Member

Daniel T. Serna
Member

Barry T. Smitherman
Member

(Vacant)
Member

Kimberly K. Edwards
Executive Director

Judith Porras
General Counsel

Coastal Securities
CKW Financial Group, Inc.
Co-Financial Advisor

SALE AND DISTRIBUTION OF THE 2004 BONDS

Use of Official Statement

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the 2004 Bonds described herein that is deemed final by the Authority as of the date hereof (or of any such supplement or amendment) except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2004 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE 2004 BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

Marketability

The delivery of the 2004 Bonds is conditioned upon the receipt by the Authority of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the 2004 Bonds stating the prices at which a substantial amount of the 2004 Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the Authority has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the 2004 Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the 2004 Bonds may be changed from time to time by the Initial Purchaser after the 2004 Bonds are released for sale, and the 2004 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the 2004 Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE 2004 BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2004 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 2004 Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the 2004 Bonds.

Securities Laws

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

TABLE OF CONTENTS

	Page	
SUMMARY STATEMENT.....	vi	REVENUES AND EXPENDITURES.....
INTRODUCTION.....	1	21
PLAN OF FINANCE.....	1	TEXAS MILITARY FACILITIES
Use of Proceeds.....	1	COMMISSION CONDENSED BALANCE
SOURCES AND USES OF FUNDS.....	2	SHEETS.....
THE AUTHORITY.....	2	22
General.....	2	MUNICIPAL BOND INSURANCE.....
Sunset Review.....	3	23
Additional Authorized Revenue Bond Projects.....	3	RATING.....
Relationship With Other State Agencies.....	4	25
THE TEXAS MILITARY FACILITIES		TAX MATTERS.....
COMMISSION.....	4	25
General.....	4	Opinion.....
Members of the Commission.....	5	25
Properties of the Commission.....	5	Federal Income Tax Accounting Treatment Of
Commission Continuance Subject to Sunset		Original Issue Discount.....
Review.....	5	26
Financial Support.....	6	Collateral Federal Income Tax Consequences.....
THE 2004 BONDS.....	6	27
Description of the 2004 Bonds.....	6	State, Local, and Foreign Taxes.....
Optional Redemption.....	6	28
Notice of Redemption.....	7	THE 2004 BONDS AS LEGAL
Source of Payment/Security for the 2004 Bonds.....	7	INVESTMENTS IN TEXAS.....
Defeasance.....	8	28
Remedies.....	10	LITIGATION.....
Record Date for Interest Payment.....	10	28
BOOK-ENTRY-ONLY SYSTEM.....	10	CONTINUING DISCLOSURE OF
SELECTED PROVISIONS OF THE		INFORMATION.....
RESOLUTION.....	12	29
Definitions.....	12	Continuing Disclosure Undertaking of the
Flow of Funds.....	14	29
Deficiencies and Excess Revenues.....	14	Continuing Disclosure Undertaking of the
Transfer to Paying Agent/Registrar.....	15	29
Further Payments.....	15	Comptroller.....
Investments.....	15	29
Rate Covenant.....	15	Availability of Information from NRMSIRs and
Additional Bonds.....	16	30
Additional Bonds and Subordinate Lien		SID.....
Obligation Provisions.....	16	Limitations and Amendments.....
Additional Bonds Requirements.....	16	31
General Covenants.....	17	Compliance with Prior Undertakings.....
Commission Resolution.....	18	31
BOND FUND BALANCES.....	19	INITIAL PURCHASER.....
ADEQUACY OF PLEDGED REVENUES.....	19	31
SUMMARY STATEMENT OF		THE CO-FINANCIAL ADVISOR.....
COMMISSION BUDGET.....	20	32
		REGISTRATION AND QUALIFICATION OF
		BONDS FOR SALE.....
		32
		LEGAL MATTERS.....
		32
		Legal Opinions.....
		32
		No-Litigation Certificate.....
		30
		Forward-Looking Statements.....
		33
		MISCELLANEOUS.....
		33
		Appendix A The State of Texas
		Appendix B Combined Outstanding Debt
		Service Requirements
		Appendix C Form of Bond Counsel
		Opinion
		Appendix D Specimen Municipal Bond
		Insurance Policy

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the 2004 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 (the “Authority”) on behalf of the Texas Military Facilities Commission, formerly known as the Texas National Guard Armory Board (the “Commission”).
Offering	\$13,595,000 Texas Public Finance Authority (Texas Military Facilities Commission) Armory Improvement Revenue Bonds, Series 2004 (the “2004 Bonds”).
Maturity	April 1 of each of the years and in the principal amounts set forth on the inside cover of this Official Statement. See “THE 2004 BONDS.”
Interest	Interest on the 2004 Bonds accrues from February 1, 2004 and is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2004. See “THE 2004 BONDS.”
Redemption	The 2004 Bonds maturing on and after April 1, 2015 are subject to redemption prior to maturity at the option of the Authority acting at the direction of the Commission, on any date on or after April 1, 2014 at the redemption price of par plus accrued interest, if any, to the date fixed for redemption. See “THE 2004 BONDS – Optional Redemption.”
Source of Payment/ Security for the 2004 Bonds	The 2004 Bonds and the interest thereon, are payable from Pledged Revenues. Pledged Revenues consist of (i) funds, if any, appropriated by the Legislature of the State of Texas to the Adjutant General of the State of Texas for rental payments by the Adjutant General and others to the Commission for use of the armories, (ii) to the extent permitted by law, the proceeds of the sale of Property of the Commission, if any, (iii) to the extent permitted by law, any amounts received from the United States Government, if any, (iv) interest and income derived from the deposit and investment of moneys credited to Funds, including the Revenue Fund, the Interest and Sinking Fund, and the Construction Fund, maintained pursuant to the Resolution, and (v) any additional revenues, income, receipts or other resources, including without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which may be pledged to the payment of the Bonds or Additional Bonds, but excluding Other Revenues. The 2004 Bonds will constitute special obligations of the Commission and will be on a parity with the outstanding Series 2002 Bonds (collectively, with the 2004 Bonds, the “Bonds”), and are secured by and payable solely from an irrevocable first lien on and pledge of the Pledged Revenues. See “THE 2004 BONDS – Source of Payment/Security for the 2004 Bonds.” Although the

Legislature has never failed to appropriate funds for the Authority's revenue bonds, **the Legislature has no obligation to make the appropriations described above. There is no mortgage in any physical facilities.**

Rate Covenant

The Resolution, hereinafter defined, authorizing the 2004 Bonds provides that the Commission shall fix, charge and collect rents for the use of the Property of the Commission, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund to ensure full and timely payment for all of the Bonds and any Additional Bonds and, together with other moneys available for such purpose, for paying the Operation and Maintenance Expenses, as hereinafter defined. The Resolution further provides that the Commission shall maintain leases with the Adjutant General of the State of Texas or any agency of the federal government for the use of all or part of the Property of the Commission (as hereinafter defined) whereby the lease payments made by the Adjutant General or any agency of the federal government will be sufficient to provide the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds and any Additional Bonds, and, together with other moneys available for such purpose, for paying the Operation and Maintenance Expenses. See "SELECTED PROVISIONS OF THE RESOLUTION--Rate Covenant."

Book-Entry-Only System

The 2004 Bonds are initially issuable only to Cede & Co, the nominee of DTC pursuant to a book entry only system. No physical delivery of the 2004 Bonds will be made to the Beneficial Owners, as hereinafter defined, of the 2004 Bonds. Principal and interest will be paid to Cede & Co., which will distribute such payments to the participating members of DTC for remittance to the Beneficial Owners of the 2004 Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds

The proceeds of the 2004 Bonds will be used to: (i) construct, remodel, repair, and/or equip one or more buildings used or for use as armories, and (ii) pay the costs of issuing the 2004 Bonds. See "SOURCES AND USES OF FUNDS."

Additional Bonds

Additional parity bonds may be issued, when among other requirements, the existing leases of Properties of the Commission to the State of Texas or to any agency of the federal government, will provide sufficient rental income during the next succeeding fiscal year which will be fully sufficient to pay the average annual principal and interest requirements on all then outstanding Bonds and Additional Bonds and the then proposed Additional Bonds, and when such rental and interest income is added to all other revenues for said year, such total revenues are in addition fully sufficient to pay all other expenses of the Commission for that year including but not limited to the cost of operating, maintaining, insuring and repairing said armory facilities and the necessary and proper administrative expenses of the Commission.

Rating

Moody's Investors Service ("Moody's") has assigned a rating of "Aaa" to the 2004 Bonds as a result of a municipal bond insurance policy issued by MBIA Insurance Corporation. The 2004 Bonds received an underlying rating of "Aa2" from Moody's. See "RATING" And "MUNICIPAL BOND

INSURANCE” herein.

