

OFFICIAL STATEMENT

Delivery of the 2001 Bonds is subject to receipt of the opinion of Bond Counsel to the effect that, assuming continuing compliance by the Authority with certain covenants contained in the Bond Resolution described herein and subject to the matters described under "TAX EXEMPTION" herein, interest on the 2001 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as herein described, corporations. See "TAX EXEMPTION" herein.

NEW ISSUE - Book-Entry-Only



**RATINGS: Moody's: "Aa2"
Standard & Poor's: "A+"
See "RATINGS"**

TEXAS PUBLIC FINANCE AUTHORITY
\$12,685,000
Revenue Bonds
(Texas Parks and Wildlife Department Projects)
Series 2001

Dated: January 1, 2001

Due: August 1, as shown below

The Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 2001 (the "2001 Bonds") are special and limited obligations of the Texas Public Finance Authority (the "Authority"), a public authority and body politic and corporate, being issued in the principal amount shown above, on a parity with three series of outstanding bonds (the "Prior Bonds"). The 2001 Bonds are being issued to pay for infrastructure repairs and facility improvements at various parks and wildlife facilities, including the repair and replacement of water facilities, water systems and wastewater systems, and the renovation of existing facilities and to pay the costs of issuing the 2001 Bonds, as more fully described herein. See "THE 2001 PROJECT."

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

The 2001 Bonds, together with the Prior Bonds and any Additional Bonds issued under the Bond Resolution (collectively, the "Department Bonds"), will be special and limited obligations of the Authority payable only from certain pledged security, which will consist primarily of lease payments made pursuant to an amended and restated lease agreement (the "Lease Agreement"), dated as of January 1, 2001, between the Authority and the Texas Parks and Wildlife Department (the "Department"), relating to Department Projects financed with proceeds of the Department Bonds. The Lease Agreement obligates the Department to make lease payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Department Bonds.

The obligation of the Department to make payments under the Lease Agreement is subject to, and dependent upon, appropriation by the Legislature of the State of Texas of funds necessary to make such payments. The Legislature has no obligation to make any such appropriation. Neither the State of Texas nor any state agency, political corporation, or political subdivision of the State of Texas will be obligated to pay the principal of, premium, if any, or interest on the Department Bonds, except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the full faith and credit nor the taxing power of the State of Texas or any state agency, political corporation, or political subdivision of the State of Texas (including the Authority) will be pledged to the payment of the principal of, premium, if any, or interest on the Department Bonds. The Authority has no taxing power. See "THE 2001 BONDS - Source of Payment" and "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Lease Agreement."

MATURITY SCHEDULE

<u>Cusip</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
882756 GN 3	2001	\$ 500,000	4.250%	3.200%	882756 GU 7	2007	\$1,050,000	4.250%	4.080%
882756 GP 8	2002	835,000	4.250	3.500	882756 GV 5	2008	1,045,000	4.250	4.130
882756 GQ 6	2003	850,000	4.250	3.880	882756 GW 3	2009	1,050,000	4.250	4.180
882756 GR 4	2004	1,050,000	4.250	3.930	882756 GX 1	2010	1,050,000	4.250	4.240
882756 GS 2	2005	1,050,000	4.250	3.980	882756 GY 9	2011	1,050,000	4.300	4.340
882756 GT 0	2006	1,050,000	4.250	4.030	882756 GZ 6	2012	1,050,000	4.400	4.450
					882756 HA 0	2013	1,055,000	4.500	4.550

(plus accrued interest from January 1, 2001)

The 2001 Bonds are subject to optional redemption as described herein. See "THE 2001 BONDS - Optional Redemption."

The 2001 Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters, and subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, Bond Counsel. Certain other legal matters will be passed upon for the Underwriters by their counsel, Vinson & Elkins L.L.P., Houston, Texas. It is expected that the 2001 Bonds will be delivered on or about January 30, 2001 through the facilities of DTC.

U.S. BANCORP PIPER JAFFRAY, INC.

FRIEDMAN, LUZZATO & CO.

SBK-BROOKS INVESTMENT CORP.

Dated: January 9, 2001

STATE OF TEXAS

**Rick Perry
Governor**

**Bill Ratliff
Acting Lieutenant Governor**

**John Cornyn
Attorney General**

**Carole Keeton Rylander
Comptroller of Public Accounts**

TEXAS PUBLIC FINANCE AUTHORITY

**Daniel H. Branch
Chair**

**Daniel T. Serna
Vice Chair**

**Cynthia L. Meyer
Secretary**

**Helen Huey
Member**

**John C. Kerr
Member**

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

**Kimberly K. Edwards
Executive Director**

**Judith Porras
General Counsel**

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

Co-Financial Advisors

SALE AND DISTRIBUTION OF THE 2001 BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2001 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

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

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 2001 BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

Marketability

IN CONNECTION WITH THE OFFERING OF THE 2001 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2001 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the 2001 Bonds and has no control over the trading of the 2001 Bonds after their sale by the Authority. Information regarding reoffering yields or prices is the responsibility of the Underwriters.

Securities Laws

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

TABLE OF CONTENTS

	Page		Page
INTRODUCTION	1	THE 2001 BONDS AS LEGAL INVESTMENTS	
SOURCES AND USES OF FUNDS	2	IN TEXAS	27
THE AUTHORITY	2	LITIGATION	27
THE TEXAS PARKS AND WILDLIFE		CONTINUING DISCLOSURE OF	
DEPARTMENT	4	INFORMATION	28
THE 2001 PROJECT	5	UNDERWRITING	30
THE 2001 BONDS	5	THE CO-FINANCIAL ADVISORS	30
BOOK-ENTRY-ONLY SYSTEM	8	LEGAL MATTERS	30
DESCRIPTION OF THE TRANSACTION		MISCELLANEOUS	31
DOCUMENTS	9		
RATINGS	25		
MUNICIPAL BOND INSURANCE	25	Appendix A -- The State of Texas	
TAX EXEMPTION	26	Appendix B -- Debt Service Requirements	
TAX ACCOUNTING TREATMENT OF		Appendix C -- Form of Opinion of Bond Counsel	
DISCOUNT BONDS	26		
TAX ACCOUNTING TREATMENT OF			
PREMIUM BONDS	27		

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the 2001 Bonds to potential investors is made only by means of this entire Official Statement, including the Appendices hereto. No one is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement (including the Appendices). Certain defined terms used in this Summary Statement are defined elsewhere in this Official Statement.

Issuer	Texas Public Finance Authority.
Offering	Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 2001.
Maturity	August 1 of each of the years and in the principal amounts set forth on the cover page of this Official Statement. See "THE 2001 BONDS."
Interest	Interest on the 2001 Bonds accrues from January 1, 2001 and is payable semiannually on August 1 and February 1 of each year, commencing August 1, 2001. See "THE 2001 BONDS."
Redemption	The 2001 Bonds are subject to optional redemption prior to maturity in whole or, from time to time, in part as described herein. See "THE 2001 BONDS - Optional Redemption."
The Projects	The 2001 Bonds are being issued to pay for (i) infrastructure repairs and facility improvements at various parks and wildlife facilities, including the repair and replacement of water facilities, water systems and wastewater systems, and the renovation of existing facilities, and (ii) to pay the costs of issuing the 2001 Bonds, as more fully described herein. See "THE 2001 PROJECT."
The Department	The Texas Parks and Wildlife Department (the "Department") is an agency of the State of Texas, responsible for, among other things, maintaining all recreational, natural and historical State parks, administering the laws relating to game, fish, oysters and marine life, and protecting the State's fish and wildlife resources. See "THE TEXAS PARKS AND WILDLIFE DEPARTMENT."
Source of Payment	The Lease Agreement is the primary source of payment for the 2001 Bonds. The Lease Agreement obligates the Department to make lease payments sufficient to pay the principal of and interest on the 2001 Bonds. The obligation of the Department to make payments under the Lease Agreement is subject to, and dependent upon, appropriation by the Legislature of funds necessary to make such payments. The Legislature has no obligation to make such appropriations. There is no mortgage or other security interest in the 2001 Project or other property securing the 2001 Bonds. See "THE 2001 BONDS - Source of Payment" and "-Investment Considerations." The Legislature has never failed to appropriate funds for the Authority's revenue bonds.
Ratings	Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., ("Standard & Poor's") have assigned ratings to the 2001 Bonds as shown on the cover page hereof.
Legality	The issuance of the 2001 Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, Bond Counsel. See "LEGAL MATTERS."

OFFICIAL STATEMENT

relating to

TEXAS PUBLIC FINANCE AUTHORITY

\$12,685,000

Revenue Bonds

(Texas Parks and Wildlife Department Projects)

Series 2001

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, Summary Statement and attached Appendices) is to furnish information concerning the offering of the Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 2001 (the "2001 Bonds"), which are being issued by the Texas Public Finance Authority (the "Authority") in the aggregate principal amount set forth above, pursuant to the authority granted to it by the Texas Public Finance Authority Act, as amended, Chapter 1232, Texas Government Code, as amended (the "Enabling Act"), certain other statutes and the Bond Resolution (as defined below) and a certificate of the pricing committee appointed by the Authority Board (as hereinafter defined). The 2001 Bonds are issued as Additional Bonds under and pursuant to a resolution adopted by the Board of Directors of the Authority on February 18, 1998 (the "Original Resolution"), as amended and supplemented by a First Supplemental and Amending Bond Resolution and a Second Supplemental and Amending Bond Resolution to such Original Resolution, all as amended and restated by an Amended and Restated Bond Resolution, adopted by the Authority Board (as hereinafter defined), on December 12, 2000 (collectively, the "Bond Resolution").

