

NEW ISSUE - Book-Entry-Only

RATINGS: Moody's: "Aaa"
S&P: "AAA"
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds." See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

TEXAS PUBLIC FINANCE AUTHORITY



\$164,510,000
State of Texas
General Obligation Refunding Bonds,
Series 2018A

Interest Accrual Date: Date of Delivery

Due: October 1, as shown on page ii

The Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2018A (the "Bonds") are general obligations of the State of Texas (the "State") being issued by the Texas Public Finance Authority (the "Authority") under the authority of the Constitution and general laws of the State, including Article III, Sections 50-f and 50-g of the Texas Constitution (the "Constitutional Provision"); Chapter 1232, Texas Government Code, as amended (the "Texas Public Finance Authority Act") and Chapters 1201, 1207 and 1371 of the Texas Government Code, as amended (the Constitutional Provision, the Texas Public Finance Authority Act and any rules promulgated by the Authority thereunder, and the other statutes cited above together constituting the "Authorizing Law").

Proceeds of the Bonds will be used (i) to refund a portion of certain outstanding general obligation bonds of the State issued by the Authority (the "Refunded Bonds") to achieve present value savings, as further identified on Schedule I attached hereto, and (ii) to pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from the Date of Delivery (defined herein), will be payable initially on April 1, 2019, and on each October 1 and April 1 thereafter until maturity, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the initial purchasers named below (the "Underwriters") or the beneficial owners of the Bonds. Interest on and principal of the Bonds will be payable by the Authority (which will act as the initial Paying Agent/Registrar) to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "APPENDIX C — Book-Entry-Only System." The Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS — Redemption."

The Bonds are general obligations of, and are secured by the full faith and credit of, the State. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS — The Resolution — Security for the Bonds" herein. For general information regarding the State, including information concerning outstanding general obligation debt of the State, see "GENERAL INFORMATION REGARDING THE STATE OF TEXAS" and "APPENDIX A — The State of Texas" hereto.

**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS AND OTHER
TERMS FOR THE BONDS** (See Page ii herein)
CUSIP Prefix: 882724

The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State and the approving opinion of Bracewell LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. See "LEGAL MATTERS." The Bonds are expected to be available for initial delivery through the facilities of DTC on or about October 11, 2018 (the "Date of Delivery").

Raymond James

Mesirow Financial, Inc.
Academy Securities

Barclays
Estrada Hinojosa

MATURITY SCHEDULE

\$164,510,000
TEXAS PUBLIC FINANCE AUTHORITY
STATE OF TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2018A

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No. Suffix⁽¹⁾</u>
2020	\$4,275,000	5.000%	2.020%	HW0
2021	23,810,000	5.000	2.100	HX8
2022	23,660,000	5.000	2.210	HY6
2023	22,920,000	5.000	2.270	HZ3
2024	20,715,000	5.000	2.370	JA6
2025	17,940,000	5.000	2.460	JB4
2026	17,320,000	5.000	2.550	JC2
2027	15,865,000	5.000	2.630	JD0
2028	11,330,000	5.000	2.680	JE8
2029	6,675,000	5.000	2.780	JF5

(Interest accrues from Date of Delivery)

REDEMPTION...The Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS — Redemption."

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

STATE OF TEXAS

Greg Abbott
Governor

Dan Patrick
Lieutenant Governor

Ken Paxton
Attorney General

Glenn Hegar
Comptroller of Public Accounts

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS

- Billy M. Atkinson, Jr. – Chair*
- Ruth C. Schiermeyer – Vice-Chair
- Gerald B. Alley – Secretary
- Ramon Manning – Member
- Walker N. Moody – Member
- Rodney K. Moore – Member
- Robert T. Roddy, Jr. – Member*

*Mr. Atkinson and Mr. Roddy's respective terms expired on February 1, 2017. Pursuant to State law, Mr. Atkinson and Mr. Roddy remain members of the Board until the earlier of (i) the date that a respective successor is duly appointed and takes the oath of office or (ii) May 27, 2019, such date being the last day of the next regular session of the State Legislature.

CERTAIN OFFICERS

- Lee Deviney, Executive Director
- John Hernandez, Deputy Director
- Pamela Scivicque, Director, Business Administration
- Kevin Van Oort, General Counsel

CONSULTANTS AND ADVISORS

Financial AdvisorFTN Financial Municipal Advisors
 Bond Counsel.....Bracewell LLP
 Disclosure CounselMcCall, Parkhurst & Horton L.L.P.

FOR ADDITIONAL INFORMATION REGARDING THE AUTHORITY, PLEASE CONTACT:

Lee Deviney
 Executive Director
 300 W. 15th Street, Suite 411
 Austin, Texas 78701
 (512) 463-5544

or

Mr. Jorge Rodriguez
 Mr. Daniel Rodriguez
 FTN Financial Municipal Advisors
 17721 Rogers Ranch Parkway, Suite 145
 San Antonio, Texas 78258
 (210) 487-7000

SALE AND DISTRIBUTION OF THE BONDS

This Official Statement, which includes the cover page, schedule and the appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

Use of Official Statement

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

Marketability

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE

ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "LEGAL MATTERS — Forward-Looking Statements" herein.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the Schedule and 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 Schedule and Appendices). Certain defined terms used in this Summary Statement are defined elsewhere in this Official Statement.

ISSUER	Texas Public Finance Authority.
OFFERING	Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2018A (the "Bonds"), in the aggregate principal amount of \$164,510,000.
MATURITY	The Bonds are scheduled to mature on October 1 in each of the years 2020 through 2029, inclusive.
INTEREST	Interest on the Bonds will accrue from the Date of Delivery and will be payable on April 1 and October 1 of each year, commencing April 1, 2019, until maturity. See "DESCRIPTION OF THE BONDS."
REDEMPTION	The Bonds are <u>not</u> subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS — Redemption."
BOOK-ENTRY-ONLY SYSTEM	The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to a book-entry-only system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest on and principal of the Bonds will be paid to Cede & Co., which will distribute the payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See "APPENDIX C — Book-Entry-Only System."
PURPOSE	Proceeds of the Bonds will be used (i) to refund a portion of certain outstanding general obligation bonds of the State issued by the Authority (the "Refunded Bonds") to achieve present value savings, as further identified on Schedule I attached hereto, and (ii) to pay the costs of issuance of the Bonds. See "PLAN OF FINANCE."
SOURCE OF PAYMENT	The Bonds are general obligations of, and are secured by the full faith and credit of, the State, issued under the applicable Authorizing Law. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS — The Resolution."
RATINGS	Moody's Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, have assigned ratings of "Aaa" and "AAA," respectively, to the Bonds. See "RATINGS."
LEGALITY	The issuance of the Bonds is subject to the approval of the Attorney General of the State and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. See "LEGAL MATTERS."