**Municipal Bond
Insurance**

The payment of principal and interest on the 2004 Bonds when due is insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2004 Bonds. See "MUNICIPAL BOND INSURANCE" herein.

Legality

The issuance of the 2004 Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst, & Horton L.L.P., Austin, Texas, Bond Counsel. See “LEGAL MATTERS.”

OFFICIAL STATEMENT

relating to

TEXAS PUBLIC FINANCE AUTHORITY (Texas Military Facilities Commission)

**\$13,595,000
Armory Improvement Revenue Bonds,
Series 2004**

INTRODUCTION

This purpose of this Official Statement (which includes the cover page, Summary Statement, and attached Appendices) is to furnish information concerning the proposed offering of the Texas Public Finance Authority (Texas Military Facilities Commission) Armory Improvement Revenue Bonds, Series 2004 (the “2004 Bonds”), which are being issued by the Texas Public Finance Authority (the “Authority”) on behalf of the Texas Military Facilities Commission (the “Commission”) in the aggregate principal amount set forth above. The 2004 Bonds are authorized to be issued pursuant to: (i) the Constitution and laws of the State of Texas (the “State”), including the Texas Public Finance Authority Act, as amended, Chapter 1232, Texas Government Code, as amended (the “Enabling Act”) and Chapter 435, Texas Government Code, as amended (the “Act”), and certain other statutes and (ii) a resolution adopted by the Board of Directors of the Authority on February 18, 2004 (the “Resolution”) and a resolution adopted by the Members of the Commission on February 6, 2004 (the “Commission Resolution”).

Because the Pledged Revenues, as described herein, which will consist primarily of rental payments to the Commission from funds appropriated by the Legislature to the Adjutant General of the State of Texas, the information concerning the State that is contained in the Bond Appendix (referenced in Appendix A to this Official Statement) should be reviewed carefully. The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents, which are available for inspection at the offices of the Authority, 300 West 15th Street, Suite 411, William P. Clements State Office Building, Austin, Texas 78701.

PLAN OF FINANCE

Use of Proceeds

The 2004 Bonds are being issued to provide sufficient funds to: (i) construct, remodel, repair, and/or equip one or more buildings used or for use as armories, as permitted by the Act; and (ii) pay the costs of issuing the 2004 Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2004 Bonds, including accrued interest, will be applied as follows:

Sources

Par Amount of 2004 Bonds	\$13,595,000.00
Accrued Interest	56,915.97
Bidders Premium	<u>10,363.10</u>
Total	\$13,662,279.07

Uses

Construction Fund Deposits	\$13,514,022.00
Interest and Sinking Fund Deposit	68,257.07
Costs of Issuance	<u>80,000.00</u>
Total	\$13,662,279.07

THE AUTHORITY

General

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

The Authority is currently governed by a board of directors (the "Authority Board") composed of seven members appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. 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</u>
R. David Kelly	Chair	2007
H. L. Bert Mijares, Jr.	Vice Chair	2005
J. Vaughn Brock	Secretary	2007
Helen Huey	Member	2005
Daniel T. Serna	Member	2003*
Barry T. Smitherman	Member	2007
[Vacant]	Member	

*Member continues to service until a replacement qualifies for office.

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. Ms. Edwards has been with the Authority since March, 1997.

Pursuant to the Enabling Act and Chapters 1401 and 1403, Texas Government Code, the Authority issues general obligations and revenue bonds for designated State agencies (including certain institutions of higher education) and administers the Master Lease Purchase Program, a revenue commercial paper program, primarily to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Commission, the Texas Building and Procurement Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Texas Department of Health, the Texas Parks and Wildlife Department, the Texas Department of Agriculture, the Texas Department of Human Services, the Texas Workforce Commission, the Texas State Technical College System, Midwestern State University, Stephen F. Austin State University, and Texas Southern University. It has also issued general obligations for the Texas Parks and Wildlife Department, the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Department of Health, the Texas Historical Commission, Texas School for the Blind and Visually Impaired, 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 bonds for the acquisition or construction of a building for a State agency, other than an institution of higher education, the Legislature must have authorized the specific project for which the bonds are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of them.

Sunset Review

In 1977, the 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 and the Commission, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority, as amended by the 75th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

In the event either the Authority or the Commission is abolished pursuant to the Texas Sunset Act, the Governor is required to designate an appropriate state agency to carry out the Authority's or the Commission's covenants contained in the 2004 Bonds and in the documents authorizing the 2004 Bonds. In such event, General Counsel to the Authority believes that (1) the 2004 Bonds would remain valid and binding obligations, subject to all applicable terms and conditions of the laws and proceedings authorizing the 2004 Bonds, and (2) such designated agency would be obligated and authorized to carry out all such covenants and to provide payment from the sources pledged to the 2004 Bonds in accordance with the terms thereof until the 2004 Bonds are paid in full.

Additional Authorized Revenue Bond Projects

The State Legislature has authorized the Authority to issue general obligation and revenue bonds for a number of additional projects for other state agencies and institutions of higher education and may authorize further projects in future legislative sessions. See the Bond Appendix referenced in Appendix A. The State agency responsible for the project to be financed is also responsible for initiating the project and requesting financing.

The Authority cannot determine in advance when a client agency will be ready to begin an authorized project, nor can the Authority determine which, if any, additional projects will be authorized by the Legislature.

Relationship With Other State Agencies

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

Payments on the 2004 Bonds are expected to be made from money appropriated by the Legislature, to the Adjutant General for rent payments to the Commission, or other available money transferred to the Interest and Sinking Fund. See "THE 2004 BONDS - Source of Payment/Security for the 2004 Bonds."

With certain exceptions, bonds issued by state agencies and institutions of higher education, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. The 2004 Bonds received the final approval of the Texas Bond Review Board on January 22, 2004.

THE TEXAS MILITARY FACILITIES COMMISSION

General

The Commission (formerly the Texas National Guard Armory Board) is an agency of the State established pursuant to Chapter 435 of the Texas Government Code, as amended (the "Act"). Under the Act, the Commission is the exclusive authority for the construction, repair, and maintenance of Texas National Guard armories, facilities, and improvements owned by the state located on Commission property. The Commission is a public authority and a body politic and corporate, and has all the powers necessary for acquisition, construction, rental, control, maintenance, operation, and disposition of Texas National Guard or Texas State Guard facilities and real property, including all property and equipment necessary or useful in connection with such facilities. Under the Act, the Commission is authorized to request that the Authority issue bonds on its behalf to acquire one or more building sites or buildings or to construct, remodel, repair, or equip one or more buildings, or to refund any of the outstanding bonds issued by the Commission or by the Authority on behalf of the Commission. Provided however, that no such bonds may be issued without the approval of the Attorney General of the State of Texas.

The Texas National Guard is headquartered in Austin, Texas at Camp Mabry and encompasses both Army National Guard and Air National Guard Units. The Army National Guard is currently composed of the State Area Command (STARC), the 71st Troop Command, and the 49th Armored Division. The Air National Guard is presently composed of a Tactical Airlift Wing, a Fighter Interceptor Group, a Tactical Fighter Group, two Combat Communication Squadrons, a Combat Communication Group and an Air Defense Squadron. Currently there are a total of 248 active units (198 Army and 50 Air Force) with a combined authorized strength of 21,665. The Commission currently has a total of 39 employees, including John A. Wells, Executive Director of the Commission, and Lydia Giesbers, Deputy Director of the Commission.

Members of the Commission

The Act provides that the Commission shall be composed of: (i) one actively serving senior officer of the Texas National Guard, appointed by the Governor of the State of Texas with the advice and consent of the Texas Senate from a list submitted by the adjutant general; and (ii) six members of the general public, appointed by the Governor with the advice and consent of the Texas Senate, and who are not actively serving in the Texas National Guard while serving as members of the Commission, and two of whom must have experience in architecture, civil engineering, or construction management. Commission members' terms are for six years. The current members of the Commission and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Residence</u>	<u>Term Expires</u>
R. Gary McClure (Chairman)	Construction Company, President	San Angelo	2003*
Jorge Perez (Treasurer)	Engineer	McAllen	2005
C. Tammy Linbeck Casey	Attorney	Houston	2003*
Delores Ann Harper	Real Estate Broker	San Antonio	2007
Sandra Paret	Architect	Dallas	2005
BG Michael Taylor	Human Resources Director	Lufkin	2007

* Commissioner continues to serve until a successor qualifies for office.