The 2001 Bonds are being issued to pay for infrastructure repairs and facility improvements at various parks and wildlife facilities, including the repair and replacement of water facilities, water systems and wastewater systems, and the renovation of existing facilities (collectively, the "2001 Project") and to pay the costs of issuing the 2001 Bonds and certain administrative costs of the Authority, as more fully described herein. See "THE 2001 PROJECT."

The 2001 Bonds are the fourth series of revenue bonds issued by the Authority on a parity with each other for the purpose of financing various similar projects (collectively, the "Department Projects") for the Department. Such Department projects were financed with proceeds of the Authority's Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1998 in the original aggregate principal amount of \$11,460,000 (the "1998 Bonds"); Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1999B in the original aggregate principal amount of \$17,055,000 (the "1999B Bonds") and Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2000 in the original aggregate principal amount of \$18,800,000 (the "2000 Bonds") (collectively, the "Prior Bonds").

The 2001 Project will be leased by the Authority to the Texas Parks and Wildlife Department (the "Department") pursuant to a Lease Agreement, dated as of February 15, 1998 (the "Original Lease Agreement"), as amended by the First Amendment to the Lease Agreement and the Second Amendment to the Lease Agreement, dated January 1, 1999 and February 1, 2000, respectively, all as amended and restated by an Amended and Restated Lease Agreement, dated as of January 1, 2001 (collectively, the "Lease Agreement"), between the Authority and the Department. The Lease Agreement will obligate the Department to make or cause to be made lease payments sufficient to pay, when due, the principal of and interest on the Department Bonds, including the 2001 Bonds (the "Bond Obligations"), and to pay certain expenses related to the Department Bonds and the Department Projects. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Lease Agreement" and "THE 2001 PROJECT." Pursuant to the Bond Resolution, the Authority will pledge to the Bond Owners as security for the payment of the Department Bonds (i) all right, title and interest of the Authority in and to the Pledged Revenues, which consist of all Lease Payments with certain exceptions as described in (ii) hereof; (ii) all rights and remedies of the Authority under the Funds Management Agreement (as defined herein), the Lease Agreement and any other lease or use agreement or arrangement between the Authority and any Person whereby such Person uses or occupies all or any part of the Department Projects (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the Department Projects, (B) to indemnification and (C) to payment of Bond Administration Costs); and (iii) the Interest and Sinking Fund. The moneys held by the Comptroller of Public Accounts of the State of Texas (the "Comptroller") in the 2001 Project Fund, the 2001 Issuance Cost Fund, the Restoration Fund and the Rebate Fund do not constitute security for the Department Bonds. See "THE 2001 BONDS - Source of Payment," "-Investment Considerations" and "-Flow of Funds."

The obligation of the Department to make payments under the Lease Agreement is subject to and dependent upon, additional appropriation by the Legislature of the State of Texas (the "Legislature") of funds necessary to make such payments. Neither the State of Texas (the "State") nor any state agency, political corporation or political subdivision of the State will be obligated to pay the principal of, premium, if any, or interest on the 2001 Bonds except as described herein with respect to payments to be made by the Authority from the revenues pledged for such purpose. Neither the full faith and credit nor the taxing power of the State or any state agency, political corporation or political subdivision of the State (including the Authority) will be pledged for payment of the principal of, premium, if any, or interest on the 2001 Bonds. The Authority has no taxing power. See "THE 2001 BONDS - Source of Payment."

This Official Statement includes a description of the 2001 Bonds (including the source of payment of the 2001 Bonds), the Authority, the Department, the 2001 Project and certain other matters, along with summaries of the Bond Resolution, the Lease Agreement, and the Funds Management Agreement. Because payments to be made by the Department under the Lease Agreement will come from appropriations made by the Legislature of State general revenue funds, the information concerning the State that is contained in Appendix A to this Official Statement should be reviewed carefully. The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to the respective documents. The forms of the Bond Resolution, the Lease Agreement, the Transfer Agreement and the Funds Management Agreement are available for inspection at the offices of the Authority, 300 West 15th Street, Suite 411, William P. Clements State Office Building, Austin, Texas 78701. Reference is made to the section herein captioned "DESCRIPTION OF THE TRANSACTION DOCUMENTS - Selected Definitions" and to the Resolution, Lease Agreement, and Funds Management Agreement for the definition of certain terms used herein.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2001 Bonds, including accrued interest, will be applied approximately as follows:

Sources

Par Amount of 2001 Bonds	\$12,685,000
Accrued Interest on the 2001 Bonds	43,810
Premium on the 2001 Bonds	<u>63,798</u>
Total	\$12,792,608

Uses

Deposit to 2001 Project Fund	\$12,575,873
Deposit to Interest and Sinking Fund	43,810
Costs of Issuance (including Underwriters' discount)	<u>172,925</u>
Total	\$12,792,608

THE AUTHORITY

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

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

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

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

Pursuant to the Enabling Act and Chapter 1401, Texas Government Code, the Authority issues general obligation and revenue bonds for designated State agencies and administers the Master Lease Purchase Program, a revenue commercial paper program, primarily to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Department, the General Services Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Texas Department of Health, the Texas Military Facilities Commission (formerly, the National Guard Armory Board), the Texas State Technical College System, Midwestern State University, Stephen F. Austin University, and Texas Southern University. It has also issued general obligation bonds for the Department, the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission and the Texas Juvenile Probation Commission.

The Authority has exclusive bond issuing authority for a number of state institutions of higher education. The Authority is also authorized to issue bonds on behalf of certain joint power municipal utilities for the purpose of financing stranded costs of such utilities and to finance alternative fuel projects for state agencies.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and is not a pledge of the full faith and credit of them.

Sunset Review

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority and the Department, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The Authority was reviewed during the 1997 legislative session under the Texas Sunset Act, and the next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act of the Authority, as amended by the 75th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2009; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

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

Additional Authorized Revenue Bond Projects

The Texas Legislature has authorized the Authority to issue general obligation and revenue bonds for a number of additional projects for other state agencies and institutions of higher education and may authorize further projects in future legislative sessions. See Appendix A, "STATE DEBT - State Revenue Bonds." The State agency

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

Relationship With Other State Agencies

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Department or any other agency or institution of the State to carry out its statutory authority, including its authority to construct buildings. The Enabling Act directs state agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of the 2001 Project.

The Authority is directed by law to deposit the proceeds of the sale of its bonds in the State Treasury for the account of the state agency at whose request those bonds were issued. Once the funds are so deposited and the Comptroller has certified that funds are available, and after payment of costs of issuance of such bonds as specified by the Authority, the appropriate state agency may begin the project for which the bonds were issued. The owners of the Authority's bonds have no rights to the project funds so held in the State Treasury. See "THE 2001 BONDS - Source of Payment" and "- Flow of Funds."

Payments on the 2001 Bonds are expected to be made from money appropriated by the Legislature or other available money transferred to the Interest and Sinking Fund. See "THE 2001 BONDS - Source of Payment."

With certain exceptions, bonds issued by state agencies and institutions of higher education, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives and the Comptroller of Public Accounts. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. The 2001 Bonds received the final approval of the Texas Bond Review Board on November 21, 2000.

THE TEXAS PARKS AND WILDLIFE DEPARTMENT

General

The Department is an agency of the State established pursuant to Section 11.011 of the Parks and Wildlife Code and has under its control and custody all recreational, natural, and historical areas designated as State parks except as otherwise provided by law. The Department is also responsible for, among other things, administering the laws relating to game, fish, oysters, and marine life and has primary responsibility for protecting the State's fish and wildlife resources.

The Department is under the policy direction of the Texas Parks and Wildlife Commission (the "Commission"). The Commission consists of nine members appointed for six-year staggered terms by the Governor of the State with the advice and consent of two-thirds of the members of the State Senate present and voting. The current members of the Commission and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires (January 31)</u>
Lee M. Bass	Chair	2001
Carol E. Dinkins	Vice Chair	2003
Ernest Angelo, Jr.	Member	2003
John Avila, Jr.	Member	2003
Richard W. (Dick) Heath	Member	2001
Al Henry	Member	2005
Katherine Armstrong Idsal	Member	2005
Nolan Ryan	Member	2001
Mark E. Watson	Member	2005

The Commission is responsible for providing outdoor recreational opportunities by managing and protecting wildlife and wildlife habitat and acquiring and managing park land and historic areas.

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

Authority's Relationship with the Department

The Authority and the Department have entered into a memorandum of understanding (the "Memorandum") which defines the division of authority between the Authority and the Department with respect to projects financed by the Authority. The Memorandum provides that the Authority, at the request of the Department, will issue bonds to finance projects identified by the Department and approved by the Legislature ("Projects"). The Memorandum also provides that the Department will be responsible for the planning, construction, maintenance, and operation of such Projects. The Department will transfer title to the Projects to the Authority, and the Authority will lease the Projects back to the Department. Under the Enabling Act and the Memorandum, the Department will reacquire title to the Projects once the Department Bonds are paid in full. In the event of a conflict between the Memorandum and the Lease Agreement, the Lease Agreement will control.