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OFFICIAL STATEMENT

relating to

TEXAS PUBLIC FINANCE AUTHORITY

\$164,510,000

State of Texas

**General Obligation Refunding Bonds,
Series 2018A**

INTRODUCTION

General

This Official Statement, including the cover page, Schedule I and the Appendices hereto, provide certain information regarding the issuance by the Texas Public Finance Authority (the "Authority" or "Issuer") of its \$164,510,000 Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2018A (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined herein shall have the meaning assigned in the Bond Resolution (defined below).

All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

This Official Statement speaks only as of its date, except the Bond Appendix (defined below) and 2017 CAFR (defined below), which speak as of the date of their issuance. The information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and the Comptroller's respective undertakings to provide certain information on a continuing basis.

Security

The Bonds are general obligations of the State, secured by the full faith and credit of the State and issued pursuant to the Authorizing Law (defined below), including the Constitutional Provision (defined below) which provides that, while any of the Bonds or interest on the Bonds is outstanding and unpaid, from the first money coming into the State treasury in each fiscal year not otherwise appropriated by the State Constitution, an amount sufficient to pay the principal of and interest on the Bonds that mature or become due during the fiscal year and to make payments that become due under any Bond Enhancement Agreements during the fiscal year is appropriated, less the amount in the Interest and Sinking Fund at the close of the previous fiscal year. The funds that become available for payment of the Bonds pursuant to the Constitutional Provision are the sole security for the payment of the Bonds.

The Authority has reserved the right to enter into Bond Enhancement Agreements (hereinafter defined), from time to time, subsequent to the issuance of the Bonds. However, the Authority does not currently expect to enter into any Bond Enhancement Agreements in connection with the issuance of the Bonds. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS – The Resolution."

PLAN OF FINANCE

Purpose

Proceeds of the Bonds will be used (i) to refund a portion of certain outstanding general obligation bonds of the State issued by the Authority (the "Refunded Bonds") to achieve present value savings, as further identified on Schedule I attached hereto, and (ii) to pay the costs of issuance of the Bonds.

The Refunded Bonds were issued as direct pay subsidy "Build America Bonds" pursuant to sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended (the "Code"). The Authority has covenanted in the Resolution that the Authority will not request any direct pay subsidy payments from the United States Treasury in connection with interest that accrues on the Refunded Bonds on or after the Date of Delivery of the Bonds.

Authority for Issuance

The Bonds are being issued pursuant to Article III, Sections 50-f and 50-g of the Texas Constitution (the "Constitutional Provision"); Chapter 1232, Texas Government Code, as amended (the "Texas Public Finance Authority Act") and Chapters 1201, 1207 and 1371 of the Texas Government Code, as amended (the Constitutional Provision, the Texas Public Finance Authority Act and any regulations promulgated by the Authority thereunder, and the other statutes cited above together constituting the "Authorizing Law"), and pursuant to the Resolution (defined below) and a Pricing Certificate (defined below) executed by designated members of the Board (defined below).

The Bonds are being issued in accordance with the Authorizing Law, and additionally pursuant to the bond resolution (the "Bond Resolution") adopted by the Board of Directors of the Authority (the "Board") on August 23, 2018. As permitted by Chapter 1207, Texas Government Code, as amended, the Board, in the Resolution, delegated to certain designated officials (the "Pricing Committee") the authority to establish and approve the final terms of sale of the Bonds through the execution of a "Pricing Certificate," which Pricing Certificate was finalized and executed in connection with the sale of the Bonds (the Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution").

Payment of Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment and redemption dates of each such bond, from funds to be deposited with the Texas Treasury Safekeeping Trust Company (the "Escrow Agent"), pursuant to an escrow agreement among the Authority and the Escrow Agent to be effective as of the Date of Delivery of the Bonds (the "Escrow Agreement").

The Bond Resolution provides that from a portion of the proceeds of the sale of the Bonds to the Underwriters, together with other lawfully available funds of the Authority, if any, the Authority will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following investment securities: (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) such other investments now or hereafter authorized by Chapter 1207, Texas Government Code, as amended (the "Escrow Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The Escrow Fund will not be available to pay principal of or interest on the Bonds.

Grant Thornton LLP, a nationally-recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Refunded Bonds on their scheduled redemption dates. Grant Thornton LLP will also verify the yields relied on by Bond Counsel to support its opinion that none of the Bonds are an arbitrage bond under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). Such verification report will be based on information and assumptions supplied by FTN Financial Municipal Advisors (the "Financial Advisor") and reviewed by the Authority and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinions described herein. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "TAX MATTERS."

By the deposit of the Escrow Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have entered into firm banking and financial arrangements for the discharge, defeasance and final payment of the Refunded Bonds in accordance with applicable law and the terms of the resolution authorizing their issuance. Bond Counsel will render an opinion to the effect that, in reliance upon the report of Grant Thornton LLP, and as a result of such firm banking and financial arrangements, such Refunded Bonds will be deemed to be no longer outstanding except for the purpose of receiving the funds provided therefor by, and are secured solely by and payable solely from, the Escrow Fund pursuant to the Escrow Agreement.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with other lawfully available funds of the Authority, if any, will be applied approximately as follows:

Sources of Funds	
Principal Amount of the Bonds	\$164,510,000.00
Original Issue Premium	23,278,343.25
Issuer Contribution	932,040.20
Total	<u><u>\$188,720,383.45</u></u>
Uses of Funds	
Deposit to Escrow Fund	\$187,784,527.04
Deposit to Interest and Sinking Fund	3,816.21
Costs of Issuance ⁽¹⁾	932,040.20
Total	<u><u>\$188,720,383.45</u></u>

⁽¹⁾ Includes Underwriters' Discount.

DESCRIPTION OF THE BONDS

General

The Bonds are dated the Date of Delivery, and mature on October 1 in each of the years and in the amounts and will bear interest at the per annum rates shown on page ii hereof. Interest on the Bonds will accrue from the Date of Delivery, will be payable on April 1 and October 1 of each year, commencing April 1, 2019, until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a maturity.

If the specified date for any payment on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the City of Austin, Texas, the designated payment office for the Paying Agent/Registrar for the Bonds (the "Designated Payment Office"), such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Flow of Funds

Under the terms of the Bond Resolution, the Authority will create or confirm the following funds for the Bonds: (i) an Interest and Sinking Fund and (ii) a Costs of Issuance Fund. An Escrow Fund will be created by the Escrow Agent pursuant to the Escrow Agreement. The Board has authorized the creation of a Rebate Fund to be created only if there exists a rebate amount with respect to the Bonds in an amount greater than zero.