Properties of the Commission

The Commission maintains and operates 312 buildings located in 78 Texas cities for the use of its various units. These facilities include 88 armories, various other support facilities and approximately 14,752 acres of land. The Commission has 32 long-term leasehold agreements with various cities and counties which provide for the use of land, or land and facilities, to maintain National Guard Units. In addition to a number of smaller tracts, the Commission also owns the following major tracts of land outright without reversionary rights:

Camp Maxey (Lamar County)	6,419.07 acres
Camp Bowie (Brown County)	4,894.64 acres
Camp Barkley (Taylor County)	993.40 acres

The Commission has historically issued revenue bonds to provide part or all of the State's share of armory construction in a continuing program under which the State provides 25% of the costs and the federal government provides 75% of the costs.

Commission Continuance Subject to Sunset Review

The Commission is subject to review under the Texas Sunset Act (Chapter 325 of the Texas Government Code, as amended), which provides that virtually all agencies of the State, including the Authority and the Commission, 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 Commission was last reviewed during the 1999 legislative session, and its next scheduled review is during the legislative session in 2009. If the Commission were to be abolished under the Sunset Act, the Governor would be required to designate an appropriate state agency to carry out the Commission's covenants contained in the 2004 Bonds and in the documents authorizing the 2004 Bonds. In such event, Legal Counsel to the Commission believes that (1) the 2004 Bonds would remain valid and binding obligations, subject to all applicable terms and conditions of the laws and proceedings authorizing the 2004 Bonds, and (2) such designated agency would be obligated and authorized to carry out all such covenants and to provide payment from the sources pledged to the 2004 Bonds in accordance with the terms thereof until the 2004 Bonds are paid in full.

Financial Support

The Commission's two major sources of support are the following:

1. State General Revenue Appropriations: The Commission makes biennial requests for maintenance and operating expenses including salaries, travel, utilities, and certain capital outlays.
2. State Adjutant General Rentals: As provided under the Act, the Commission leases armories to the State through the Adjutant General at rentals which are calculated to be sufficient to pay debt service on the bonds issued by or on behalf of the Commission, as well as to pay for operation and maintenance of the properties and other necessary expenses.

The State of Texas 78th Legislature, Regular Session, approved biennial appropriations to be made to the Adjutant General for armory rentals in the amount of \$3,193,031 for fiscal year 2004 and \$3,704,358 for fiscal year 2005.

In addition to the two major sources of financial support listed above, the Commission obtains additional revenues from grass leases on acreage, gravel and water sales, interest on deposits, miscellaneous other rental income, and from time to time the sale of surplus Commission property. Most such sales involve small items or properties and result in only nominal revenues.

THE 2004 BONDS

Description of the 2004 Bonds

The 2004 Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of 2004 Bonds will not receive physical delivery of the bond certificates. The 2004 Bonds will be issuable in fully registered form (without coupons) and purchases of 2004 Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The 2004 Bonds will bear interest at the 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 2004 Bonds will mature in the principal amounts and on the dates shown on the inside cover page of this Official Statement. The 2004 Bonds will be dated and will bear interest from February 1, 2004. Interest on the 2004 Bonds will be payable semi-annually on each April 1 and October 1 (each an "Interest Payment Date"), commencing October 1, 2004. A debt service schedule for the 2004 Bonds is included in Appendix B to the Official Statement.

Optional Redemption

The 2004 Bonds maturing on and after April 1, 2015 are subject to redemption, at the option of the Authority acting at the direction of the Commission, prior to maturity, in whole or from time to time in part, on April 1, 2014, and on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. If less than all of the 2004 Bonds are redeemed at any time, the maturities to be redeemed shall be selected and designated by the Commission and the Commission shall direct the Paying Agent/Registrar to select by lot, 2004 Bonds, or the portions thereof within such maturities and in such principal amounts for redemption (provided that a portion of a 2004 Bond may be redeemed only in an integral multiple of \$5,000); provided, however, that during any period in which ownership of the 2004 Bonds is determined only by a book entry at a securities depository for the 2004 Bonds, if fewer than all of the 2004 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular 2004 Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements among the Authority and the securities depository.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date for any 2004 Bond, a written notice of redemption is required to be sent to the registered owner of each 2004 Bond or a portion thereof being called for redemption by sending such notice to the address of each such registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Business Day next proceeding the date of such distribution.

Such notice shall contain a description of the 2004 Bonds to be redeemed, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publications and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the 2004 Bonds may be redeemed including the contact person and telephone number. So long as the 2004 Bonds remain Book-Entry-Only Bonds, the Authority shall only be required to send such notice of redemption to the Securities Depository (or its nominee), initially, DTC. Any notice of redemption so sent as provided in this provision will be conclusively presumed to have been duly given, whether or not the Bond Owner receives such notice by the date fixed for redemption, and due provisions shall be made with the Paying Agent/Registrar for payment of the redemption price of the 2004 Bonds or portions thereof to be redeemed. When the 2004 Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as herein provided, the 2004 Bonds or portions thereof so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest that would otherwise accrue after the redemption date on any 2004 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

The 2004 Bonds may be redeemed only in principal amounts of \$5,000 or integral multiples thereof. If a 2004 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such 2004 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of 2004 Bonds for redemption, the Paying Agent/Registrar shall treat each 2004 Bond as representing that number of 2004 Bonds of \$5,000 denomination that is obtained by dividing the principal amount by \$5,000. Upon surrender of any 2004 Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver for exchange therefor a 2004 Bond or 2004 Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Source of Payment/Security for the 2004 Bonds

The Bonds (including the 2004 Bonds), hereinbelow defined, and any Additional Bonds, and the interest thereon, are payable from and secured by an irrevocable first lien on and pledge of, the Pledged Revenues. Pursuant to the Resolution, Pledged Revenues consist of (i) funds, if any, appropriated by the State Legislature to Adjutant General of the State for rental payments by the Adjutant General and others to the Commission for use of the armories, (ii) to the extent permitted by law, the proceeds of the sale of Property of the Commission, if any, (iii) to the extent permitted by law, any amounts received from the United States Government, if any, (iv) interest and income derived from the deposit and investment of moneys credited to the Funds, including the Revenue Fund, Interest and Sinking Fund and Construction Fund, maintained pursuant to the Resolution, and (v) any additional revenues, income, receipts or other resources, including without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which may be pledged to the payment of the Bonds or Additional Bonds, but excluding Other Revenues.

The 2004 Bonds will be issued on a parity with the previously issued outstanding Series 2002 Bonds (collectively, with the 2004 Bonds, the "Bonds"), and are secured by and payable solely from the Pledged Revenues.

The Bonds (including the 2004 Bonds) and any Additional Bonds constitute special obligations of the Commission, payable solely from the Pledged Revenues, and such obligations do not constitute an indebtedness of the State of Texas, and the holders of the Bonds (including the 2004 Bonds) and Additional Bonds shall never have the right to demand payment thereof out of funds raised or to be raised by taxation. The only liability of the State, through the Adjutant General's Department, results from the obligation to make rental payments to the Commission from funds, if any, appropriated to the Adjutant General's Department for such purpose by the State Legislature. Each biennium, the State Legislature determines the amount, if any, to appropriate for rental by the Adjutant General and others for use of the armories. Under the Texas Constitution, an appropriation may not be made for more than one biennium.

There is no mortgage in any physical facilities.

While it is expected that the State Legislature will make appropriations for rental payments for each fiscal year or biennium in an amount sufficient for debt service on the Bonds (including the 2004 Bonds) and any Additional Bonds, the State Legislature has no legal obligation to do so, and the owners of the 2004 Bonds will have no right to compel the State Legislature to make such appropriations.

The Commission has been appropriated amounts for rental payments sufficient to pay debt service on the Bonds (including the 2004 Bonds) in the current biennium and will request appropriations sufficient to pay debt service in future years. Because the rental payments will ultimately be made from funds appropriated by the State Legislature to the Commission, prospective purchasers of the 2004 Bonds are encouraged to review the Bond Appendix referenced in Appendix A to this Official Statement (which contains certain information regarding the financial condition of the State) as though the State were the source of revenues for debt service payments on the 2004 Bonds, even though the State will not be obligated to pay the 2004 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.

Defeasance

The Resolution provides for the defeasance of the 2004 Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any 2004 Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Resolution, except to the extent provided below for the Paying Agent to continue payments and for the Authority to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such 2004 Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as a 2004 Bond shall be deemed to be a Defeased Obligation, such 2004 Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged as provided in the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of a 2004 Bond when proper notice of redemption of such 2004 Bonds shall have been given, in accordance with the Resolution. Any money so

deposited with the Paying Agent or an eligible trust company or commercial bank may at the discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Resolution, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the 2004 Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Authority.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Resolution for the payment of principal of the 2004 Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular 2004 Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Obligations the same as if they had not been defeased, and the Authority shall make proper arrangements to provide and pay for such services as required by the Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent or an eligible trust company or commercial bank for the payment of 2004 Bonds and such 2004 Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Resolution shall be made without the consent of the registered owner of each 2004 Bond affected thereby.