Sunset Review

The Department is subject to review under the Texas Sunset Act. The next scheduled review of the Department under the Texas Sunset Act is during the legislative session in 2001. The Department's enabling act provides that if the Department is not continued in existence, the Department will cease to exist as of September 1, 2001; however, the Texas Sunset Act provides that the Department will exist until September 1 of the following year (September 1, 2002) in order to conclude its business. If the Department were to be abolished under the Sunset Act, the Governor would be required to designate an appropriate state agency to carry out the Department's covenants under the Transaction Documents.

THE 2001 PROJECT

The proceeds of the 2001 Bonds are expected to be used (i) to pay for infrastructure repairs and facility improvements at various parks and wildlife facilities, including the repair and replacement of water facilities, water systems and wastewater systems, and the renovation of existing facilities (collectively, the "2001 Project") and (ii) to pay costs of issuing the 2001 Bonds. A complete list of the specific components of the 2001 Project is provided as Exhibit "A" to the Lease Agreement. The same type of facilities and renovations, at a total cost of approximately \$47 million, were financed with proceeds of the Prior Bonds.

THE 2001 BONDS

Description of the 2001 Bonds

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

Optional Redemption

The 2001 Bonds stated to mature on or after August 1, 2011 will be subject to redemption, in whole or in part from time to time, at the option of the Authority on August 1, 2010 and on any date thereafter at a redemption price equal to the principal amount to be redeemed plus accrued but unpaid interest to, but not including, the date of redemption.

If less than all 2001 Bonds maturing on a maturity date are called for redemption, the 2001 Bonds selected within such maturity shall be as specified by the Authority, and the particular 2001 Bonds (or portions thereof) shall be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines (provided that a portion of a 2001 Bond may be redeemed only in an integral multiple of \$5,000 principal amount).

Notice of Redemption

Not less than thirty (30) nor more than forty-five (45) days prior to a redemption date for any 2001 Bond, a notice of redemption will be sent in the name of the Authority to each Bond Owner of a 2001 Bond to be redeemed

in whole or in part at the address of such Bond Owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notice shall state the redemption date, the redemption price, the place at which 2001 Bonds are to be surrendered for payment and, if less than all the 2001 Bonds outstanding are to be redeemed, the numbers of 2001 Bonds or portions thereof to be redeemed. So long as the 2001 Bonds remain Book-Entry Bonds, the Authority shall only be required to send such notice of redemption to the Securities Depository (or its nominee), initially, DTC. Any notice of redemption so sent as provided in this provision will be conclusively presumed to have been duly given, whether or not the Bond Owner receives such notice by the date fixed for redemption, and due provisions shall be made with the Paying Agent/Registrar for payment of the redemption price of the 2001 Bonds or portions thereof to be redeemed. When 2001 Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as herein provided, the 2001 Bonds or portions thereof so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest that would otherwise accrue after the redemption date on any 2001 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

2001 Bonds may be redeemed only in principal amounts of \$5,000 or integral multiples thereof. If a 2001 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such 2001 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of 2001 Bonds for redemption, the Paying Agent/Registrar shall treat each 2001 Bond as representing that number of 2001 Bonds of \$5,000 denomination that is obtained by dividing the principal amount by \$5,000. Upon surrender of any 2001 Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver for exchange therefor a 2001 Bond or 2001 Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Source of Payment

Pursuant to the Bond Resolution, the Authority will pledge to the owners of the Department Bonds as security for the payment of the Department Bonds, including the 2001 Bonds, all rights, title and interest of the Authority in and to (i) the Pledged Revenues, which consist of all Rent Payments, with certain exceptions as described in (ii) hereof; (ii) all rights and remedies of the Authority under the Funds Management Agreement, the Lease Agreement and any other lease or use agreement or arrangement between the Authority and any Person whereby such Person uses or occupies all or any part of the Department Projects (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the Department Projects, (B) to indemnification) and (C) to payment of Bond Administration costs; and (iii) the Interest and Sinking Fund. **The moneys held by the Comptroller in the 2001 Project Fund, the 2001 Issuance Cost Fund, the Restoration Fund and the Rebate Fund do not constitute security for the 2001 Bonds or any other Department Bonds.**

The Lease Agreement obligates the Department to make Rent Payments in amounts sufficient to pay the principal of, premium, if any, and interest on the Department Bonds, including the 2001 Bonds. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Lease Agreement-*Rent Payments*."

The obligation of the Department to make Rent Payments and other payments under the Lease Agreement is subject to, and dependent upon, the appropriation of funds by the Legislature in amounts sufficient to make such payments. Under the Texas Constitution, an appropriation may not be made for more than one biennium. Accordingly, at any given time, the Department's obligation under the Lease Agreement will be limited to the then-current fiscal year or biennium and, if the Legislature has adopted an appropriations bill, for the succeeding fiscal year or biennium. Although the term of the Lease Agreement extends beyond the current fiscal year or biennium, the continuation of the Lease Agreement is dependent upon the successive appropriation in the budget for each fiscal year or biennium of sufficient moneys to make the payments required thereunder, and the failure of the Legislature to make such appropriation may result in the termination of the Lease Agreement. While it is expected that the Legislature will make appropriations for each fiscal year or biennium in an amount sufficient to allow the Department to make the Rent Payments and other required payments under the Lease Agreement, the Legislature has no legal obligation to do so, and the owners of the 2001 Bonds and other Department Bonds will have no right to compel the Legislature to make such appropriations.

The Department has been appropriated amounts for lease payments sufficient to pay debt service on the Department Bonds, including the 2001 Bonds in the current biennium and will request appropriations sufficient to meet its Rent Payment obligation under the Lease Agreement in future bienniums. Because the Rent Payments will ultimately be made from funds appropriated by the Legislature to the Department, prospective purchasers of the 2001 Bonds are encouraged to review Appendix A to this Official Statement (which contains certain information regarding the financial condition of the State) as though the State were the source of revenues for debt service payments on the Department Bonds, even though the State will not be obligated to pay the Department Bonds. The financial condition of the State has a bearing upon whether the Legislature will be willing to appropriate funds to make Lease Payments and whether the State will be able to satisfy obligations for Rent Payments if funds are appropriated.

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

With the issuance of the 2001 Bonds, the Authority and the Department will have exhausted the Texas Legislature's existing appropriation of funds for infrastructure improvements and renovations of the kind financed with proceeds of the Prior Bonds and the 2001 Bonds. It is possible, however, that the Texas Legislature which meets biennially could authorize the financing of additional similar projects in the future. The Department may make requests for and in the event the Legislature authorizes such expenditures, the Authority has reserved the right to issue additional series of revenue bonds under the Resolution which will be secured by the Secured Property on a parity with the Prior Bonds and the 2001 Bonds. See "DESCRIPTION OF THE TRANSACTION DOCUMENTS-The Bond Resolution-*Additional Bonds*."

Investment Considerations

The Authority has not granted the Bond Owners a lien against, or security interest in, the Department Projects as security for the Department Bonds. If the Department defaults in the payment of amounts due under the Lease Agreement or the Lease Agreement is terminated because of non-appropriation, the Authority has the right, in accordance with the Lease Agreement, to re-lease the Department Projects to other users. However, the ability of the Authority to re-lease the Department Projects upon default under the Lease Agreement (or termination of the same because of non-appropriation) may be impaired by factors such as the integration of the Department Projects with other state facilities and the specialized nature of the Department Projects. The Authority's ability to re-lease the Department Projects is further limited by federal income tax-related covenants contained in the Bond Resolution which, in order to preserve the excludability of interest on the Department Bonds from gross income for federal income purposes, effectively prohibits the lease of the Department Projects to non-governmental users without the consent of the Bond Owners. The ability of the Authority to re-lease the Department Projects also may be hindered by the traditional reluctance of the courts to evict a governmental body from a facility that is used in the performance of its governmental functions, especially if that governmental body has the right to occupy that facility, pursuant to the terms of another valid agreement.

The Projects leased pursuant to the Lease Agreement includes the 2001 Project to be financed with the proceeds of the 2001 Bonds. At the direction of the Legislature, the Authority may sell or otherwise dispose of any one or more of the Department Projects, provided the Authority applies the proceeds of such sale or disposition in accordance with such directive. In the event of damage, destruction, or condemnation of a Department Project, the proceeds received may, at the election of the Department, be used to restore or replace such Department Project or be transferred to the Interest and Sinking Fund to be applied in accordance with the Funds Management Agreement. See "THE 2001 BONDS-Investment Considerations." The Department's obligation to make Lease Payments under the Lease Agreement is unconditional although it is also subject to appropriation by the State Legislature.

Payment of principal and interest when due on the Prior Bonds has been guaranteed by policies of Municipal Bond Insurance. Payment of the 1998 Bonds and 1999B Bonds is insured by Ambac Assurance Corporation and the 2000 Bonds are insured by Financial Security Assurance, Inc. Payment of principal and interest when due on the 2001 Bonds is not insured or guaranteed by any Person and purchasers of the 2001 Bonds should evaluate the security for the 2001 Bonds differently from the Prior Bonds in that respect.