Pursuant to the Bond Resolution, the Authority will deposit or cause to be deposited into the Interest and Sinking Fund an amount that is sufficient (together with any other funds on deposit therein) to provide for the timely payment of the Bond Obligations, from funds that are available for such purpose under the Constitutional Provision, not later than the second (2nd) Business Day preceding each date on which any such Bond Obligations come due. The Authority may make any such deposit on an earlier date so long as such date is not earlier than the 50th day

before the date that the Bond Obligations for which such deposit is made comes due. If, on any date that funds in the Interest and Sinking Fund are required (pursuant to the Bond Resolution) to be withdrawn for the payment of Bond Obligations, and such Interest and Sinking Fund does not contain sufficient funds for such purpose, an amount of immediately available funds sufficient (together with the funds then on deposit in such Interest and Sinking Fund) to pay such Bond Obligations will be transmitted to the appropriate payee(s) for such purpose from funds made available under the Constitutional Provision, at such time as will cause such Bond Obligations to be timely paid.

The costs of issuance for the Bonds will be paid from the Costs of Issuance Fund. Any money on deposit in the Costs of Issuance Fund after all Costs of Issuance have been paid will be deposited into the Interest and Sinking Fund for application to the next payment coming due on the Bonds.

Money held in the Funds pursuant to the Bond Resolution may be invested and reinvested by the Comptroller in Eligible Investments.

All money required to be deposited into the Escrow Fund will be, on the Date of Delivery of the Bonds, immediately paid to the Escrow Agent for the account of the Authority pursuant to the Escrow Agreement. The Authority anticipates that the money initially deposited into the Escrow Fund will be sufficient to pay the principal of and interest on the Refunded Bonds on the redemption dates therefor.

Defaults and Remedies

If the Authority defaults in the payment of the principal of or interest on the Bonds or the redemption price on the Bonds when due, or if it fails to make payments into any Fund or Funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Bond Owners may seek a writ of mandamus to compel Authority officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Bond Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and such remedy rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from time to time. The Bond Resolution does not provide for the appointment of a trustee to represent the interest of the Bond Owners upon any failure of the Authority to perform in accordance with the terms of the Bond Resolution or upon any other condition; accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Bond Owners. The opinion of Bond Counsel will note that the rights of the Bond Owners are subject to applicable provisions of bankruptcy, reorganization and other similar matters affecting the rights of creditors generally, and may be limited by general principles of equity that permit the exercise of judicial discretion.

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Payment Office, the Authority will execute, and the Paying Agent/Registrar (initially the Authority) will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Bond Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority will execute, and the Paying Agent/Registrar will authenticate and deliver the Bonds, which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Limitation on Transfer

The Paying Agent/Registrar will not be required to transfer or exchange any Bond: (i) between a Record Date and the related Interest Payment Date; (ii) during the 30-day period preceding the maturity date of such Bond; or (iii) which has been selected for redemption in whole or in part.

Record Date for Interest Payment

The regular record date ("Record Date") for determining the party entitled to the receipt of the interest payable on the Bonds on any interest payment date means the fifteenth day of the month immediately preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within ten days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the person in whose name such Bond is registered on such Record Date, and will be paid to the person in whose name such Bond (or one or more predecessor Bonds) is registered at the close of business on a special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Holders of the Bond not less than 15 days prior to the special Record Date.

Redemption

The Bonds are not subject to optional or mandatory redemption prior to maturity.

Notices Through DTC

The Paying Agent/Registrar, so long as a book-entry-only system is used for the Bonds, will send any notice of proposed amendment to the Bond Resolution, or other notices with respect to the Bonds only to the Depository Trust Company, New York, New York ("DTC"). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of any action premised on any such notice. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners. See "APPENDIX C — Book-Entry-Only System" herein.

Book-Entry-Only System

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

THE PAYING AGENT/REGISTRAR, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE BOND RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE. NEITHER THE AUTHORITY NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

THE AUTHORITY

General

Under the Texas Public Finance Authority Act, the Authority's power is limited to financing and refinancing project costs for State agencies and institutions and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including the authority of such agency or institution to construct buildings. The Texas Public Finance Authority 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.

Pursuant to the Texas Public Finance Authority Act and other applicable State law, the Authority issues general obligation bonds and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers four commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a general obligation commercial paper program for certain State government construction projects; a general obligation commercial paper program for the Cancer Prevention and Research Institute of Texas ("CPRIT"); and a revenue commercial paper program for the Texas Facilities Commission. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code.

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

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds or other obligations are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of 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 Texas Public Finance Authority Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of any of them.

Authority Executives

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

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<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
Billy M. Atkinson, Jr.	Chair	2017*
Ruth C. Schiermeyer	Vice-Chair	2019
Gerald B. Alley	Secretary	2019
Ramon Manning	Member	2021
Walker N. Moody	Member	2019
Rodney K. Moore	Member	2021
Robert T. Roddy, Jr.	Member	2017*

*Pursuant to State law, Mr. Atkinson and Mr. Roddy remain members of the Board until the earlier of (i) the date that a respective successor is duly appointed and takes the oath of office or (ii) May 27, 2019, such date being the last day of the next regular session of the State Legislature.

The Authority generally employs approximately 14 employees, including an Executive Director, a General Counsel, a Deputy Director, and a Director of Business Administration. The Executive Director is charged with managing the affairs of the Authority, subject to and under the direction of the Board.

Lee Deviney, Executive Director. The Board appointed Mr. Deviney as the Executive Director of the Texas Public Finance Authority on June 5, 2014. Mr. Deviney previously served as the Chief Financial Officer of the Texas Economic Development and Tourism Office within the Office of the Governor since September 1, 2011. He has previously held similar positions at the Texas Lottery Commission and the Texas Education Agency and he previously served as Assistant Commissioner for Finance and Agribusiness Development for the Texas Department of Agriculture ("TDA"). Prior to his appointment as an Assistant Commissioner at TDA, Mr. Deviney served as Interim Executive Director and Director of Operations for the Texas Public Finance Authority and he was a Budget Examiner for the Texas Legislative Budget Board. Mr. Deviney has a Bachelor's degree in Economics from The University of Texas at Austin and a Master's degree in Business Administration from St. Edwards University.

John Hernandez, Deputy Director. Mr. Hernandez leads the Finance and Accounting Team, which is responsible for debt service budgeting, arbitrage rebate compliance, the State of Texas Master Lease Program, general ledgers, financial reporting, and information technology. Mr. Hernandez and his team also provide support for new debt issuance of fixed rate and variable rate debt. Mr. Hernandez holds a B.A. in finance from St. Edwards University in Austin.

Pamela Scivicque, Director, Business Administration. Ms. Scivicque joined the staff of the Authority in 1990. She is currently responsible for legislative reporting, procurement, accounting, budgeting and risk and property management. Ms. Scivicque attended Texas State University, Texas Tech's Southwest School of Governmental Finance, the Texas Fiscal Officers' Academy ("TFOA") and the Governor's Executive Development Program. She has served on numerous statewide committees, including TFOA's curriculum committee, and is a member of the Texas State Business Administrators' Association where she previously served as President in 2006.