Retention of Rights. To the extent that, upon the defeasance of any Defeased Obligation to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Obligation for redemption in accordance with the provisions of the order authorizing its issuance, the Authority may call such Defeased Obligation for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as though it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Investments. Any escrow agreement or other instrument entered into between the Authority and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank which is not required for the payment of the 2004 Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Authority.

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the 2004 Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the 2004 Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent. For the purposes of these provisions, "Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

Remedies

The Resolution does not establish specific events of default with respect to the Bonds nor does it provide for acceleration of the maturities of the Bonds or any other specific remedy in the event of a default in payment or upon the failure of the Commission to observe any covenant under the Resolution. Although a registered owner of Bonds could presumably obtain a judgment against the Commission to observe any covenant under the Resolution if a default occurred in the payment of the principal or interest on the Bonds, such judgment could not be satisfied by execution against any property of the Commission other than the Pledged Revenues. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Commission to observe or perform any of its obligations under the Resolution. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Although the Resolution provides for the appointment of a trustee, it provides no specific remedies to be taken by the trustee in the event of a default by the Commission in the payment of principal and/or interest on the Bonds, or upon the failure of the Commission to perform in accordance with the terms of the Resolution, or upon any other condition. Furthermore, the Commission is eligible to seek relief from its creditors under the U.S. Bankruptcy Code. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Record Date for Interest Payment

The record date for determining the person to whom the interest is payable on any interest payment date (the "Record Date") is the fifteenth (15th) day of the month next preceding such interest payment date, as specified in the Resolution. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new Record Date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a 2004 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the day next preceding the date of mailing of such notice.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the 2004 Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2004 Bonds are to be paid to and credited by the Depository Trust Company ("DTC") while the 2004 Bonds are registered in its nominee's 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 the (1) DTC will distribute payments of debt service on the 2004 Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2004 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act initially as securities depository for the 2004 Bonds. The 2004 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 2004 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 in 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 dtcc.com.

Purchases of 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2004 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 2004 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2004 Bonds, except in the event that use of the book-entry system for the 2004 Bonds is discontinued.

To facilitate subsequent transfers, all 2004 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 2004 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 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2004 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2004 Bonds, such as redemptions, tenders, defaults, and proposed

amendments to the 2004 Bond documents. For example, Beneficial Owners of 2004 Bonds may wish to ascertain that the nominee holding the 2004 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 2004 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. nor any DTC nominee will consent or vote with respect to the 2004 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, interest and principal payments on the 2004 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 information from the Authority or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2004 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, 2004 Bonds 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, 2004 Bonds will be printed and delivered in accordance with the Resolution.

In reading this Official Statement it should be understood that while the 2004 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 2004 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the accuracy thereof.

SELECTED PROVISIONS OF THE RESOLUTION

Definitions

Definitions of certain terms in the Resolution are substantially as follows:

The term “Act” shall mean Chapter 435, Texas Government Code, as amended.

The term “Additional Bonds” shall mean the additional parity revenue bonds permitted to be authorized in the Resolution.

The term “Bonds” shall mean the Series 2002 Bonds and the 2004 Bonds.

The term “Construction Fund” shall mean the Texas Military Facilities Commission Series 2004 Bond Construction Fund established by the Resolution.

The term “Interest and Sinking Fund” shall mean the Texas Military Facilities Commission Revenue Bonds Interest and Sinking Fund established by the 1979 Resolution.

The term “1979 Resolution” shall mean the resolution adopted by the Texas National Guard Armory Board on August 25, 1979, authorizing the issuance of Texas National Guard Armory Board Refunding and Improvement Revenue Bonds, Series 1979.

The term “Operation and Maintenance Expenses” shall mean all actual operation and maintenance expenses incurred by the Commission in any particular fiscal year or period to which said term is applicable or charges made therefor during such fiscal year, including amounts reasonably required to be set aside in the Revenue Fund as reserves for items of Operation and Maintenance Expenses, the payment of which is not then immediately required. Such Operation and Maintenance Expenses include, but are not limited to, expenses for ordinary maintenance, repairs, renewals and replacements of the Property of the Commission, salaries and wages, employees’ health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses, insurance expenses, legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting and technical services not funded from proceeds of bonds, taxes, payments in lieu of taxes and other governmental charges, fuel costs, including the acquisition and transportation of any and all fuels, cost of purchase of power and transmission service, and any other current expenses or obligations required to be paid by the Commission and the fees and expenses of fiduciaries. Such Operation and Maintenance Expenses do not include depreciation or amortization.

The term “Other Revenues” shall mean all income of the Commission, excluding Pledged Revenues, and including, but not limited to, State appropriations to the Commission for Operation and Maintenance Expenses and any revenues received by the Commission under any Federal Maintenance Contract or other contract or deed limiting to specific purposes the use of revenue derived from property so held.

The term “Paying Agent/Registrar” shall initially mean JPMorgan Chase Bank, or its successor or successors.

The term “Permitted Investments” shall mean those investments authorized by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended, and the Commission’s Investment Policy to the extent authorized by Texas law.

The term “Pledged Revenues” shall mean, collectively, the rents, issues and profits from all Property of the Commission, including, but not limited to (1) rentals received from use of the Property of the Commission, (2) to the extent permitted by law, the proceeds of the sale of Property of the Commission, (3) to the extent permitted by law, any amounts received from the United States Government, (4) all interest and income derived from the deposit and investment of moneys credited to the Funds maintained pursuant to the Resolution, and (5) any additional revenues, income, receipts or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source,

whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the 2004 Bonds or the Additional Bonds, but excluding Other Revenues.

The term "Property of the Commission" shall mean all properties, both real and personal, under the care of or owned or operated by the Commission, including but not limited to armories.

The term "Rebate Fund" shall mean the fund by that name established by the Resolution.

The term "Resolution" shall mean the resolution of the Authority authorizing the issuance of the Series 2004 Bonds.

The term "Revenue Fund" shall mean the Revenue Fund established by the 1979 Resolution.

The term "Series 2002 Bonds" shall mean the Texas Public Finance Authority (Texas Military Facilities Commission) Refunding and Armory Improvement Revenue Bonds, Series 2002, dated January 1, 2002, authorized by resolutions of the Authority on December 18, 2001 and the Commission on December 7, 2001.

Flow of Funds

(a) All collections of the Pledged Revenues and all Other Revenues shall be deposited or credited as received in the Revenue Fund. All moneys deposited in or credited to the Revenue Fund with the exception of direct State appropriations for Operation and Maintenance Expenses, shall be maintained and held by JPMorgan Chase Bank, as Trustee (the "Trustee").

(b) The Commission shall transfer from the Pledged Revenues in the Revenue Fund and deposit to the credit of the Interest and Sinking Fund (to secure and be used to pay debt service on the Bonds) on or before September 25, 2004 and semiannually thereafter on or before each September 25 and March 25, the following amounts:

(1) An amount which will be sufficient, together with other moneys then on hand therein and available for such purpose, to pay the interest scheduled to come due on the Bonds on the next succeeding Interest Payment Date; and

(2) An amount which will be sufficient, together with other moneys then on hand therein and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on the next succeeding Interest Payment Date.

(c) All moneys remaining in the Revenue Fund and not required for the transfers therefrom provided for in (b) above, shall be used to the extent required for the payment of Operation and Maintenance Expenses.

Deficiencies and Excess Revenues

(a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

(b) Subject to making all deposits to the credit of the Interest and Sinking Fund, and payment of Operation and Maintenance Expenses, as required by any resolution authorizing the issuance of the Bonds or Additional Bonds, the surplus Pledged Revenues may be used by the Commission for any lawful purpose.

Transfer to Paying Agent/Registrar

On or before the first day of each interest and principal payment date while any of the Bonds and Additional Bonds, if any, are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar therefor, out of the Interest and Sinking Fund, money sufficient to pay such interest on and such principal of the Bonds and Additional Bonds, if any, as will accrue or mature on such payment date. The Paying Agent/Registrar shall totally destroy all paid Bonds and Additional Bonds, if any, and the coupons appertaining thereto, if any, and shall furnish the Commission with an appropriate certificate of destruction.

Further Payments

Whenever the total amount in the Interest and Sinking Fund shall be equivalent to (1) the aggregate principal amount of Bonds and Additional Bonds, if any, outstanding, plus (2) the aggregate amount of all unpaid interest that has come due or will come due on or before the final maturity date of the Bonds and Additional Bonds, then no further payment need be made into the Interest and Sinking Fund. In determining the amount of Bonds or Additional Bonds outstanding, there shall be subtracted the amount of any Bonds or Additional Bonds for which funds shall have been deposited with the Paying Agent/Registrar sufficient for their redemption.