Flow of Funds

Under the Bond Resolution, the Interest and Sinking Fund is established for the Department Bonds which will be administered by the Comptroller of Public Accounts-Treasury Operations pursuant to the Funds Management Agreement. All money required to be deposited with or paid to the Authority and credited to the Interest and Sinking Fund will be held in trust and, except for funds held for the payment of Bond Obligations that have become due, will be subject to the pledge created by the Bond Resolution.

All Pledged Revenues collected by the Authority will be deposited into the Interest and Sinking Fund. Under the Funds Management Agreement, on each Rent Payment Date, the Authority will make Rent Payments on behalf of the Department from funds lawfully available to the Department and transferred to the Interest and Sinking Fund in an amount that (taking into account other funds, if any, on deposit in the Interest and Sinking Fund) is sufficient to pay the principal of, premium, if any, and interest on the Department Bonds, including the 2001 Bonds, next coming due. Upon receipt of written instructions from the Executive Director to transfer funds to the Interest and Sinking Fund from another account of the Authority, or to deposit funds received by the Comptroller of Public Accounts-Treasury Operations from, or for the account of, the Authority into the Interest and Sinking Fund, the Comptroller of Public Accounts-Treasury Operations will make such transfer or deposit in accordance with such instructions.

If, after any Rent Payment Date but before the date that payment of the principal of, premium, if any, and interest on any Department Bonds next comes due following such Rent Payment Date, the Comptroller of Public Accounts-Treasury Operations receives telephonic instructions from the Executive Director to transfer funds to the Interest and Sinking Fund from funds lawfully available to the Department as may be directed by the Department in order to cure a deficiency in the Interest and Sinking Fund, the Comptroller of Public Accounts-Treasury Operations, upon receipt of such instructions, shall make such transfer in the amount and otherwise in accordance with such instructions.

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

Money held by the Comptroller of Public Accounts-Treasury Operations pursuant to the Funds Management Agreement may be invested in any investment authorized by law for State funds as selected by the Comptroller of Public Accounts-Treasury Operations. Income from any investment of moneys in a fund shall be deposited in such fund.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act initially as securities depository for the 2001 Bonds. The 2001 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) (or such other name as may be requested by an authorized representative of DTC). One fully registered certificate will be issued for each stated maturity of the 2001 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the 2001 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Bonds, except in the event that use of the book-entry system for the 2001 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of 2001 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 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Beneficial Owners of the 2001 Bonds may wish to take certain steps to ensure the transmission to them of notices of significant events with respect to the 2001 Bonds, such as redemptions, defaults, and proposed amendments to the Transaction Documents. Beneficial Owners of 2001 Bonds may wish to ascertain that the nominee holding the 2001 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices will be sent to DTC. If less than all of the 2001 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such stated maturity to be redeemed.

Neither DTC nor Cede & Co. (or other DTC nominee) will consent or vote with respect to the 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2001 Bonds will be made to DTC, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon receipt of funds and corresponding detail information from the Authority or Paying Agent/Registrar on the 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, the Underwriters or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC, (or such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2001 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 securities depository is not obtained, 2001 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2001 Bonds will be printed and delivered in accordance with the Bond Resolution.

In reading this Official Statement it should be understood that while the 2001 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 2001 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

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

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

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

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

Additional Bonds means the additional parity revenue bonds permitted to be issued pursuant to the Bond Resolution.

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

Authority Representative means each of the Executive Director, Director of Operations and Chief Accountant, or any other member of the Authority's staff designated by the Executive Director or the Board as an Authority Representative.

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

Authorizing Law means collectively, the Enabling Act and the Texas Parks and Wildlife Code, § 13.0045.

Board means the Board of Directors of the Authority.

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

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

Bond Insurance Policy means the bond insurance policy or policies issued by the Bond Insurer that guarantees payment of principal of and interest on any of the Department Bonds.

Bond Insurer means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation, with respect to the 1998 Bonds and the 1999B Bonds and Financial Security Assurance Inc., a New York stock insurance company, with respect to the 2000 Bonds.

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

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

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

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

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

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

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

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

Closing means the concurrent delivery of any series of Department Bonds to or upon the order of the purchaser in exchange for payment thereof.

Closing Date means the date of any Closing.

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

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

Costs of Issuance means the costs of issuance as provided in the Authorizing Law and the Authority Regulations, incurred in connection with the issuance of any series of Department Bonds.

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

Department means the Texas Parks and Wildlife Department and any successor thereto.

Department Bonds mean the outstanding 1998 Bonds, 1999B Bonds, 2000 Bonds, 2001 Bonds and any Additional Bonds (when and if issued).

Department Projects or Projects mean the projects of the Department as described in the Lease, consisting of the 1998 Project, the 1999 Project, the 2000 Project, the 2001 Project, and any Project financed with the proceeds of any Additional Bonds.

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

Event of Default means the occurrence and continuance of any of the following:

- (1) the failure to pay when due any Bond Obligations except upon an Event of Nonappropriation;
- (2) the breach by the Authority of any of its obligations (other than its obligation to pay Bond Obligations) under the Transaction Documents, which breach materially and adversely affects the rights of any Bond Owner under the Transaction Documents, and the continuation of such breach for at least 45 days after the date of receipt by the Executive Director of written notice of such breach from the owners of not less than 25 percent in aggregate principal amount of the outstanding Department Bonds;
- (3) the occurrence of any act of bankruptcy of the Department, the Authority, or the State; or
- (4) the occurrence of any "Event of Default" as defined in the Department Lease or any other lease (or other use arrangement) of the Department Projects entered into by the Authority relating to the Department Projects.

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

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

Fund(s) means collectively, or individually, the Interest and Sinking Fund, the Rebate Fund, the Restoration Fund, the 1999 Issuance Cost and Operations Fund, the 1999 Project Fund, the 2000 Issuance Cost and Operations Funds, the 2000 Project Fund, the 2001 Issuance Cost Fund and the 2001 Project Fund.

Funds Management Agreement means the Amended and Restated Funds Management Agreement, dated January 1, 2001 between the Authority and the Comptroller and any amendments thereto, providing for the administration of the proceeds of the Department Bonds and the availability of State funds for payment of the Bond Obligations related thereto.

Government Obligations means:

- (1) with respect to the 1998 Bonds and the 1999B Bonds, any of the following:
 - (a) any direct obligation of the United States of America; or
 - (b) any obligation the timely payment of the principal of and interest on which is unconditionally and fully guaranteed by the United States of America.
- (2) with respect to the 2000 Bonds, 2001 Bonds and any subsequent Additional Bonds, any of the following:

- (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;
- (b) 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 governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or
- (c) 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 governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

Interest and Sinking Fund means the "Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Interest and Sinking Fund" created pursuant to the Bond Resolution.

Lease or Lease Agreement means the Amended and Restated Lease Agreement, dated January 1, 2001 between the Authority and the Department and any amendments thereto, providing the terms and conditions (1) under which the financing of the Department Projects for the benefit of the Department is to be undertaken, and (2) of the lease of the Department Projects to the Department.

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

Legislature means the Legislature of the State of Texas.

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

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

Pledged Revenues mean collectively, the following:

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

Pledged Security means collectively, all right, title and interest of the Authority in and to the following:

- (1) the Pledged Revenues;
- (2) any rights and remedies of the Authority under the Lease or any other lease or use arrangement of all or any part of the Department Projects (except for any right to receive proceeds of insurance, if any, maintained with respect to the Department Projects, to indemnification, and to payment of Bond Administration Costs) and under the Funds Management Agreement; and
- (3) amounts in the Interest and Sinking Fund.

Prior Bonds means collectively the outstanding 1998 Bonds, 1999B Bonds and 2000 Bonds.

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

Project Completion Date means the date on which any Department Projects are completed as certified in the Project Completion Certificate.

Project Costs means any costs associated with the Department Project that are authorized under the Authorizing Law and the Authority Regulations, and Chapter 1201, Texas Government Code (formerly, Article 717k-6, Texas Revised Civil Statutes Annotated, as amended), to be paid with proceeds of each series of the Department Bonds.

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

Project Fund means collectively, the 1998 Project Fund, the 1999B Project Fund, the 2000 Project Fund and the 2001 Project Fund.

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

Rebate Fund means the "Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Rebate Fund" created pursuant to the Bond Resolution.

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

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

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

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

Rent Payments means the rental payments required to be made by the Department pursuant to the Lease in consideration of use of the Department Projects.

Restoration Fund means the "Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Restoration Fund" created pursuant to the Bond Resolution.

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

State means the State of Texas.

Sufficient Assets mean, with respect to the Bond Obligations for any Department Bonds, means any combination of the following:

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due;
- (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 Document(s) means, collectively, the Bond Resolution, the Lease Agreement, the Funds Management Agreement, the Book Entry Representation Letter, the Purchase Agreement, the Transfer Agreement and the Department Bonds, including any amendments to such documents.

Transfer Agreement means the Amended and Restated Transfer Agreement between the Authority and the Department dated as of January 1, 2001 and any amendments thereto.

1998 Bonds mean the "Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1998" issued on March 17, 1998.

1999B Bonds mean the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1999B” issued on January 27, 1999.

2000 Bonds mean the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2000” issued on February 15, 2000.

2001 Bonds mean the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2001.”

1999 Issuance Cost and Operations Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1999 Issuance Cost and Operations Fund.”