Kevin Van Oort, General Counsel. Mr. Van Oort was hired as the Authority's General Counsel on September 2, 2014. Previously, Mr. Van Oort served as Senior Tax Counsel for the Office of the Texas Attorney General, Deputy General Counsel for the Texas Comptroller of Public Accounts and General Counsel for the Texas Legislative Budget Board. Mr. Van Oort took his bachelor's degree in Economics at the University of Nebraska and his J.D. at The University of Texas.

Sunset Review

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended), which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The next sunset review of the Authority is scheduled to occur in 2023. The Texas Public Finance Authority Act, as amended by the 82nd Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2023; however, the Texas Sunset Act also provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year (September 1, 2024) in order to conclude its business.

Pursuant to the Texas Sunset Act, the Texas Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by various State agencies, including the Authority. Accordingly, in the event that a future sunset review were to result in the Authority being abolished, the Governor would be required by law to designate an appropriate State agency to continue to carry out all covenants contained in the Bonds and in all other obligations, including lease, contract and other written obligations of the Authority. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from a State general obligation pledge, revenues or otherwise, until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full.

State Audits

General. The State Auditor's Office ("SAO") is the independent auditor for Texas state government. The SAO operates with oversight from the Legislative Audit Committee, a six-member permanent standing committee of the Texas Legislature, jointly chaired by the Lieutenant Governor and the Speaker of the House of Representatives.

The SAO is authorized, by Chapter 321 of the Texas Government Code, to perform financial audits, compliance audits, investigations and other special audits of any entity receiving State funds, including State agencies and higher education institutions. Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants, Governmental Accounting Standards Board, United States General Accounting Office or other professionally recognized entities that prescribe auditing standards.

Routine SAO Audit. The SAO performed a routine audit of the Authority's operational procedures and financial management practices in May of 2016 (SAO Report No. 16-029). Nothing in SAO Report No. 16-029 would have an adverse impact on the Bonds, the Authority's outstanding bonds or the operations of the Authority. In February 2018, the SAO published its Report No. 18-021 to provide information regarding the implementation status of recommendations made in prior audit reports, including SAO Report No. 16-029. For additional information regarding the SAO and audits published by the SAO, visit <http://www.sao.texas.gov/>.

Texas Bond Review Board

With certain exceptions, bonds issued by State agencies, including bonds issued by the Authority, must be approved by the Texas Bond Review Board (the "Bond Review Board") prior to their issuance. The 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 Bond Review Board. Each member of the Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Bond Review Board and approved on September 20, 2018.

Retirement Plan of the Authority

The Authority participates in joint contributory retirement system of the State administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and the Law Enforcement and Custodial Officers System. For more detailed information on the ERS and other State administered retirement plans, see the Bond Appendix described in "APPENDIX A — The State of Texas" attached hereto.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

The following is a summary of certain defined terms of the Resolution adopted by the Board on August 23, 2018. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolution. Copies of the Resolution are available for examination at the offices of the Authority. A reference to any of such terms in the singular number shall include the plural and vice versa.

Authority - the Texas Public Finance Authority or any successor thereto.

Beneficial Owner - each Person in whose name a Book-Entry Bond is recorded as the owner of a beneficial interest in such Bond by a participant in such book-entry system.

Blanket Letter of Representations - any representation letter of, or agreement delivered by, the Authority pursuant to the Bond Resolution or a prior bond resolution providing for administration of a book-entry system for the Bonds and any successive arrangements under which the Authority provides for the administration of a book-entry system for the Bonds or any other bonds.

Board - the Board of Directors of the Authority.

Bond Counsel - any law firm or firms experienced in matters relating to the issuance of governmental obligations, which firm or firms are engaged by the Board to render services to the Authority as bond counsel.

Bond Enhancement Agreement - any loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase, purchase or sale agreement, interest rate swap agreement or commitment or other agreement authorized by the Authority in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing or redemption of the Bonds, interest on the Bonds, or both, or as otherwise authorized by Chapter 1371, Texas Government Code, as amended.

Bond Form - means the Form of the Bonds set forth in Exhibit A to the Bond Resolution and incorporated, with such insertions and variations as are designated or approved in the Pricing Certificate.

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

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

Book-Entry Bond - any Bond administered under a book-entry system pursuant to the Bond Resolution and the Blanket Letter of Representations.

Business Day - any day that is a day on which the Comptroller is open for business and:

- (1) while the Authority is the Paying Agent/Registrar, on which the Authority is open for business at its principal business office; or
- (2) while a Person other than the Authority is the Paying Agent/Registrar, on which financial institutions in the city where a principal corporate trust office of the Paying Agent/Registrar is located are not authorized by law or executive order to close.

Chair - the Chair of the Board, or any member of the Board authorized to act as Chair.

Closing - the concurrent delivery of the Bonds to or upon the order of the Purchaser in exchange for payment therefor.

Code - the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

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

Constitutional Provision - Article III, Sections 50-f and 50-g of the Texas Constitution.

Continuing Disclosure Agreement - the Continuing Disclosure Agreement dated August 17, 1995, as amended by the First Amendment dated January 25, 2010, between the Comptroller and the Bond Review Board, as may be amended from time to time.

Costs of Issuance - the costs of issuance incurred in connection with the issuance of the Bonds.

Costs of Issuance Fund - the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2018A Costs of Issuance Fund" created pursuant to Section 4.01 of the Bond Resolution.

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

Escrow Agent - the Texas Treasury Safekeeping Trust Company, as Escrow Agent under the Escrow Agreement or Escrow Instructions, as applicable, or such other entity or entities designated in the Pricing Certificate to act as escrow agent(s), and any successor thereto as therein permitted.

Escrow Agreement - the escrow agreement, if any, between the Authority and the Escrow Agent providing for the payment for the Refunded Bonds of money sufficient to pay debt service thereon, in substantially the form approved by the Pricing Certificate.

Escrow Fund - the escrow fund created with respect to the Refunded Bonds pursuant to the Escrow Agreement.

Escrow Instructions - the letter of instructions, if any, from the Authority to the Escrow Agent providing for the payment for the Refunded Bonds money sufficient to pay debt service thereon.

Executive Director - the Executive Director of the Authority, or any member of the staff of the Authority authorized by the Board to perform the duties of the Executive Director.

Fund - any of the Funds.

Funds - means collectively, the Interest and Sinking Fund, the Costs of Issuance Fund and the Rebate Fund.

General Counsel - means the general counsel of the Authority.

Government Obligations - any of the following:

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

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

(3) 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 Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and

(4) such other investments now or hereafter authorized by Chapter 1207, Texas Government Code, as amended, for the investment of escrow deposits.

Interest and Sinking Fund - the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2018A Interest and Sinking Fund" created pursuant to Section 4.01 of the Bond Resolution.

Legislature - the Legislature of the State.