Investments

(a) Money in the Revenue Fund, and the Interest and Sinking Fund may, at the option of the Commission, be invested in Permitted Investments provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the last day of each fiscal year. Interest and income derived from such deposits and investments shall be credited to the fund from which the deposits or investments were made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds.

(b) Money in the Construction Fund and the Rebate Fund may, at the option of the Commission, be invested in Permitted Investments as are authorized by applicable law.

(c) All money in the Revenue Fund, Interest and Sinking Fund, and Construction Fund, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Commission, in principal amounts at all times not less than the amount of money credited to such funds, respectively.

Rate Covenant

The Commission shall fix, charge and collect rents for the use of the Property of the Commission, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times to provide, together with other Pledged Revenues, the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds (including the 2004 Bonds) and any Additional Bonds and, together with other moneys available for such purpose, for paying the Operation and Maintenance Expenses. Further, the Commission shall maintain leases with the Adjutant General of the State of Texas or any agency of the Federal Government for the use of all or part of the Property of the Commission whereby the lease payments therefrom will be sufficient to provide the money for making all deposits required to be made to the credit of the Interest and Sinking Fund in connection with the Bonds and any Additional Bonds and, together with other moneys available for such purpose, for paying the Operation and Maintenance Expenses.

Additional Bonds

The Authority, on behalf, and at the direction, of the Commission, shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds (herein called "Additional Bonds") in any amounts, for any lawful purpose. Such Additional Bonds, if and when authorized, issued and delivered in accordance with the Resolution, shall be secured and payable equally and ratably on a parity with the Bonds and all other outstanding Additional Bonds, by an irrevocable first lien on and pledge of the Pledged Revenues.

Additional Bonds and Subordinate Lien Obligation Provisions

(a) Each resolution under which Additional Bonds are issued shall provide that the Interest and Sinking Fund shall secure and be used to pay all Additional Bonds as well as the Bonds. However, each resolution under which Additional Bonds are issued shall specifically provide and require that, in addition to the amounts required by the provisions of all resolutions authorizing the Bonds and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Commission shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due, and that the Commission shall transfer from said Pledged Revenues.

(b) The Commission may (i) issue Subordinate Lien Obligations for any lawful purpose payable from the Pledged Revenues, or any identifiable portion of the Pledged Revenues, subject and subordinate to the payment of any Bonds and Additional Bonds and to the deposits and credits required to be made from the Pledged Revenues to the funds and accounts established in the Resolution for the security and payment of the Bonds and Additional Bonds or any other special fund or funds required pursuant to any Supplement established to secure the payment of Bonds and Additional Bonds or (ii) secure such Subordinate Lien Obligations and the payment thereof by a lien on and pledge of the Pledged Revenues, or any identifiable portion of the Pledged Revenues, junior and inferior to the lien on and pledge of the Pledged Revenues herein created for the payment and security of Bond and Additional Bonds. The Commission may establish a payment fund, a reserve fund, and/or any other fund or funds for the purpose of paying or securing a particular issue of series of Subordinate Lien Obligations or any specific group of issues or series of Subordinate Lien Obligations, and the amounts once deposited in said funds shall no longer constitute Pledged Revenues but shall be held solely for the benefit of the owners of the particular Subordinate Lien Obligations for which such fund was established.

Additional Bonds Requirements

Additional Bonds shall be issued only in accordance with the resolutions authorizing the Bonds and Additional Bonds then outstanding but notwithstanding any provisions of such resolutions to the contrary, no installment, series or issue of Additional Bonds shall be issued or delivered unless:

(a) the Chairman of the Commission and the Treasurer sign a written certificate to the effect that the Commission is not in default as to any covenant, condition or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing same, and that the Interest and Sinking Fund contains the amount then required to be therein;

(b) a Certified Public Accountant or the State Auditor signs a written certificate to the effect that, during either the fiscal year, or the twelve calendar month period, next preceding the date of execution of such certificate, the Pledged Revenues actually received were sufficient to pay principal and interest requirements of all Bonds and

Additional Bonds then outstanding and, together with Other Revenues, were sufficient to pay Operation and Maintenance Expenses; and

(c) the senior financial officer of the Commission signs a written certificate to the effect that the then existing leases of the Property of the Commission to the State of Texas or to an agency of the Federal Government will provide sufficient rental income during the next succeeding fiscal year, which will be fully sufficient to pay the average annual principal and interest requirements on all then outstanding Bonds and Additional Bonds and the then proposed Additional Bonds, and when such rental income and interest income is added to all other revenues for the said year, such total revenues are in addition fully sufficient to pay all other expenses of the Commission for that year, including but not limited to the cost of operating, maintaining, insuring and repairing the Property of the Commission and the necessary and proper administrative expenses of the Commission.

General Covenants

Pursuant to the Resolution and the Commission Resolution, the Commission has covenanted that, so long as any of the Bonds or Additional Bonds remaining outstanding, the Commission shall:

(a) duly and punctually pay or cause to be paid (out of the special funds provided under the Resolution for such purpose) the principal of every Bond and Additional Bond, and the interest thereon, at the dates and places and in the manner mentioned in such Bonds, Additional Bonds and in the coupons, if any, thereto appertaining, according to the true intent and meaning thereof, and faithfully do and perform and at all times fully observe any and all covenants, undertakings, stipulations and provisions contained in the Resolution or in any Bond or Additional Bond;

(b) notify the Authority in writing, within 30 days of the due date of the next debt service payment on any of the Bonds or Additional Bonds, of the amount then on deposit in all funds of the Commission relating to said Bonds and Additional Bonds;

(c) continuously operate, all Property of the Commission in an efficient and economical manner and keep all such property in thorough repair and maintained in a high state of operating efficiency;

(d) not at any time create or allow to accrue or to exist any lien upon the Property of the Commission, or any part thereof, or the Pledged Revenues; not allow the lien of the Resolution to be impaired in any way as a result of any action or nonaction on the part of the Commission or its officers, or any thereof, and have upon acquisition and/or construction thereof, and will, subject to the provisions of the Resolution, continuously preserve title to the Property of the Commission and every part thereof, subject to the right of the Commission to sell such Property of the Commission, as provided in the Resolution;

(e) not make or permit any sale or disposition of the Property of the Commission, or any part thereof, unless any building or property be declared by the Commission to be surplus to and in excess of the needs of the Commission, the Texas National Guard, and the Texas State Guard, provided that, if declared surplus, the Commission shall have the right to sell such building or property and shall apply the proceeds of the sale thereof to any one or more of the following purposes: (1) the acquisition or construction of any additional Property of the Commission, or (2) the purchase or redemption of Bonds or Additional Bonds;

(f) promptly pay or cause to be paid, but only out of the Revenue Fund, as permitted by the Resolution, all lawful taxes, assessments or other governmental charges at any time levied, assessed or charged upon or against the Property of the Commission, or any part thereof, the rents, issues and profits of which are pledged as security for the Bonds issued under the Resolution; provided, however, that no such tax or assessment shall be required to be paid so long as the validity of the same shall in good faith be contested;

(g) at all times keep insured its plants, structures, buildings, machinery, equipment and apparatus in an aggregate amount not less than the sum of the principal amount of Bonds and Additional Bonds outstanding, plus interest thereon to the next redemption date, plus the applicable call premium, if any, in a responsible company or companies against destruction or damage by fire, lightning, explosion, strikes, riots, civil commotions, malicious damage, tornado or other accidents or casualties against which insurance is usually carried for buildings used for purposes of public assembly and, in addition, use and occupancy insurance in an amount equal to the Bonds and Additional Bonds, and the interest thereon, maturing or coming due within the next succeeding twelve months; provided, however, that at any time while any contractor engaged in constructing any building shall be fully responsible therefor, the Commission shall not be required to keep such building so insured. In the event of any loss or damage the Commission shall repair or reconstruct the damaged portion of the property and shall apply the proceeds of the insurance policies covering such loss solely for that purpose. The Commission shall (except as provided in the Resolution relative to the election of the Commission not to rebuild) begin such work of repair or reconstruction promptly after such loss or damage shall occur and shall continue and properly complete the same as expeditiously as possible and shall pay or cause to be paid all costs and expenses in connection therewith so that the same shall be so completed and the property and the proceeds of such insurance shall be free and clear of all mechanics' and other liens and claims. The proceeds of all such policies paid to the Trustee shall be held by it as additional security under the Resolution until paid out by it as therein provided. If the Commission shall be unable, within a period of twelve months subsequent to the occurrence of such loss or damage, to determine that the total of moneys representing proceeds of insurance and other funds available are sufficient to complete any proposed repair, reconstruction or replacement of lost or damaged Property of the Commission, the Commission shall, at the expiration of such period, or if the Commission sooner shall have determined that it is not feasible, economical or desirable that such building or destroyed property be repaired or reconstructed, the Commission shall apply such proceeds to the acquisition or construction of other property of the Commission. The Commission shall maintain at the principal office of the Commission a detailed statement of the policies of insurance effected by the Commission then outstanding and in force;