2000 Issuance Cost Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2000 Issuance Cost and Operations Fund.”

2001 Issuance Cost Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2001 Issuance Cost Fund.”

1998 Project means such projects as defined in the Bond Resolution.

1999 Project means such projects as defined in the Bond Resolution.

2000 Project means such projects as defined in the Bond Resolution.

2001 Project means such projects as defined in the Bond Resolution.

1998 Project Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1998 Project Fund.”

1999 Project Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 1999 Project Fund.”

2000 Project Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2000 Project Fund.”

2001 Project Fund means the “Texas Public Finance Authority Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2001 Project Fund.”

The Bond Resolution

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

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

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

No Additional Encumbrance. The Authority may not incur additional debt secured by the Pledged Security in any manner except as specifically set forth in the Bond Resolution unless such debt is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of the Bond Resolution. Notwithstanding anything to the contrary in the Bond Resolution, the Authority reserves the right to issue Additional Bonds and obligations to refund the outstanding Department Bonds to refinance existing obligations and to finance other improvements to any component or all of the Department Projects or any part thereof or the property on which any part of such Department Project is situated by the issuance of Additional Bonds pursuant to lease agreements other than the Lease Agreement.

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

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

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

The Paying Agent/Registrar is not required to make any transfer of registration, conversion and exchange, or replacement of any Department Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) called for redemption prior to maturity, within 45 days prior to its redemption date; except that at the option of the Owner of at least \$1,000,000 in principal amount of Department Bonds, the Paying Agent/Registrar is required to transfer or exchange any such Department Bond which has been selected in whole or in part for redemption upon surrender thereof. In which event, the Paying Agent/Registrar will make such arrangements as it deems appropriate for notation on each new Department Bond issued in exchange for or upon transfer of the Department Bonds so selected for redemption of an appropriate legend to the effect that such new Department Bond has been so selected for redemption.

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

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

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

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

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

Bond Insurance. The Authority has agreed that, in the event the principal and interest due on any Department Bonds payment of which is insured by a Bond Insurer is paid by the Bond Insurer pursuant to the relevant Bond Insurance Policy, the assignment and pledge of all funds and all covenants, agreements and other obligations of the Authority to the owners of the Department Bonds will continue to exist and the Bond Insurer will be subrogated to the rights of such owners; and furthermore, the Authority has agreed that:

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

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

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

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

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

Application of Pledged Revenues. The Authority will cause to be deposited into the Interest and Sinking Fund from the Pledged Revenues an amount sufficient (together with any other moneys on deposit therein) to provide for the timely payment of the Bond Obligations, such deposit to be made not later than the second Business Day preceding each date on which any Bond Obligations come due and otherwise in accordance with the Funds Management Agreement. The Executive Director may direct any such deposit to be made on an earlier date so long as such date is not earlier than the 50th day before the date the Bond Obligations for which such deposit is made come due.

Application of Interest and Sinking Fund. Amounts on deposit in the Interest and Sinking Fund will be applied, in accordance with the Funds Management Agreement, at such times and in such amounts as required for the timely payment of the Bond Obligations and otherwise as provided in the Funds Management Agreement.

Application of Restoration Fund. The Restoration Fund will be applied to pay the costs of restoring or replacing any or all of the Department Projects if the Department elects to restore or replace such Department

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

Investment of Funds. The money on deposit in any Fund may be invested and reinvested only in Eligible Investments by the Comptroller in accordance with the Funds Management Agreement. The investments of each Fund will be made under conditions that will timely provide amounts sufficient to satisfy the 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 are to be secured in the manner and to the extent required by law.

Creation of Funds. Pursuant to the Bond Resolution, the following funds have been established for the Department Bonds: Interest and Sinking Fund, Rebate Fund, Restoration Fund, 1998 Project Fund, 1999 Issuance Costs and Operations Fund, 1999 Project Fund, 2000 Project Fund, 2000 Issuance Cost and Operations Fund, 2001 Issuance Cost Fund and 2001 Project Fund.

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

Amendment of Bond Resolution.

- (a) The Bond Resolution may be amended without consent of or notice to the owners of outstanding Department Bonds if the Executive Director first receives (i) Bond Counsel's opinion to the effect that such amendment will not constitute an Event of Taxability and (ii) Bond Counsel's opinion or written advice of the Attorney General of the State of Texas to the effect that such amendment will not violate the terms of the Authorizing Law and other applicable State or federal law or adversely affect the rights of the owners of the outstanding Department Bonds under the Transaction Documents, including without limitation, amendments, changes or modifications to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange, or similar types of agreements with respect to the Department Bonds.
- (b) In addition to amendments described under paragraph (a) above, the Bond Resolution may also be amended with the consent of the registered owners of Department Bonds aggregating a majority in principal amount of the aggregate principal amount of Department Bonds then outstanding.
- (c) Notwithstanding the foregoing, nothing contained in the Bond Resolution or any Transaction Document may permit or be construed to permit, without the approval of the owners of all of the outstanding Department Bonds, the amendment of the terms and conditions of any Transaction Document or in any Department Bond so as to:
 - (1) Make any change in the maturity of the Department Bonds;
 - (2) Reduce the rate of interest borne by any of the Department Bonds;
 - (3) Reduce the amount of the principal payable on the Department Bonds;
 - (4) Modify the terms of payment of principal of, premium (if any), or interest on the outstanding Department Bonds, or impose any conditions with respect to such payment;
 - (5) Affect the rights of the owners of less than all of the Department Bonds then outstanding;
 - (6) Change the minimum percentage of the principal amount of Department Bonds necessary for consent to such amendment; or
 - (7) Change the Pledged Revenues.

- (d) The Bond Resolution provides that the Bond Resolution may be supplemented without notice to, or consent of, the holders of the Department Bonds in connection with the issuance of Additional Bonds.

Amendment of Funds Management Agreement. The Funds Management Agreement shall not be amended without Bond Owners' Direction consenting to such amendment unless such amendment, in the opinion of Bond Counsel, will not constitute an Event of Taxability and, in the opinion of Bond Counsel or the Attorney General of Texas, will not adversely affect the rights of any Bond Owner under the Transaction Documents.

Defeasance of Bonds.

- (a) The Bond Obligations on any Department Bond(s) will be deemed discharged when the following requirements have been satisfied:
 - (1) the payment of such Bond Obligations has been provided for by irrevocably depositing Sufficient Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar, which Sufficient Assets are to be held in trust in a separate escrow account and applied exclusively to the payment of such Bond Obligations;
 - (2) the Authority has received an opinion of Bond Counsel to the effect that:
 - (A) such deposit of Sufficient Assets:
 - (i) will not constitute an Event of Taxability; and
 - (ii) complies with State law; and
 - (B) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;
 - (3) all amounts (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Bond Resolution (including, without limitation, compensation of the Paying Agent/Registrar) with respect to such Department Bond(s) have been paid, or provision satisfactory to the person to whom any such payment is or will be due for making such payment has been made; and
 - (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.
- (b) If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Department Bonds, the particular maturity or maturities of Department Bonds (or, if less than all of a maturity, the principal amount within a maturity) will be as specified by the Authority, and the particular Department 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 Department Bond may be redeemed only in an integral multiple of \$5,000 principal amount).
- (c) The Paying Agent/Registrar must transfer funds from the Interest and Sinking Fund or an escrow account established pursuant to the Bond Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations on the Department Bond(s).
- (d) To the extent permitted by law, the Paying Agent/Registrar, at the Executive Director's direction, may substitute, for any of the securities or obligations deposited as Sufficient Assets, other securities or obligations constituting Sufficient Assets if, upon such substitution, the above referenced requirements are satisfied. Any net proceeds realized from such a substitution shall be paid to the Authority.

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

- (1) the failure to pay when due any Bond Obligations except upon an Event of Nonappropriation;
- (2) the breach by the Authority of any of its obligations (other than its obligation to pay Bond Obligations) under the Transaction Documents, which breach materially and adversely affects the rights of any Bond Owner under the Transaction Documents, and the continuation of such breach for at least 45 days after the date of receipt by the Executive Director of written notice of such breach from the owners of not less than 25 percent in aggregate principal amount of the outstanding Department Bonds;

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

Acceleration. Upon the occurrence of an Event of Default arising from the failure to (i) pay any Bond Obligations when due, or (ii) make a Lease Payment when due (other than as the result of an Event of Nonappropriation), pursuant to the Bond Owners' Direction, the Bond Obligations on all outstanding Department Bonds may be declared immediately due and payable to the extent an appropriation for payment has been made by the Legislature, and thereupon such Bond Obligations must be immediately due and payable to the extent the Legislature has appropriated funds for payment. Any acceleration of Bond Obligations may be annulled pursuant to the Bond Owners' Direction upon receipt by the Executive Director. An annulment of an acceleration of Bond Obligations will not affect any subsequent acceleration of Bond Obligations pursuant to the Bond Resolution.

Enforcement of Rights and Remedies.