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

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

Pricing Certificate - means the certificate executed by the Pricing Committee approving the terms of the Bonds.

Pricing Committee - means Ruth C. Schiermeyer, Billy M. Atkinson, Jr. and Gerald B. Alley, the members of the Board who are authorized to act on behalf of the Board in selling and delivering the Bonds, with each other member of the Board designated as an alternate.

Purchase Contract - the bond purchase contract(s) among the Authority and the representative of the Purchasers pursuant to which the Bonds are sold to the Purchasers.

Purchase Price - the proceeds of the sale of the Bonds (including any accrued interest and premium that is paid to the Authority upon the Closing) but excluding underwriters' discount and any original issue discount.

Purchaser(s) - the Person(s) who initially purchase the Bonds from the Authority pursuant to the Purchase Contract.

Rebate Fund - means the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds Series 2018A Rebate Fund" authorized by the Bond Resolution.

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

Refunded Bonds - that portion of the Authority's outstanding general obligation bonds, identified in Schedule I hereof, that are refunded with a portion of the proceeds of the Bonds for the purpose of achieving present value debt service savings, all as determined in the Pricing Certificate.

Register - the official registration records for the Bonds maintained by the Paying Agent/Registrar for the Bonds pursuant to the Bond Resolution.

Regulations - the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

Rule - Rule 15c2-12, as amended, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Securities Depository - any Person acting as a securities depository for the Book-Entry Bonds.

Stated Maturity - the date or dates of maturity for each Bond so specified in each Bond.

Sufficient Assets - with respect to the Bond Obligations for any Bond or Bond(s), any combination of the following:

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due; and,
- (2) Government Obligations that:
 - (A) are not redeemable prior to maturity; and
 - (B) mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay such Bond Obligations when due.

Transaction Documents - collectively, the Bond Resolution, the Escrow Agreement, the Purchase Contract and the Bonds.

The Resolution

The Bonds will be issued pursuant to the Bond Resolution and the following is a summary of certain provisions of the Resolution, adopted by the Board on August 23, 2018, and the Pricing Certificate. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolution. Copies

of the Bond Resolution are available for examination at the offices of the Authority. References to the singular number includes the plural and vice versa.

Security for the Bonds. The Bonds are general obligations of the State, secured by the full faith and credit of the State and issued pursuant to the Authorizing Law, including the Constitutional Provision, which provides that, while any of the Bonds or interest on the Bonds is outstanding and unpaid, from the first money coming into the State treasury in each fiscal year not otherwise appropriated by the State Constitution, an amount sufficient to pay the principal of and interest on the Bonds that mature or become due during the fiscal year and to make payments that become due under any Bond Enhancement Agreements during the fiscal year is appropriated, less the amount in the sinking fund at the close of the previous fiscal year. The funds that become available for payment of the Bonds pursuant to the Constitutional Provision are the sole security for the payment of the Bonds.

Ownership. A Bond Owner is deemed to be the absolute owner of the Bonds registered in the name of the Bond Owner for all purposes of determining the obligations of the Authority with respect to such Bond and the Authority is not bound to recognize the interest (beneficial or otherwise) of any Person, notwithstanding any notice to the Authority of such Person's interest. While the Bonds are in book-entry form, the Securities Depository or its nominee will be treated as the Bond Owner for all purposes under the Bond Resolution, and all required notices to Bond Owners will be given only to the Securities Depository.

Transfer, Exchange, and Replacement of Bonds. For so long as the Bonds are Book-Entry Bonds, the Securities Depository will be treated as the Bond Owner for all purposes and any transfer, exchange, or replacement of a Bond will occur on the books and records of the Securities Depository.

In the event the book-entry-only system is discontinued, the transfer of a Bond will be made upon surrender of the Bond by the Bond Owner (or the Bond Owner's duly authorized attorney) to the Paying Agent/Registrar together with an endorsement or other evidence of transfer satisfactory to the Authority and the Paying Agent/Registrar. The Paying Agent/Registrar will authenticate and deliver to the transferee a new Bond of the same tenor and aggregate principal amount of the Bonds and interest rate as the surrendered Bond. A transfer will be made without charge, except that any tax or other governmental charge imposed with respect to the transfer will be paid by the transferring Bond Owner.

A Bond may be exchanged by the Bond Owner for a new Bond (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate of the Bonds upon surrender to the Paying Agent/Registrar by the Bond Owner (or the Bond Owner's duly authorized attorney) of the Bond as to which the exchange is desired. The Paying Agent/Registrar will authenticate and deliver to the surrendering Bond Owner the new Bond in exchange for the surrendered Bond. The out-of-pocket expenses incurred by the Authority and the Paying Agent/Registrar in connection with making an exchange of Bonds and any tax or other governmental charge imposed with respect to the exchange will be paid by the Bond Owner.

The Paying Agent/Registrar is not required to transfer or exchange any Bond: (1) between a Record Date and the related Interest Payment Date, (2) during the 30-day period preceding the maturity date of the Bond, or (3) which has been selected for redemption in whole or in part.

At the request of the Bond Owner of a mutilated, lost, stolen, or destroyed Bond, the Bond will be replaced if, in the case of a mutilated Bond, the Bond Owner (or its duly authorized representative) surrenders the mutilated Bond to the Paying Agent/Registrar, or in the case of a lost, stolen, or destroyed Bond, the Bond Owner (1) furnishes the Authority and the Paying Agent/Registrar with evidence satisfactory to the Authority and the Paying Agent/Registrar that the loss, theft, or destruction has occurred, (2) provides indemnity or security satisfactory to the Authority and the Paying Agent/Registrar to save the Paying Agent/Registrar and the Authority harmless from any loss or damage with respect thereto, and (3) satisfies such other requirements as may reasonably be imposed by the Authority and the Paying Agent/Registrar. If a mutilated, lost, stolen, or destroyed Bond has matured or will mature within the 30-day period following the Bond Owner's request for a replacement Bond, the Bond (at the Authority's direction) may, if indemnity or security is provided as described above, be paid instead of delivering a replacement Bond. The out-of-pocket expenses incurred by the Authority and the Paying Agent/Registrar in connection with replacement of a Bond and any tax or other governmental charge imposed with respect to the replacement will be paid by the Bond Owner.

Creation of Funds. The Authority will create the following Funds for the Bonds: (i) the Interest and Sinking Fund and (ii) the Costs of Issuance Fund.

The Funds will be maintained by the Comptroller in the treasury of the State, separate from any other funds, and shall be held in trust for application as provided by the Resolution.

The Authority may also create additional funds and accounts from time to time as may be necessary or convenient to accomplish the purposes of the Resolution including the creation of additional interest and sinking funds, costs of issuance funds and rebate funds if more than one series of Bonds are issued.

The Escrow Fund will be created by the Escrow Agent pursuant to the Escrow Agreement or Escrow Instructions, as applicable.