(h) maintain and preserve all Property of the Commission in a state of good repair; and

(i) at all times maintain and cause to exist leases to the State of Texas through the Adjutant General of all buildings and equipment therein, used for armory purposes, and that if the State shall fail or refuse to pay the rent, or the Legislature shall fail or refuse to make necessary appropriations to pay the rent, or the State shall fail or refuse to lease any such armory building or buildings and equipment therein, or refuse to renew any existing lease of the same at the rentals provided to be paid, then the Commission shall lease or sublease such armory building or buildings and the equipment therein, and the site therefor to any person or entity for the highest and best rentals obtainable therefor; provided, however, any such lease or sublease so made during the term of any existing agreement between the Commission and the United States Government shall be so conditioned that the use thereof by any such lessee or sublessee will not interfere with its use for the administration and training of units of the Reserve Forces of the United States, or in time of war, or national emergency, of other units of the Armed Forces of the United States, or any other use by the Federal Government.

Commission Resolution

Pursuant to a resolution adopted by the Members of the Commission dated February 6, 2004 (the "Commission Resolution"), the Commission has approved the issuance of the 2004 Bonds and the terms, covenants and provisions set forth in the Resolution. The Commission has also agreed, pursuant to the Commission Resolution, to pay, discharge, and perform all obligations imposed on it by the Resolution.

BOND FUND BALANCES

As of December 31, 2003, the balances in the various funds created for the benefit of the outstanding Bonds were as follows*:

Revenue Fund	\$5,403,762
Interest and Sinking Fund	\$-0-
Construction Fund	\$1,065,094

* All funds in the reserve fund were expended to defease the Series 1994 Bonds on February 12, 2004, and in accordance with the provisions of the resolutions authorizing the Bonds, the Bonds are not secured by a reserve fund.

ADEQUACY OF PLEDGED REVENUES

Principal and Interest Requirements in Fiscal Year 2004 on all outstanding Bonds, including the 2004 Bonds ⁽¹⁾	\$449,278
Maximum Annual Principal and Interest Requirement in Fiscal Year 2006 on all outstanding Bonds, including the 2004 Bonds	\$2,618,225
Revenue Fund Balance, as of December 31, 2003	\$5,403,762
Interest and Sinking Fund Balance, as of December 31, 2003	\$-0-
Estimated Fiscal Year 2004 Armory Rentals from Adjutant General	\$3,193,031

⁽¹⁾ Includes the remaining outstanding debt service payment as of February 12, 2004. Excludes the debt service of the Series 1994 Bonds that were defeased on February 12, 2004.

SUMMARY STATEMENT OF COMMISSION BUDGET⁽¹⁾

	Fiscal Year Ending:	
	<u>8/31/04</u>	<u>8/31/05</u>
<u>Revenues</u>		
State Appropriations:		
Direct for Maintenance and Operations	\$2,041,292	\$1,093,823
Unexpended Balances for projects	130,568	
Indirect from Adjutant General for Armory Rentals	3,193,031	3,704,358
Bond Proceeds:		
Revenue Bonds Issue	9,356,087	4,157,935
Unexpended Balances for projects	1,297,304	
Other Sources (including federal funds)	<u>14,448,282</u>	<u>6,058,104</u>
Total Revenues	\$30,466,564	\$15,014,220
<u>Expenditures</u>		
Maintenance/Construction and Operations	\$27,273,533	\$11,309,862
Debt Service and Related Expenses	<u>3,193,031</u>	<u>3,704,358</u>
Total Expenditures	\$30,466,564	\$15,014,220
Excess of Revenues Over Expenditures	-0-	-0-

⁽¹⁾ Unaudited information as provided by the Commission. The Commission is not required to prepare such information in accordance with GASB but does provide unaudited financial statements to the Comptroller of Public Accounts which is responsible for reviewing and compiling the information supplied by all state agencies, including the Commission, on a combined basis in accordance with GASB for publication in the State Combined Annual Financial Report which is audited by the State Auditor's Office.

REVENUES AND EXPENDITURES⁽¹⁾

Summary statements of the Commission's Revenues and Expenditures are shown below for the past five fiscal years from the Annual Reports of the Commission.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Revenues</u>					
State Appropriations					
Direct for Maintenance and Operations	\$ 788,058	\$2,043,087	\$1,246,431	\$2,126,194	\$ 1,210,959
Additional Appropriations-Benefits	227,970	292,029	253,046	260,400	243,096
Indirect from Adjutant General for					
Armory Rentals	4,310,402	4,314,390	4,316,191	4,582,065	4,806,603
Other Revenues	871,164	1,087,939	1,883,636	1,389,536	1,573,738
Interest Income Earned on Reserve					
Fund Investments ⁽²⁾	<u>95,191</u>	<u>89,327</u>	<u>124,823</u>	<u>27,964</u>	<u>124,088</u>
Total Revenues	<u>\$6,292,785</u>	<u>\$7,826,772</u>	<u>\$7,824,127</u>	<u>\$8,386,159</u>	<u>\$ 7,958,484</u>
<u>Expenditures</u>					
Maintenance and Operations	\$2,396,084	\$2,925,937	\$4,883,821	\$3,669,225	\$ 4,391,078
Debt Service	<u>4,002,266</u>	<u>4,006,393</u>	<u>4,008,719</u>	<u>4,276,883</u>	<u>4,350,579</u>
Total Expenditures	<u>\$6,398,350</u>	<u>\$6,932,330</u>	<u>\$8,892,540</u>	<u>\$7,946,108</u>	<u>\$8,741,657</u>
Excess Revenues Over Expenditures	<u>\$ (105,565)</u>	<u>\$ 894,442</u>	<u>\$(1,068,413)</u>	<u>\$ 440,051</u>	<u>\$(783,173)</u>

⁽¹⁾ Unaudited information as provided by the Commission. The Commission is not required to prepare such information in accordance with GASB but does provide unaudited financial statements to the Comptroller of Public Accounts which is responsible for reviewing and compiling the information supplied by all state agencies, including the Commission, on a combined basis in accordance with GASB for publication in the State Combined Annual Financial Report which is audited by the State Auditor's Office.

⁽²⁾ As a result of the defeasance of the Series 1994 Bonds, a reserve fund for the Bonds no longer exists.