- (a) During the continuance of an Event of Default or an Event of Nonappropriation, the Bond Owners, as the pledgees and assignees for security purposes of all right, title, and interest of the Authority in and to the Pledged Security, acting pursuant to the Bond Owners' Direction, and upon compliance with applicable requirements of law, will have standing and the exclusive right to enforce the rights and remedies of the Authority with respect to the Pledged Security to the extent permitted by law. The Authority will cooperate in such enforcement to the extent permitted by law, but the Authority is not required to take any action in that connection except pursuant to the Bond Owners' Direction.
- (b) During the continuance of an Event of Default or an Event of Nonappropriation, an agent of the owners of the outstanding Department Bonds may be appointed through the Bond Owners' Direction, to exercise any rights and remedies available to the owners of the outstanding Department Bonds with respect to the Pledged Security as though such agent were the Authority.
- (c) Upon the occurrence of an Event of Default or an Event of Nonappropriation, any one or more of the following actions may be taken acting pursuant to the Bond Owners' Direction:
 - (1) by suit for damages or injunction, or by other action or proceeding at law or in equity, enforce all rights of the owners of the outstanding Department Bonds or require the Authority to carry out any agreements with or for the benefit of the owners of the outstanding Department Bonds and to perform its duties under the Transaction Documents;
 - (2) by action in equity, enjoin any acts that may be unlawful or in violation of the rights of the owners of the outstanding Department Bonds;
 - (3) by out-of-court proceeding or by suit, action, or other proceeding at law or in equity, enforce and exercise all rights of the owners of the outstanding Department Bonds and the Authority under the Transaction Documents; and
 - (4) upon the filing of a suit or commencement of any other action or proceeding to enforce the rights of the Authority or the owners of the outstanding Department Bonds, have a receiver appointed for the Pledged Security with such powers as are provided by law and such additional powers as the court making such appointment may confer.
- (d) Any judgment against the Authority may be enforceable only against the Pledged Security. There may not be authorized any deficiency judgment against any assets of, or the general credit of, the Authority, the Comptroller, the Department or the State.
- (e) In addition to the remedies provided under the Bond Resolution, the owners of the outstanding Department Bonds acting pursuant to Bond Owners' Direction, may exercise any other rights and remedies afforded by law.
- (f) To the extent permitted by law, any suit or other action or proceeding instituted by the owners of the outstanding Department Bonds may be instituted, if necessary, in the name of the Authority for the benefit of the owners of the outstanding Department Bonds.
- (g) No delay or omission to exercise any right or power existing upon any breach of the Bond Resolution or the Lease Agreement may impair such right or power or constitute a waiver thereof, and each such right or power may be exercised as often as may be deemed expedient.

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

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

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

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

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

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

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

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

Credit Agreements. The Authority has reserved the right in the Bond Resolution in connection with the Department Bonds to enter into one or more Credit Agreements subsequent to the issuance of any Department Bonds without the consent of any Bond Owner.

The Lease Agreement

The Department (for purposes of this heading, the "Lessee") and the Authority have entered into the Original Lease Agreement. The Lease Agreement will be amended and restated to add the 2001 Project financed with the proceeds of the 2001 Bonds to the leased properties. The following is a summary of certain provisions of the Lease Agreement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Lease Agreement. Copies of the Lease Agreement are available for examination at the offices of the Authority.

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

Rent Payments. On the Rent Payment Date, the Lessee must pay or cause to be paid Rent Payments in the amounts, at the times, and otherwise in accordance with the Lease Agreement. The Lessee must pay the Rent Payments or cause the Rent Payments to be paid, from funds lawfully available for the payment of Rent Payments,

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

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

The Lessee has agreed to transfer and pay to the Authority as a portion of the Rent Payments (related to certain overhead and operating expenses caused by the Department Bonds being outstanding and the Department Projects being constructed) an amount determined annually by the Authority and certified to the Lessee as the amount payable.

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

Alteration or Substitution of Projects. The Lessee may alter a Department Project (as described in the Project Description) or substitute other facilities for all or any part thereof if, before such alteration or substitution is made:

- (1) in the case of an alteration or substitution that would cause the amount of funds necessary to complete the acquisition, construction or improvements of the Department Projects (as altered or substituted) to exceed the Project Completion Amount, an Authorized Representative of the Lessee certifies to the Executive Director that the Lessee has sufficient legally available funds to complete the acquisition and construction of the Department Project;
- (2) the Authorized Representative of the Lessee obtains an opinion of Bond Counsel or the written advice of the Attorney General of the State of Texas to the effect that such alteration or substitution is authorized by law and would not constitute an Event of Taxability; and
- (3) an Authorized Representative of the Lessee notifies the Executive Director of such alteration or substitution and provides the Executive Director with a revised Project Description describing such Department Project as altered or substituted.

Acquisition, Construction and Improvement of Department Projects. The Lessee will cause the acquisition, construction, repair, renovation, improvement or equipping, as applicable, of the Department Projects to be completed with due diligence substantially in accordance with Plans and Specifications, free of any liens, and in accordance with the law; but if, for any reason, such acquisition, construction, repair, improvement, renovation or equipping is delayed or not completed, there may be no diminution in or postponement of Lease Payments. The Lessee will make timely payments of Project Costs in accordance with law and the contracts for construction, improvement or renovation, as applicable, of the Department Projects. The Lessee will defend title to the Department Projects conveyed to the Authority and to be conveyed to the Authority, on behalf of and for the benefit of the Authority and the owners of the Department Bonds. The Lessee will require all contractors to provide performance and payment bonds as required by the law in the full amounts of the construction contracts.

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

Project Insurance.

- (a) The Authority must obtain and maintain insurance with respect to each Department Projects for the following types of coverage to the extent that Lease Payments (inclusive of Rent Payments) and/or other funds are lawfully available for such purpose and to the extent such insurance is available on commercially reasonable terms:
 - (1) fire and extended coverage, without a coinsurance penalty, in an amount (to the extent of insurability) not less than an amount equal to 100% of the replacement value of the Department Projects or 100% of the replacement value of all Department Projects;
 - (2) business interruption or other time element coverage in an amount not less than one year's debt service on the outstanding Department Bonds.
- (b) Compliance with (a) above is not required to the extent that:
 - (1) the Authority determines that the prescribed insurance coverage is unavailable or is available only at unreasonable rates; and
 - (2) the Authority establishes, or causes to be established, a self-insurance program.
- (c) The Authority must furnish the Lessee with a copy of each policy of insurance maintained under the Lease Agreement. The Lessee (to the extent permitted by law) must cooperate with the Authority in obtaining and maintaining the insurance required.
- (d) If a claim arises under any insurance maintained under the Lease Agreement, the Authority must diligently pursue collection under the insurance policy.
- (e) The net proceeds of any business interruption or other time element insurance will be applied to the payment or prepayment of Rent Payments.
- (f) The Lessee must make, or cause to be made, available to the Authority, lawfully available funds sufficient for the timely payment of premiums on insurance maintained pursuant to, and other costs incident to the administration of, the provisions described under this subheading. The Authority will obtain such funds pursuant to the Funds Management Agreement.

Use of Department Projects. The Lease Agreement in no way limits or prohibits the Legislature or the Lessee from using a Department Project for any lawful purposes under the laws of the State, including leasing or subleasing any portion of the Department Project to any state agency or political subdivision of the State; provided, however, before any such action is taken, the Executive Director determines that such action will not constitute an Event of Taxability. No sublease by the Lessee of the Department Projects may release the Lessee from, or mitigate its obligations under, the Lease and the Lessee will continue to be obligated to make all payments required under the Lease.

Disposition of Department Projects. At the direction of the Legislature, the Authority may sell or otherwise dispose of all or any part of any Department Project, provided the Authority applies the proceeds of such sale or disposition in accordance with such directive. Any such legislative directive must appropriate the proceeds of such sale or other disposition for deposit into the Restoration Fund and be used to pay Project Costs of a substitute Department Project or transferred to the Interest and Sinking Fund to be applied in accordance with the Bond Resolution and the Funds Management Agreement.

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

- (a) Failure by the Lessee to pay any Lease Payment when due, except upon an Event of Nonappropriation;
- (b) Failure by the Lessee to cure any breach by the Lessee of any representation, warranty, or agreement under the Lease within 45 days (or, in each case, such longer period as the Authority in its discretion,

may specify) after the date of having been directed by the Authority to cure such breach unless the Authority has extended such period or has waived such breach;

- (c) Any act of bankruptcy by the Lessee, the Authority, the Comptroller, or the State; or
- (d) The occurrence of an "Event of Default" under the Bond Resolution.

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

- (a) Enter and take possession of the Department Project (or all Department Projects) without terminating the Lease Agreement, and sublease all or any part of the Department Project (or all Projects) for the account of the Lessee, holding the Lessee and any sublessee of the Lessee liable for the difference in the rent and other amounts payable by the sublessee in such subleasing and the Lease Payments and other amounts payable by the Lessee under the Lease Agreement so long as the Legislature shall have appropriated funds to the Lessee to pay such amounts. (See "THE 2001 BONDS - Investment Considerations.")
- (b) Terminate the Lease Agreement, enter and take possession of the Department Project (or all Department Projects), and at the Authority's option, to the extent permitted by law, lease any or all the Department Projects to another party for the account of the Lessee, holding the Lessee and any sublessee of the Lessee liable for all Lease Payments and other amounts due under the Lease Agreement and not paid by such other party so long as the Legislature has appropriated funds to the Lessee to pay such amounts. (See "THE 2001 BONDS - Investment Considerations.")
- (c) Take any action at law or in equity to collect any amount due or that may become due under the Lease Agreement, or to enforce performance of any obligation of the Lessee under the Lease Agreement, by mandamus or otherwise.