The Authority has authorized the creation of a Rebate Fund to be created only if there exists a rebate amount with respect to the Bonds in an amount greater than zero.

Application of Constitutionally Appropriated Funds. The Authority will cause to be deposited into the Interest and Sinking Fund an amount sufficient (together with any other money on deposit therein) to provide for the timely payment of the Bond Obligations, from money that is available for such purpose under the Constitutional Provision, not later than the second Business Day preceding each date on which any Bond Obligations come due. The Authority may make any such deposit on an earlier date so long as such date is not earlier than the 50th day before the date the Bond Obligations for which such deposit is made come due. If, on any date that money in the Interest and Sinking Fund is required to be withdrawn for the payment of Bond Obligations, the Interest and Sinking Fund does not contain sufficient money for such purpose, an amount of immediately available money sufficient (together with money then on deposit in the Interest and Sinking Fund) to pay such Bond Obligations will be transmitted to the appropriate payee(s) for such purpose from money made available under the Constitutional Provision, at such time as will cause such Bond Obligations to be timely paid.

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

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

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

Amendment. Except as provided below, the Bond Resolution may not be amended without the consent of the Bond Owners of at least a majority in aggregate principal amount of the outstanding Bonds affected by such amendment. The consent of the Bond Owners of all outstanding Bonds is required for any proposed amendment to the Bond Resolution that would:

- (1) permit a preference or priority of any Bond over another Bond; or
- (2) reduce the percentage of Bond Owners that is required to consent to an amendment of the Bond Resolution.

The consent of the Bond Owner of each affected outstanding Bond is required for any proposed amendment to the Bond Resolution that would:

- (1) change the time of any regularly scheduled payment of Bond Obligations, the principal amount of any Bond, the interest rate on any Bond, the currency in which Bond Obligations are required to be paid, or any of the other terms of the Bond Resolution governing the time, place, or manner of payment of Bond Obligations;
- (2) impair the security for any Bond; or
- (3) result in a reduction of any then existing rating on the Bonds.

Except as provided above, no Bond Owner consent is required for an amendment to the Bond Resolution if the amendment, in the opinion of nationally recognized bond counsel, will not adversely affect the rights of any Bond Owner under the Transaction Documents, including without limitation, amendments, changes, or modifications to facilitate the utilization of Bond Enhancement Agreements.

No amendment to the Bond Resolution will take effect until the Executive Director obtains an opinion of Bond Counsel to the effect that such amendment will not adversely affect the excludability of interest on any Bond from the gross income of the Bond Owner thereof for federal income tax purposes, and an opinion of Bond Counsel to the effect that such amendment will not violate the Bond Resolution, the Authorizing Law or other applicable law and, upon obtaining the required Bond Owner consent (if any), will comply with the requirements of the Bond Resolution for such amendment.

Discharge of Claim Against Constitutional Provision. The claim of the Bond Resolution against money provided under the Constitutional Provision will be deemed discharged and of no further force and effect when the Bond Obligations on all Bonds have been discharged and all other amounts of money payable under the Bond Resolution have been paid or arrangements satisfactory to the Person to whom any such payment is due for making such payment have been made. The Bond Obligations on any Bond or Bonds will be deemed discharged when (i) such Bond Obligations have been paid pursuant to the terms of such Bonds or become due (whether at stated maturity or otherwise) and money sufficient for the payment thereof has been deposited into the Interest and Sinking Fund or with the Paying Agent/Registrar; (ii) such Bonds have been canceled or surrendered to the Paying Agent/Registrar for cancellation; or (iii) such Bond Obligations have been discharged by a deposit of Sufficient Assets as described below.

Defeasance. The benefits of the Bond Resolution, and the covenants of the Authority contained therein in support of any Bond (or Bonds), will be deemed redeemed and discharged with respect to such Bond (or Bonds) when the following requirements have been satisfied:

- (1) the payment of the Bond Obligations with respect thereto has been provided for by irrevocably depositing Sufficient Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar or a financial institution or trust company designated by the Authority, which will be held in trust in a separate escrow account and applied exclusively to the payment of such Bond Obligations;
- (2) the Authority has received an opinion of Bond Counsel to the effect that: (a) such deposit of Sufficient Assets will not adversely affect the excludability of interest on any Tax-Exempt Bond from the gross income of the Bond Owner thereof for federal income tax purposes and complies with State law; and (b) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;
- (3) all amounts of money (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Bond Resolution with respect to such Bond(s) have been paid, or provision satisfactory to the Person to whom any such payment is or will be due for making such payment has been made; and
- (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.

If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Bonds, the particular maturity or maturities of Bonds (or, if less than all of a particular maturity, the principal amounts), will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the

Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000 principal amount).

At the Executive Director's direction, the Paying Agent/Registrar may substitute, for any of the securities or obligations deposited as Sufficient Assets, other securities or obligations constituting Sufficient Assets if, upon such substitution, the requirements for redemption and discharge described above are satisfied. Any net proceeds realized from such a substitution will be paid to the Authority.

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

Bond Enhancement Agreement. Pursuant to the Bond Resolution, to the extent permitted by law, the Authority may execute one or more Bond Enhancement Agreements for the Bonds. The Board has authorized the Executive Director to act on behalf of the Authority from time to time in negotiating and approving the details of any Bond Enhancement Agreements. The execution and delivery of any Bond Enhancement Agreement is subject to the approval of the Attorney General of Texas. Bond Owner consent is not necessary for the Authority to adopt a Bond Enhancement Agreement. Payments due under one or more Bond Enhancement Agreements will be made from funds made available for such purpose pursuant to the Constitutional Provision.

The Escrow Agreement

The following is a summary of certain provisions of the Escrow Agreement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Escrow Agreement. Copies of the Escrow Agreement are available for examination at the offices of the Authority.

The Escrow Agreement is an agreement by and between the Authority and the Texas Treasury Safekeeping Trust Company, as escrow agent, whereby certain proceeds of the Bonds and any beginning cash balance will be deposited in the Escrow Fund (as defined in the Escrow Agreement). Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) will be the property of the Escrow Fund as a special trust and irrevocable escrow fund, (b) will be applied in strict conformity with the terms of the Escrow Agreement, and (c) will be applied to the extent needed to pay the principal of and interest on the Refunded Bonds on the redemption dates and maturity dates, respectively.

In the Escrow Agreement, the Authority represents that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the place of payment for the Refunded Bonds at the times and in the amounts required by such place of payment for the Refunded Bonds.

GENERAL INFORMATION REGARDING THE STATE OF TEXAS

Bond Appendix

The Texas Comptroller of Public Accounts (the "Comptroller") prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated as of August 2018 and is incorporated herein as described in "APPENDIX A – The State of Texas." See "CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General." With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

2017 State Comprehensive Annual Financial Report

The Texas 2017 Comprehensive Annual Financial Report for the year ended August 31, 2017 (the "2017 CAFR") is

currently on file with the Municipal Securities Rulemaking Board (the "MSRB") and may be obtained either by (i) using the MSRB's EMMA website, www.emma.msrb.org, using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at <https://www.comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>. The 2017 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein.