TEXAS MILITARY FACILITIES COMMISSION CONDENSED BALANCE SHEETS⁽¹⁾

Fiscal Years Ended:	8/31/99	8/31/00	8/31/01	8/31/02	8/31/03
ASSETS					
Current Assets					
Cash in Bank	\$ 638,991	\$ 499,569	\$ 347,910	\$ 628,725	\$ 705,086
Legislative Appropriations	935,456	3,803,297	2,416,388	3,079,056	2,040,719
Short Term Investments	6,154,203	5,993,049	5,310,571	8,872,133	5,877,935
Receivables	345,897	82,306	253,100	359,844	1,734,894
Inventories/Prepays	474,389	422,573	459,651	280,141	254,718
Total Currents Assets	\$8,548,936	\$10,800,794	\$8,787,620	\$13,219,899	\$10,613,352
Fixed Assets					
Land	\$ 2,214,805	\$ 2,212,742	\$ 2,208,742	\$ 2,194,904	\$ 3,137,567
Buildings	118,892,496	120,872,042	118,942,847	112,935,686	114,942,035
Facilities & Other					
Improvements/Infrastructure	6,812,798	7,120,135	7,182,033	3,549,660	3,968,044
Furniture, Equipment, Vehicles & Other Assets	672,621	564,140	590,922	597,803	614,323
Construction In Progress	1,529,928		2,354,175	2,176,405	12,866,152
Total Fixed Assets	\$130,122,648	\$130,769,059	\$131,278,719	\$121,454,458	\$135,528,121
Other Debits					
Amts Avail. in Debt Service					
Funds to Pay Revenue Bonds	\$ 1,916,341	\$ 1,785,245	\$ 1,614,534	\$ 1,443,459	\$ 1,202,397
Amount to be Provided for Payment of Revenue Bonds	19,623,659	16,929,755	14,110,466	16,266,546	12,892,603
Amounts to be Provided for Payment of Other Obligations	142,222	119,755	126,647	148,258	136,444
Total Other Debits	\$ 21,682,222	\$ 18,834,755	\$ 15,851,647	\$ 17,858,258	\$ 14,231,444
Total Assets	\$160,353,806	\$160,404,608	\$155,917,986	\$152,532,615	\$160,372,917
LIABILITIES					
Current Liabilities					
Accounts Payable	\$648,194	\$563,681	\$529,125	\$271,935	\$2,064,489
Deferred Revenue	172,353	57,114	114,126	46,626	33,696
Total Current Liabilities	\$820,547	\$620,795	\$643,251	\$318,561	\$2,098,185
Long Term Debt					
Bonds Outstanding	\$21,540,000	\$18,715,000	\$15,725,000	\$17,710,000	\$14,095,000
Compensable Leave	142,222	119,755	126,648	148,259	136,444
Total Long Term Debt	\$21,682,222	\$18,834,755	\$15,851,648	\$17,858,259	\$14,231,444
Fund Balances					
Reserved for:					
Encumbrances	\$ 811,796	\$ 1,183,638	\$ 117,317	\$ 903,637	\$ 355,157
Imprest Accounts	9,041	8,661	8,619	0	
Eagle Mountain Lake	146,214	146,392	152,620	0	
Inventories	474,389	422,573	459,651	280,141	254,718
Unreserved :					
Designated For Debt Service	1,916,342	1,785,245	1,614,534	1,443,454	1,202,397
Other	3,547,866	4,238,425	3,769,156	7,466,147	5,115,758
Undesignated	822,741	2,395,065	2,022,471	2,807,958	1,587,137
Investment in Fixed Assets	130,122,648	130,769,059	131,278,719	121,454,458	135,528,121
Total Fund Balances	\$137,851,037	\$140,949,058	\$139,423,087	\$134,355,795	\$144,043,288
Total Liabilities & Fund Balances	\$160,353,806	\$160,404,608	\$155,917,986	\$152,532,615	\$160,372,917

⁽¹⁾ Unaudited information as provided by the Commission. For fiscal year 2002 and fiscal year 2003 this information is derived from the Governmental Funds column of the Annual Financial Report. The information in the Statement of Net Assets column was not used in order for the information to be comparative to prior years. The Commission is not required to prepare such information in accordance with GASB but does provide unaudited financial statements to the Comptroller of Public Accounts which is responsible for reviewing and compiling the information supplied by all state agencies, including the Commission, on a combined basis in accordance with GASB for publication in the State Combined Annual Financial Report which is audited by the State Auditor's Office.

MUNICIPAL BOND INSURANCE

The following information has been supplied by the MBIA Insurance Corporation for inclusion in this Official Statement. No representation is made by the Authority or the Commission as to the accuracy or completeness of the information.

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA's policy.

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

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

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

MBIA

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

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

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2002; and
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2003 MBIA had admitted assets of \$9.9 billion (unaudited), total liabilities of \$6.4 billion (unaudited), and total capital and surplus of \$3.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

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

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

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

RATING

Moody's Investor's Service has assigned a rating of "Aaa" to the 2004 Bonds as a result of a municipal bond insurance policy issued by MBIA Insurance Corporation. The 2004 Bonds received an underlying rating of "Aa2" from Moody's. An explanation of the significance of the rating may be obtained from the rating agency. The rating reflects only the views of such organizations at the time the rating was given, and the Authority and the Commission make no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by any or all of such rating company, if in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2004 Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the 2004 Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the 2004 Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the 2004 Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the 2004 Bonds. See Appendix C – Form of Bond Counsel Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Commission and the Authority, including information and representations contained in the Authority's and the

Commission's federal tax certificate, and (b) covenants of the Authority and the Commission contained in the 2004 Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the 2004 Bonds and the property financed or refinanced therewith. Although it is expected that the 2004 Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the 2004 Bonds could be affected by future events. However, future events beyond the control of the Authority or the Commission, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the 2004 Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the 2004 Bonds.

A ruling was not sought from the Internal Revenue Service by the Authority or the Commission with respect to the 2004 Bonds or the property financed or refinanced with 2004 Bond proceeds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the 2004 Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Authority and the Commission as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment Of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the 2004 Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bonds in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bonds equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the 2004 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for

purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the 2004 Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE 2004 BONDS.

Interest on the 2004 Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the 2004 Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the 2004 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the 2004 Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is

one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the 2004 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

THE 2004 BONDS AS LEGAL INVESTMENTS IN TEXAS

Chapter 1201, Texas Government Code (formerly, Article 717k-6, Texas Revised Civil Statutes, as amended) provides that obligations, such as the 2004 Bonds, are legal and authorized investments for insurance companies, fiduciaries and trustees, and for the sinking funds of municipalities and other political subdivisions or public agencies of the State. The 2004 Bonds are also eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the 2004 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 “RATING” 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 2004 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the 2004 Bonds for such purposes. The Authority has made no review of laws in other states to determine whether the 2004 Bonds are legal investments for various institutions in those states.

LITIGATION

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority to deliver the 2004 Bonds or the validity of the 2004 Bonds. There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Attorney General of the State of Texas, threatened) against or affecting the State of Texas or any of its agencies or instrumentalities (nor to the best of his knowledge is there any basis therefor) that (1) affects the existence of the Authority, the Commission, or the right of the present directors and officers of the Authority or the Commission to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the 2004 Bonds are being issued, and (3) would have a material adverse effect upon the power of the Authority or the Commission to issue the 2004 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 2004 Bonds or the security for the 2004 Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. Pursuant to the Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the 2004 Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay any 2004 Bonds. Under the agreement, the Authority 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.

Annual Reports. Pursuant to the Resolution, the Authority will provide annually to each NRMSIR and SID, within 120 days after August 31 of each year, beginning in 2004, the quantitative financial information and operating data with respect to the Commission of the general type included in this Official Statement under the headings “THE TEXAS MILITARY FACILITIES COMMISSION,” “BOND FUND BALANCES,” “ADEQUACY OF PLEDGED REVENUES,” “SUMMARY STATEMENT OF COMMISSION BUDGET,” “REVENUES AND EXPENDITURES,” and “TEXAS MILITARY FACILITIES COMMISSION CONDENSED BALANCE SHEETS.” Such information and operating data may be provided in full text or may be incorporated by specific reference to certain other publicly available documents, as permitted by SEC Rule 15c2-12. Pursuant to the Commission Resolution, the Commission has agreed to provide to the Authority the information described in this paragraph no later than 90 days after August 31 of each year.

Material Event Notices. In the Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the 2004 Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinion or events affecting the tax-exempt status of the 2004 Bonds; (7) modifications to rights of holders of the 2004 Bonds; (8) 2004 Bond calls; (9) defeasance; (10) release, substitution, or sale of property securing repayment of the 2004 Bonds; and (11) rating changes. In addition, the Authority will provide timely notice of (1) 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” and (2) any failure by the Commission to provide financial information and operating data in accordance with its agreement described above under “Continuing Disclosure Undertaking of the Authority—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”).

In the Commission Resolution, the Commission has agreed to notify the Authority immediately upon the occurrence of any of the eleven events enumerated in the preceding paragraph with respect to the 2004 Bonds, if such event is material within the meaning of federal securities laws.

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 owners of the 2004 Bonds to provide certain updated information and notices while the 2004 Bonds remain outstanding. The Authority and the legal and beneficial owners of the 2004 Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe its agreement for so long as the 2004 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. The Bond Appendix dated February 2004 (the "Bond Appendix") is incorporated herein as described in Appendix A to this Official Statement. The Bond Appendix sets forth certain information regarding the State, including its government, finances, economic profile, and other matters. The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with the Comptroller's disclosure agreement. Quarterly updates to Bond Appendix will be available at <http://www.window.state.tx.us/treasops/bondapp.html> each calendar quarter. 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 from the Comptroller by calling 1-800-227-8392.

Annual Reports. The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type included in Bond Appendix in Tables A-1 through A-14 and A-31 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS." The Comptroller will update and provide this information within 195 days after the end of each fiscal year ending in or after 2004. The Comptroller will provide the updated information to each NRMSIR and to any SID that is designated by the State and approved by the staff of the Securities and Exchange Commission ("SEC").

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

The State's current fiscal year end is August 31. Accordingly, it must provide updated information by March 13 in each year (or March 12 in a leap year) unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID 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 2004 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, the Commission, and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither the Authority, the Commission, nor the Comptroller has agreed to provide other information that may be relevant or material to a complete presentation of the Authority's, the Commission'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, the Commission, nor the Comptroller makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the 2004 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 2004 Bonds may seek a writ of mandamus to compel the Authority, the Commission, and the Comptroller to comply with their agreements.