No remedy in the Lease Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy is cumulative and in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default will impair any such right or power or will be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it will not be necessary to give any notice other than such notice as may be required in the Lease Agreement.

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

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

Remedies Upon an Event of Nonappropriation. Upon an Event of Nonappropriation, the Authority may exercise its remedies to the extent described above, except that the Authority may not seek to compel payment from the Lessee, whether by an acceleration of the Department Bonds, by mandamus, or by any other legal or equitable proceeding of Rent Payments for which there has been no appropriation by the Legislature.

Term of Lease Agreement. Unless otherwise terminated as provided therein, the Lease Agreement will remain in full force and effect from the date thereof until the Bond Obligations on all outstanding Department Bonds, the proceeds of which have been used to finance the construction of the Department Projects have been paid (or provision has been made for such payment pursuant to the Bond Resolution) and all other obligations of the Lease Agreement have been satisfied.

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

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

Amendment of Lease Agreement. The Authority and the Lessee, by mutual agreement, may amend the Lease if, before the amendment takes effect:

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

The Funds Management Agreement

The Authority and the Comptroller have entered into a Funds Management Agreement, as amended by a first amendment to the Funds Management Agreement and a second amendment to the Funds Management Agreement, and as amended and restated by the Amended and Restated Funds Management Agreement dated January 1, 2001 (the "Funds Management Agreement"). The following is a summary of certain provisions of the Funds Management Agreement providing for the administration of the proceeds of the Department Bonds and availability of funds for the payment thereof. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Funds Management Agreement. Copies of the Funds Management Agreement are available for examination at the offices of the Authority.

Collection of Rent Payments and Other Funds for Application to Debt Service on Department Bonds. On each Rent Payment Date, the Authority will make Rent Payments on behalf of the Department by transferring funds from funds lawfully available to the Department, as may be directed by the Department, to the Interest and Sinking Fund in an amount that (taking into account other funds, if any, on deposit in the Interest and Sinking Fund) is sufficient to pay the Bond Obligations next coming due.

The Authority may transfer funds to the Interest and Sinking Fund from another account of the Authority, or deposit funds received by the Comptroller from, or for the account of, the Authority into the Interest and Sinking Fund.

If, after any Rent Payment Date but before the payment of the Bond Obligations that next come due following such Rent Payment Date, the Authority receives telephonic instructions from an Authorized Department Representative to transfer funds to the Interest and Sinking Fund from Pledged Revenues (or from other sources of funds lawfully available to the Department as may be directed by the Department) in order to cure a deficiency in the Interest and Sinking Fund, the Authority, upon receipt of such instructions, will make such transfer in the amount and otherwise in accordance with such instructions.

Payment of Debt Service on Department Bonds. The Authority will apply any funds in the Interest and Sinking Fund representing accrued interest received from the sale of the Department Bonds to the payment of the interest first coming due on the Department Bonds.

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

Payment of Other Lease Payments. The Authority may apply funds lawfully available to the Department from Pledged Revenues to the payment of Lease Payments other than Rent Payments due under the Lease Agreement.

Restoration and Replacement of Department Projects. Pursuant to the Lease Agreement, insurance or condemnation proceeds received as a result of damage, destruction or condemnation of all or any portion of the Department Projects and proceeds derived from the sale or other disposition of all or any portion of the Department Projects must be deposited in the Restoration Fund. The Authority must treat and administer the Restoration Fund as if it were a Project Fund in all respects, except that pursuant to the Lease Agreement, certain of such proceeds must be transferred to the Interest and Sinking Fund rather than applied to the restoration or replacement of any portion of the Department Projects. Any money remaining in the Restoration Fund after the payment of all restoration or replacement costs, as evidenced by a certificate of an Authorized Department Representative, must be deposited into the Interest and Sinking Fund.

Investment of Funds. The money held in the Funds is to be invested (and reinvested) by the Comptroller along with other funds in the State Treasury in Eligible Investments selected by the Comptroller. Uninvested moneys (if any) in any Fund must be secured in the manner and to the extent required by law.

The investments of each Fund must be made under conditions that will timely provide moneys sufficient to meet the Authority's obligations. The proceeds received from the disposition of any investment acquired with moneys from any Fund, and any income from such investment, will be deposited into such Fund.

The Comptroller is required to maintain (or cause to be maintained) detailed records accurately reflecting all investment transactions and all Funds activity, which records are subject to state audit.

With respect to each purchase (except any direct purchase from the United States government) or sale of an investment, the Comptroller represents and warrants that the price for which the investment is purchased or sold will be the "market price" determined in accordance with Treasury Regulation 1.148-5(d) (or any successor regulation) and that the Comptroller will maintain records that adequately support such determination.

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

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, have assigned their municipal bond ratings to the 2001 Bonds of "Aa2" and "A+" respectively. An explanation of the significance of the ratings may be obtained from the respective rating agency. The ratings reflect only the views of such organizations at the time the ratings were given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2001 Bonds.

MUNICIPAL BOND INSURANCE

The scheduled payment of principal and interest on certain of the 1998 Bonds and the 1999B Bonds has been guaranteed under a municipal bond insurance policy issued by AMBAC Assurance Corporation concurrently with the issuance of such bonds. The scheduled payment of principal and interest on certain of the 2000 Bonds has been guaranteed under a municipal bond insurance policy issued by Financial Security Assurance Inc. concurrently with the issuance of such bonds. Payment of principal of and interest on the 2001 Bonds is not insured or guaranteed by any Person.

TAX EXEMPTION

The delivery of the 2001 Bonds is subject to the opinion of Delgado, Acosta, Braden & Jones, P.C., Bond Counsel, to the effect that interest on the 2001 Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on all tax-exempt obligations, including the 2001 Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT), or a real estate mortgage investment conduit (REMIC). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the Authority, the Comptroller and the Department made in certificates pertaining to the use, expenditure, and investment of the proceeds of the 2001 Bonds and will assume continuing compliance by the Authority, the Comptroller and the Department with the provisions of the Transaction Documents subsequent to the issuance of the 2001 Bonds. The Transaction Documents contain covenants by the Authority, the Comptroller and the Department with respect to, among other matters, the use of the proceeds of the 2001 Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the 2001 Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the 2001 Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the 2001 Bonds.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 2001 Bonds. Prospective purchasers of the 2001 Bonds should be aware that the ownership of tax-exempt obligations such as the 2001 Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

TAX ACCOUNTING TREATMENT OF DISCOUNT BONDS

The initial public offering price to be paid for certain 2001 Bonds may be less than the amount payable on such 2001 Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes on the same terms and conditions as those for other interest on the 2001 Bonds described above under "TAX EXEMPTION". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during its taxable year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings

and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS

The initial public offering price to be paid for certain 2001 Bonds may be greater than the stated principal amount on such 2001 Bonds payable at maturity (the "Premium Bonds"). The excess of the initial public offering price at which a substantial amount of the Premium Bonds of each maturity are sold and the principal amount payable thereon at maturity constitutes original issue premium. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the 2001 Bonds of each maturity were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such Premium Bond by such owner. Amortized original issue premium on a Premium Bond is not allowed as a deduction from gross income for federal income tax purposes. Original issue premium on any Premium Bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such Premium Bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a Premium Bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the Premium Bond.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

THE 2001 BONDS AS LEGAL INVESTMENTS IN TEXAS

Chapter 1201, Texas Government Code (formerly, Article 717k-6, Texas Revised Civil Statutes, as amended) provides that obligations, such as the 2001 Bonds, are legal and authorized investments for insurance companies, fiduciaries and trustees, and for the sinking funds of municipalities and other political subdivisions or public agencies of the State. The 2001 Bonds are also eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are lawful and sufficient security for those deposits to the extent of their market value. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the 2001 Bonds may need to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "RATINGS" herein.

The Authority has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the 2001 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the 2001 Bonds for such purposes. The Authority has made no review of laws in other states to determine whether the 2001 Bonds are legal investments for various institutions in those states.

LITIGATION

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority

to deliver the 2001 Bonds or the validity of the 2001 Bonds. There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Attorney General of the State of Texas, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge is there any basis therefor) that (1) affects the existence of the Authority or the right of the present directors and officers of the Authority to hold their offices, (2) affects the validity or enforceability of the provisions pursuant to which the 2001 Bonds are being issued, and (3) would have a material adverse effect upon the power of the Authority to issue the 2001 Bonds. See Appendix A to this Official Statement concerning legal proceedings to which the State is a party relating to its operations and governmental functions but unrelated to the 2001 Bonds or the security for the 2001 Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. In the Bond Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Department Bonds, including the 2001 Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay any Department Bonds. Under the agreement, the Authority will be obligated to provide timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Material Event Notices. In the Bond Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the Department Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Department Bonds; (7) modifications to rights of holders of the Department Bonds; (8) Department Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Department Bonds; and (11) rating changes. In addition, the Authority will provide timely notice of any failure by the Comptroller to provide information, data or financial statements in accordance with its agreement described below under "-Continuing Disclosure Undertaking of the Comptroller-Annual Reports." The Authority will provide each notice described in this paragraph to any state information depository (a "SID") and to either each nationally recognized municipal securities information repository ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB").