Constitutional Debt Limit

Article III, Section 49-j of the Texas Constitution prohibits the State Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000, if the resulting maximum annual debt service in any State fiscal year on such State debt payable from general revenues exceeds 5% of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. Prior to the Date of Delivery of the Bonds, the Bond Review Board is expected to certify that the maximum annual debt service in any fiscal year on debt payable from the general revenue fund, including debt service on the Bonds, does not exceed 5% of an amount equal to the average of the amount of general revenue fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of State debt, for the three immediately preceding fiscal years. See "DESCRIPTION OF THE BONDS — The Resolution — *Security for the Bonds*" and "APPENDIX A — The State of Texas."

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the Authority furnishing the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds and the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority, and the approving legal opinion of Bracewell LLP, Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Bond Resolution, are valid and legally binding obligations of the Authority, subject to applicable provisions of sovereign immunity, bankruptcy, reorganization and other similar matters affecting the rights of creditors or by general principles of equity which permit the exercise of judicial discretion, and, subject to the qualifications set forth under "TAX MATTERS" herein, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as "Appendix B — Form of Bond Counsel's Opinion." In its capacity as Bond Counsel, such firm has not reviewed and expresses no opinion upon any part of the Official Statement other than the statements and information appearing under captions "PLAN OF FINANCE" (except for the information under the subcaption "Sources and Uses of Funds" as to which no opinion will be expressed), "DESCRIPTION OF THE BONDS" (except for the information under the subcaption "Book-Entry-Only System," as to which no opinion will be expressed), "DESCRIPTION OF THE TRANSACTION DOCUMENTS," "LEGAL MATTERS" (except for the information in the last two paragraphs under the subcaption "Legal Opinions," as to which no opinion will be expressed), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaptions "Continuing Disclosure Undertaking of the Comptroller" and "Compliance with Prior Undertakings," as to which no opinion will be expressed, and except for any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller, as to which no opinion will be expressed), and such firm is of the opinion that the statements and information contained under such captions and subcaptions provide an accurate and fair description of the Bonds, the Escrow Agreement and the Bond Resolution and are correct as to matters of law. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Authority by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Disclosure Counsel to the Authority, whose legal fee is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose legal fee is contingent on the sale and delivery of the Bonds. Bond Counsel, Disclosure Counsel and Underwriters Counsel periodically serve in other capacities on other separate and unrelated offerings of securities by the Authority.

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

Legal Investments in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, the Bonds may have 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.

The Authority has not made any investigation of other laws, rules, regulations or investment criteria that might apply to such institutions or entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and have not been registered or qualified under the securities acts of any other jurisdiction. The Authority does not assume any responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Authority and the Comptroller, that are not purely historical, are forward-looking statements, including statements regarding the Authority's and the Comptroller'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 and the Comptroller on the date of this Official Statement, or the date of the Bond Appendix, or the 2017 CAFR, respectively, and the Authority and the Comptroller assume no obligation to update any such forward-looking statements.

The forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

TAX MATTERS

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Authority has covenanted in the Resolution that it will comply with these requirements.

The Refunded Bonds were issued as direct pay subsidy "Build America Bonds" pursuant to sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended (the "Code"). The Authority has covenanted in the Resolution that the Authority will not request any direct pay subsidy payments from the United States Treasury in connection with interest that accrues on the Refunded Bonds on or after the Date of Delivery of the Bonds.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority's Financial Advisors and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority's Financial Advisors and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the Authority fails to comply with the covenants in the Resolution or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to 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 and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance

and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of all of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes. Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

NABL Letter. On March 29, 2018, the National Association of Bond Lawyers ("NABL") sent a letter to Christie Jacobs, Director, Indian Tribal Governments/Tax Exempt Bond Office, Internal Revenue Service summarizing the legal analysis that supports the issuance of tax-exempt bonds to advance refund taxable bonds under current law and noting public statements made by U.S. Treasury and Service officials confirming such a conclusion. To gain comfort that the group within the Service responsible for auditing tax-exempt bonds will not take a contrary approach in enforcement, the NABL letter requests guidance from the Service to confirm that current law, as put into effect by the Tax Cuts and Jobs Act, permits the issuance of tax-exempt bonds to advance refund taxable bonds. The Service has not responded to the NABL letter, and it is within the Service's discretion whether it will provide the requested guidance.

RATINGS

Moody's Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, have assigned ratings of "Aaa" and "AAA," respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of

such organizations and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that the ratings of the Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of any one or more of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. In the Bond Resolution, the Authority has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. Under the agreement, the Authority will be obligated to provide timely notice of specified events to the MSRB. The information will be available to investors by the MSRB through its EMMA system, free of charge at www.emma.msrb.org.

Annual Reports. The Authority and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's Continuing Disclosure Agreement. The Comptroller will provide certain updated financial information and operating data to the MSRB, annually, as set out in the Continuing Disclosure Agreement, and described under "— Continuing Disclosure Undertaking of the Comptroller — *Annual Reports*."

Event Notices. The Authority will provide to the MSRB, with respect to the Bonds, notice not in excess of ten business days after the occurrence of any of the following events: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of bondholders, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller has entered into a Continuing Disclosure Agreement with the Bond Review Board dated as of August 17, 1995 and amended January 25, 2010 (the "Agreement"). The Authority and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Agreement. The Comptroller is required to observe this Agreement in respect of any issue of Securities (as defined in the Agreement) for so long as the State remains an Obligated Person. Under the Agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix (the "Bond Appendix") for use in State agency

securities offerings. The Comptroller intends to continue to prepare or supplement the Bond Appendix quarterly and to provide annual information in accordance with the Agreement.

Certain tables within the Bond Appendix, as currently prepared by the Comptroller, are updated on a quarterly basis while other tables within such appendix are updated on an annual basis. Under the Agreement, the Comptroller is not obligated to provide such financial and operating data more frequently than on an annual basis.

Annual Reports. The Comptroller will provide certain updated financial information and operating data to the MSRB annually, in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in the Bond Appendix. The Comptroller will update and provide this information to the MSRB within 195 days after the end of each fiscal year.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA website or filed with the SEC, as permitted by the Rule. 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, the Comptroller must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

Event Notices. The Comptroller will also provide timely notice of its failure to provide information, data, or financial statements in accordance with its Agreement described above under "—Continuing Disclosure Undertaking of the Comptroller — *Annual Reports.*" Such notice will be provided to the MSRB.