The Authority, the Commission and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Authority, the Commission or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell 2004 Bonds in the offering described herein in compliance with the SEC Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding 2004 Bonds consent or any person unaffiliated with the Authority, the Commission, the Comptroller and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the 2004 Bonds. If the Authority, the Commission, or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

Neither the Authority, the Commission, nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with SEC Rule 15c2-12. However, the Authority was obligated to file annual continuing disclosure information for its Military Facilities Commission Refunding and Improvement Bonds, Series 2002, by December 31, 2003; through inadvertence the information was actually filed on January 16, 2004. The Authority has instituted additional procedures to help assure future compliance.

INITIAL PURCHASER

After requesting competitive bids for the 2004 Bonds, the Authority accepted the bid of RBC Dain Rauscher (the "Initial Purchaser") to purchase the 2004 Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of par plus accrued interest and a cash premium of \$10,363.10. The Initial Purchaser can give no assurance that any trading market will be developed for the 2004 Bonds after their sale by the Authority to the Initial Purchaser. The Authority has no control over the price at which the 2004 Bonds are subsequently sold and the initial yield at which the 2004 Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

THE CO-FINANCIAL ADVISOR

Coastal Securities and CKW Financial Group, Inc. (the "Co-Financial Advisor") has acted as co-financial advisor to the Authority in connection with the issuance and sale of the 2004 Bonds. The Co-Financial Advisor's fees for services rendered with respect to the sale of the 2004 Bonds is contingent upon the issuance and delivery of the 2004 Bonds. The Co-Financial Advisor has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness (except for the information concerning the Co-Financial Advisor). Investors should not draw any conclusions as to the suitability of the 2004 Bonds from, or base any investment decisions upon, the fact that the Co-Financial Advisor has advised the Authority.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the 2004 Bonds has not been registered under the Federal Securities Act of 1993, as amended, in reliance upon the exemption provided thereunder by Section 3(a) (2); and the 2004 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the 2004 Bonds been qualified under the securities acts of any jurisdiction. The Authority assumes no responsibility for qualification of the 2004 Bonds under the securities laws of any jurisdiction in which the 2004 Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the 2004 Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL MATTERS

Legal Opinions

Issuance of the 2004 Bonds is subject to the approving legal opinion of the Attorney General of Texas, and the issuance of the 2004 Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the 2004 Bonds, to the effect that the 2004 Bonds are valid and legally binding special obligations of the Commission payable solely from Pledged Revenues and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described above under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the 2004 Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the 2004 Bonds is contingent upon the sale and delivery of the 2004 Bonds. In connection with the issuance of the 2004 Bonds, Bond Counsel has been engaged by, and only represents, the Authority.

The various legal opinions to be delivered concurrently with the delivery of the 2004 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the 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.

No-Litigation Certificate

The Authority and the Commission will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the 2004 Bonds, executed by both their respective authorized representatives, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the 2004 Bonds; restraining or enjoining the issuance, execution or delivery of the 2004 Bonds;

affecting the provisions made for the payment of or security for the 2004 Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the 2004 Bonds; or affecting the validity of the 2004 Bonds.

Forward-Looking Statements

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

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

MISCELLANEOUS

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

The attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing statements.

This Official Statement has been approved by the Authority and the Commission.

TEXAS PUBLIC FINANCE AUTHORITY

By: /s/ R. David Kelly
Chair

TEXAS MILITARY FACILITIES COMMISSION

By: /s/ John A. Wells
Executive Director

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APPENDIX A

THE STATE OF TEXAS

The Comptroller prepares a quarterly disclosure appendix (the “Bond Appendix”) which sets forth certain information regarding the State, including its government, finances, economic profile, and other matters. The Bond Appendix dated February 2004 is on file with each NRMSIR and the Texas SID. The Bond Appendix may be obtained from the Comptroller’s website at <http://www.window.state.tx.us/treasops/bondapp.html>.

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APPENDIX B

COMBINED OUTSTANDING DEBT SERVICE REQUIREMENTS

FY Ending <u>31-Aug</u>	Outstanding Debt Service Requirements ⁽¹⁾	<u>Series 2004 Bonds</u>			Combined Debt Service Requirements
		<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2004	\$ 449,278	-0-	-0-	-0-	\$ 449,278
2005	1,428,481	\$ 410,000	597,618	1,007,618	2,436,099
2006	1,611,231	505,000	501,994	1,006,994	2,618,225
2007	1,408,534	515,000	489,369	1,004,369	2,412,903
2008	1,415,969	525,000	476,494	1,001,494	2,417,463
2009	977,294	540,000	463,369	1,003,369	1,980,663
2010	969,338	560,000	449,869	1,009,869	1,979,206
2011	974,800	580,000	430,269	1,010,269	1,985,069
2012	978,194	600,000	409,969	1,009,969	1,988,163
2013	974,113	620,000	385,969	1,005,969	1,980,081
2014	972,584	640,000	361,169	1,001,169	1,973,753
2015	673,531	665,000	335,569	1,000,569	1,674,100
2016	378,197	690,000	308,969	998,969	1,377,166
2017	374,038	720,000	281,369	1,001,369	1,375,406
2018	374,038	750,000	252,569	1,002,569	1,376,606
2019	378,288	785,000	222,569	1,007,569	1,385,856
2020	376,538	820,000	191,169	1,011,169	1,387,706
2021	373,838	860,000	158,369	1,018,369	1,392,206
2022		895,000	121,819	1,016,819	1,016,819
2023		935,000	83,781	1,018,781	1,018,781
2024		980,000	42,875	1,022,875	1,022,875
	\$15,088,281	\$13,595,000	\$6,565,143	\$20,160,143	\$35,248,424

(1) Fiscal year ending debt service includes the remaining outstanding debt service payment as of 2/1/2004; excludes the debt service of the Series 1994 Bonds that were defeased on February 12, 2004.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

\$13,595,000
TEXAS PUBLIC FINANCE AUTHORITY
(TEXAS MILITARY FACILITIES COMMISSION)
ARMORY IMPROVEMENT REVENUE BONDS,
SERIES 2004

AS BOND COUNSEL FOR THE TEXAS PUBLIC FINANCE AUTHORITY (the "Authority") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and with the Resolution hereinafter defined. The Board of Directors of the Authority and the Texas Military Facilities Commission (the "Commission"), respectively, authorized the issuance of the Bonds pursuant to separate resolutions (collectively, the "Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Authority, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed certificates (Bond Numbered R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law, and that the Bonds constitute valid and legally binding special obligations of the Commission; and that the Bonds, together with other outstanding obligations of the Commission and Authority, on behalf of the Commission, are payable solely from "Pledged Revenues." The Resolution authorizing the issuance of said Bonds defines the terms "Pledged Revenues" to mean collectively, the rents, issues and profits from all Property of the Commission, including, but not limited to, income, including (1) rentals received from use of the Property of the Commission, (2) to the extent permitted by law, the proceeds of the sale of Property of the Commission, (3) to the extent permitted by law, any amounts received from the United States Government, (4) all interest and income derived from the deposit and investment of moneys credited to the Funds maintained pursuant to the Resolution, and (5) any additional revenues, income, receipts or other resources, including without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds or the Additional Bonds, but excluding Other Revenues; the term "Property of the Board" to mean all properties, both real and personal, under the care of or owned or operated by the Commission, including but not limited to armories; and the term "Other Revenues" to mean all income of the Commission, excluding Pledged Revenues, and including, but not limited to, appropriations of the State to the Commission for Operation and Maintenance Expenses and any revenues received by the Commission under any Federal Maintenance Contract or other contract or deed limiting to specific purposes the use of revenue derived from property so held. All such revenue bonds are secured ratably by such pledge of revenues in such manner that no one bond shall have priority of lien over any other bond so secured. The opinion hereinbefore expressed is qualified to the extent that the obligations of the Authority and the Commission, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally.

THE REGISTERED OWNERS of the Bonds do not have the right to require the payment thereof out of any funds raised or to be raised by taxation.

UNDER THE CONDITIONS and to the extent provided in the Resolution, the Authority has reserved the right to issue additional parity first lien revenue bonds on behalf of the Commission, each to be secured and payable in the same manner as, and on a parity with, the Bonds and all then outstanding bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Authority and the Commission with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Authority and Commission to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

OUR OPINIONS 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 thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority and the Commission have covenanted not to take any action, or omit to take any action within their control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Commission, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and Commission as to the current outstanding indebtedness of the Commission and the sufficiency of the Pledged Revenues. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

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

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

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

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

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

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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

STD-TX-6

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