Continuing Disclosure Undertaking of the Comptroller

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

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. The disclosure appendix is incorporated herein as described in Appendix "A" to this Official Statement. The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with the Comptroller's disclosure agreement. Quarterly updates to Appendix A will be available at <http://www.cpa.state.tx.us/treasops/bondapp.html> each calendar quarter. In addition, the Comptroller publishes, and intends to continue to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues and expenses for State government funds on a combined basis. Bondholders may subscribe to *Fiscal Notes* by writing to *Fiscal Notes*, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained from the Comptroller by calling 1-800-227-8392.

Annual Reports. The Comptroller will provide, within 195 days after the end of each fiscal year of the State, certain updated financial information and operating data to certain information vendors annually. The information

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

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

The State's current fiscal year end is August 31. Accordingly, it must provide updated information by March 13 in each year (or March 12 in a leap year) unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify each NRMSIR and any SID of the change.

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

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

The Authority and the Comptroller have agreed to update information and to provide notices of material events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Authority's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the 2001 Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person's continuing disclosure agreement or from any statement made pursuant to such person's agreement, although holders of 2001 Bonds may seek a writ of mandamus to compel the Authority and the Comptroller to comply with their agreements.

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Authority or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell 2001 Bonds in the offering described herein in compliance with the SEC Rule 15c2-12 and either the holders of a majority in aggregate principal amount of the outstanding 2001 Bonds consent or any person unaffiliated with the Authority, the Comptroller and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the 2001 Bonds. If the Authority or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

Neither the Authority nor the Comptroller has failed to comply in any material respect with any continuing disclosure agreement made by such person in accordance with SEC Rule 15c2-12.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the 2001 Bonds from the Authority. The purchase price for the 2001 Bonds is \$12,665,873.02 (representing the par amount of the 2001 Bonds of \$12,685,000, plus a net premium of \$63,797.80 and less an underwriting discount of \$82,924.78), plus accrued interest on the 2001 Bonds from their dated date to the date of delivery. The Underwriters will be obligated to purchase all of the 2001 Bonds if any 2001 Bonds are purchased. The 2001 Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2001 Bonds into investment trusts) at prices lower than the public offering prices of such 2001 Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

THE CO-FINANCIAL ADVISORS

First Southwest Company and Walton Johnson & Company (the "Co-Financial Advisors") have acted as co-financial advisors to the Authority in connection with the issuance and sale of the 2001 Bonds. First Southwest Company also serves in other capacities with the Authority. All fees and other remuneration received in such other capacities are separate and distinct from the fees associated with the 2001 Bonds and are not contingent upon the sale and issuance of the 2001 Bonds. The Co-Financial Advisors have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness (except for the information concerning the Co-Financial Advisors). Investors should not draw any conclusions as to the suitability of the 2001 Bonds from, or base any investment decisions upon, the fact that the Co-Financial Advisors have advised the Authority.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2001 Bonds by the Authority are subject to the unqualified approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, Bond Counsel. The compensation paid to Bond Counsel for services rendered in connection with the issuance of the 2001 Bonds is contingent on the delivery of the 2001 Bonds. Bond Counsel's approving opinion will be rendered in substantially the form attached to this Official Statement as Appendix C.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions, "THE 2001 BONDS," "DESCRIPTION OF THE TRANSACTION DOCUMENTS," "TAX EXEMPTION," "TAX ACCOUNTING TREATMENT OF DISCOUNT BONDS," "TAX ACCOUNTING TREATMENT OF PREMIUM BONDS," "THE 2001 BONDS AS LEGAL INVESTMENTS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" to verify that the information relating to the 2001 Bonds and the Transaction Documents contained under such captions in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate.

Certain legal matters will be passed upon for the Underwriters by their counsel, Vinson & Elkins L.L.P., Houston, Texas.

The various legal opinions to be delivered concurrently with the delivery of the 2001 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Forward Looking Statements

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

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

MISCELLANEOUS

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

This Official Statement has been approved by the Authority.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____ /s/ Daniel H. Branch
Chair

APPENDIX A

THE STATE OF TEXAS

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

APPENDIX B

DEBT SERVICE REQUIREMENTS

Fiscal Year	1998 Bonds Debt Service	1999B Bonds Debt Service	2000 Bonds Debt Service	2001 Bonds Debt Service		Total	Combined Debt Service
				Principal	Interest		
2001	\$902,730.00	\$1,342,157.50	\$1,352,375.00	\$ 500,000.00	\$ 317,245.83	\$ 817,245.83	\$4,414,508.33
2002	905,405.00	1,333,407.50	1,533,375.00	835,000.00	261,300.00	1,357,600.00	5,129,787.50
2003	907,180.00	1,328,007.50	1,996,500.00	850,000.00	243,556.25	1,337,112.50	5,568,800.00
2004	908,055.00	1,320,807.50	1,946,500.00	1,050,000.00	225,493.75	1,500,987.50	5,676,350.00
2005	913,030.00	1,311,807.50	1,896,500.00	1,050,000.00	203,181.25	1,456,362.50	5,577,700.00
2006	916,880.00	1,309,357.50	1,846,000.00	1,050,000.00	180,868.75	1,411,737.50	5,483,975.00
2007	915,150.00	1,311,790.00	1,794,750.00	1,050,000.00	158,556.25	1,367,112.50	5,388,802.50
2008	908,950.00	1,315,552.50	1,740,250.00	1,045,000.00	136,243.75	1,317,487.50	5,282,240.00
2009	901,250.00	1,322,170.00	1,677,750.00	1,050,000.00	114,037.50	1,278,075.00	5,179,245.00
2010	900,600.00	1,326,682.50	1,611,500.00	1,050,000.00	91,725.00	1,233,450.00	5,072,232.50
2011	898,230.00	1,328,827.50	1,551,500.00	1,050,000.00	69,412.50	1,188,825.00	4,967,382.50
2012	899,710.00	1,323,435.00	1,496,500.00	1,050,000.00	46,837.50	1,143,675.00	4,863,320.00
2013	899,485.00	1,325,312.50	1,441,000.00	1,055,000.00	23,737.50	1,102,475.00	4,768,272.50
2014	902,525.00	1,323,896.25	1,384,250.00	-	-	-	3,610,671.25
2015	903,562.50	1,319,615.00	1,326,750.00	-	-	-	3,549,927.50
2016	902,562.50	1,322,680.00	1,268,500.00	-	-	-	3,493,742.50
2017	905,275.00	1,317,960.00	1,209,500.00	-	-	-	3,432,735.00
2018	906,087.50	1,314,500.00	1,150,000.00	-	-	-	3,370,587.50
2019	-	1,312,000.00	1,090,000.00	-	-	-	2,402,000.00
2020	-	-	1,030,000.00	-	-	-	1,030,000.00
Total	\$16,296,667.50	\$25,109,966.25	\$30,343,500.00	\$12,685,000.00	\$3,827,145.83	\$16,512,145.83	\$88,262,279.58

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

DELGADO, ACOSTA, BRADEN & JONES, P.C.

Attorneys at Law

HECTOR DELGADO
ALEJANDRO ACOSTA, JR.
PAUL A. BRADEN
JOHN R. JONES
MARCO DELGADO
RENE ORDOÑEZ
CARLOS RINCON
JERRY WALLACE
RODOLFO MATA
RUBEN DUARTE
BOBBIE M. GUERRA
RAYMOND R. DAVENPORT

221 N. KANSAS, SUITE 2000
EL PASO, TEXAS 79901
TEL. (915) 544-9997
FAX (915) 544-8544
staff@delgadoacosta.com

January __, 2001

WE HAVE ACTED AS BOND COUNSEL to the Texas Public Finance Authority (the "Authority") in connection with the issuance of its Revenue Bonds (Texas Parks and Wildlife Department Projects) Series 2001 (the "Bonds") in the aggregate principal amount of \$12,685,000 pursuant to an Amended and Restated Bond Resolution adopted by the Board of Directors of the Authority on December 12, 2000 (the "Bond Resolution"). The Bonds are stated to mature on August 1 of the years specified in the Bond Resolution, and bear interest from January 1, 2001, payable on each August 1 and February 1, commencing August 1, 2001 at the rate (computed on the basis of a 360-day year composed of twelve 30-day months) specified in the Bond Resolution and the Pricing Committee's Pricing Certificate. The Bonds are issuable in fully registered form in denominations of \$5,000 and integral multiples thereof. The Bonds are subject to optional redemption prior to stated maturity as stated in the Bond Resolution and the Pricing Committee's Pricing Certificate.

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

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

(1) the Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of Texas and constitute valid and legally binding special limited obligations of the Authority, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditor's rights generally or the discretion of courts in the granting of equitable relief; and

(2) the Bonds constitute special limited obligations of the Authority payable exclusively from the Pledged Security (as defined in the Bond Resolution) including Rent Payments (as defined in the Bond Resolution) made by the Department. Rent Payments are payable from appropriations which will have to be made by the Legislature of the State of Texas. Neither the full faith and credit nor the taxing power of the State of Texas or any agency, political corporation or political subdivision thereof will be pledged for payment of the Bonds. The Authority has no taxing power.

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

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing

business in the United States of America, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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

Respectfully,