Availability of Information

The Authority and the Comptroller have agreed to provide information only as described above. The Authority and the Comptroller will be required to file their respective continuing disclosure information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

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

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in the identity, nature, status, or type of operations of the Authority or the State if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as changed circumstances, and (ii) either (a) the Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the State, the Comptroller, the Bond Review Board and the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests

of the beneficial owners of such Bonds. The Authority or the Comptroller may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority or the Comptroller so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its 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 financial information and operating data so provided.

Compliance With Prior Undertakings

During the past five years, the Authority has complied, in all material respects, with its continuing disclosure agreements in accordance with the Rule, except as follows: the Authority filed notice of a June 22, 2012 upgrade of the underlying rating assigned to the Authority's unemployment compensation obligation assessment revenue bonds on April 15, 2014 (more than ten days after the Authority was notified of the rating change). In addition, in certain limited instances, the Authority has agreed to file information provided by State agencies for which the Authority has issued bonds ("client agencies"). Generally, the Authority's ability to make such filings in a timely manner is dependent on the Authority's receipt of information from these client agencies.

NO 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 Bonds or the validity of the Bonds. The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Bonds. See "APPENDIX A — The State of Texas" of this Official Statement. On the Date of Delivery of the Bonds to the Underwriters, the Authority will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending against the Authority, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or that would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., as the authorized representative of a group of underwriters (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the initial offering price of the Bonds shown on page ii of this Official Statement, plus an original reoffering premium of \$23,278,343.25 and less an underwriting discount of \$620,790.20. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

Academy Securities, Inc., one of the Underwriters of the Bonds, has entered into third-party distribution agreements with TD Ameritrade Inc., Stoeber, Glass & Company Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Lantern Investments, Inc., Ross, Sinclair & Associates, Inc., W.H. Mell Associates, Inc., Intercoastal Capital Markets, Inc., Janney Montgomery Scott LLC, The GMS Group LLC, Beech Hill Securities, and 280 Securities for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements (if applicable to this transaction), Academy Securities may share a portion of its underwriting compensation with these firms.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the

future provide, a variety of these services to the Authority and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

FTN Financial Municipal Advisors is acting as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FTN Financial Municipal Advisors, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The mathematical accuracy of certain computations included in the schedules provided by the Financial Advisor and reviewed by the Authority relating to the computation of forecasted receipts of principal and interest on the Escrow Securities held in the Escrow Fund for the Refunded Bonds and the forecasted payments of principal, premium, if any, and interest to pay the Refunded Bonds were verified by Grant Thornton LLP, certified public accountants. Such computations were based solely on assumptions and information supplied by the Financial Advisor and reviewed by the Authority. Grant Thornton LLP has restricted its procedures to verifying the mathematical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes and with respect to defeasance of the Refunded Bonds. See "TAX MATTERS."

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Authority's records and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and Bond Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and Bond Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

The Bond Resolution approves the form and content of this Official Statement, and any addenda, supplement or amendment hereto issued on behalf of the Authority, and authorizes its further use in the reoffering of the Bonds by the Underwriters.

This Official Statement has been approved by the Authority for distribution in accordance with the provisions of the Rule.

/s/ Lee Deviney

Lee Deviney

Executive Director

Texas Public Finance Authority

Schedule I
Schedule of Refunded Bonds

Texas Public Finance Authority
State of Texas
Taxable General Obligation Bonds,
Series 2009B (Build America Bonds – Direct Payment to Issuer)

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>
08/27/2009	10/01/2020	\$ 5,860,000
08/27/2009	10/01/2021	25,035,000
08/27/2009	10/01/2022	24,615,000
08/27/2009	10/01/2023	24,070,000
08/27/2009	10/01/2024	22,090,000
08/27/2009	10/01/2025	19,565,000
****	****	****
08/27/2009 ^(a)	10/01/2029	60,545,000
		<hr/>
		\$181,780,000

(a) Term Bonds.

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APPENDIX A

THE STATE OF TEXAS

The Bond Appendix dated August 2018 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained either by (i) using the MSRB's EMMA website, www.emma.msrb.org, using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at <https://comptroller.texas.gov/programs/systems/treasury-ops/>, until the Comptroller files a later version of such Bond Appendix.

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APPENDIX B
FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

WE HAVE ACTED as Bond Counsel for the TEXAS PUBLIC FINANCE AUTHORITY (the "Authority") in connection with the issuance of bonds (the "Bonds") described as follows:

TEXAS PUBLIC FINANCE AUTHORITY STATE OF TEXAS GENERAL OBLIGATION
REFUNDING BONDS, SERIES 2018A issued in the original aggregate principal
amount of \$164,510,000.

The Bonds mature, bear interest and may be transferred and exchanged as provided in that certain resolution of the Authority adopted by the Authority's Board of Directors on August 23, 2018 (the "Bond Resolution") and the Pricing Certificate approved on October 2, 2018 (the "Pricing Certificate" and, collectively with the Bond Resolution, the "Resolution") Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas (the "State"), and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. In such capacity we have examined the Constitution and laws of the State and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Authority, including the Resolution; an escrow agreement (the "Escrow Agreement") between the Issuer and the Texas Treasury Safekeeping Trust Company, as escrow agent (the "Escrow Agent"); the report of Grant Thornton LLP, Certified Public Accountants, verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the Refunded Bonds; and certain certifications and representations and other material facts within the knowledge and control of the Authority, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have not been requested to examine, and we have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority or the disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds and refunding and defeasance of the Refunded Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; customary certificates of officers, agents and representatives of the Authority and other public officials. We have also examined such applicable provisions of the Internal

[CLOSING DATE]

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Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant.

Based on such examination, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently in effect;
2. The Bonds have been authorized and issued in accordance with the Constitution and laws of the State and are payable solely from money made available for such purpose pursuant to the Constitutional Provisions. The Constitutional Provisions provide for a continuing appropriation for such purpose from the first money coming into the State treasury in each fiscal year, not otherwise appropriated by the Constitution of the State, in an amount that is sufficient to pay the principal of and interest on Bonds that mature or become due during that fiscal year, less the amount in the related sinking fund at the close of the previous fiscal year; and
3. Pursuant to Chapter 1207, Texas Government Code, firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds being refunded with the proceeds of the Bonds pursuant to the Escrow Agreement entered into between the Authority and the Escrow Agent on the date hereof, and, therefore, such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS FURTHER OUR OPINION that, under existing law:

4. Interest on the Bonds is excludable from gross income for federal income tax purposes; and
5. The Bonds are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

In providing such opinions, we have relied upon representations of the Authority, the Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Financial Advisor and the Underwriters, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds

[CLOSING DATE]

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from gross income for federal income tax purposes. We have further relied upon the Report regarding the mathematical accuracy of certain computations. In the event that such representations or the Report are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing covenants of the Resolution, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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 as to 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 has covenanted in the Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

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APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof and such information is not to be construed as a representation by any of the Authority, the Financial Advisor or the Underwriters.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of the Bonds, as set forth on the inside of the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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