

**SECOND SUPPLEMENT DATED JULY 28, 2004  
TO  
OFFICIAL STATEMENT  
DATED SEPTEMBER 9, 2003, as SUPPLEMENTED on SEPTEMBER 25, 2003**

**Relating to**

**\$400,000,000**

**TEXAS PUBLIC FINANCE AUTHORITY  
UNEMPLOYMENT COMPENSATION OBLIGATION ASSESSMENT  
REVENUE VARIABLE RATE DEMAND BONDS, SERIES 2003C (TAXABLE)**

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Pursuant to the Resolution, including specifically, Section 4.11, the Authority has provided notice of its intent to convert of all of the currently outstanding Revenue Variable Rate Demand Bonds, Series 2003C (Taxable) (the "Series 2003C Bonds") to tax-exempt bonds. Upon completion of the conversion for all of the Series 2003C Bonds, the Series 2003C Bonds will be styled "\$400,000,000 Revenue Variable Rate Demand Bonds, Series 2003C." Each subseries of the Series 2003C Bonds is being converted to tax-exempt bonds on its tax-exempt conversion date as shown below:

<u>Subseries</u>	<u>Tax-Exempt Conversion Date</u>
Series C-1	August 6, 2004
Series C-2	August 11, 2004
Series C-3	August 5, 2004
Series C-4	August 9, 2004
Series C-5	August 10, 2004

For each subseries being converted, on the date of conversion for that subseries, Co-Bond Counsel will deliver an opinion, substantially in the form attached hereto, with respect to the excludability of interest on such subseries from gross income for federal income tax purposes.

For further information on the Series 2003C Bonds, the final Official Statement dated September 9, 2003 (as supplemented on September 25, 2003) is on file with the Authority and may be obtained from the Authority's web site at [www.tdfa.state.tx.us](http://www.tdfa.state.tx.us). Updated financial information regarding the Series 2003C Bonds was filed with each NRMSIR and with the Texas SID in February of 2004 and that February 2004 update, along with any additional updates filed on or after the date of this Supplement may be obtained from the Commission's web site at [www.twc.state.tx.us](http://www.twc.state.tx.us).

VINSON & ELKINS L.L.P.  
2300 FIRST CITY TOWER  
1001 FANNIN STREET  
HOUSTON, TEXAS 77002-6760

DELGADO, ACOSTA,  
BRADEN & JONES, P.C.  
221 N. KANSAS, SUITE 2000  
EL PASO, TEXAS 79901

[TO BE DATED AS OF THE TAX EXEMPT CONVERSION DATE]

WE HAVE ACTED as co-bond counsel for the Texas Public Finance Authority (the "Authority"), in connection with its Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Variable Rate Demand Bonds, Series 2003C-\_\_ in the aggregate principal amount of \$\_\_\_\_\_ (the "Series 2003C-\_\_ \* Bonds"). This opinion is deemed to be dated as of the Tax Exempt Conversion Date applicable to the Series 2003C-\_\_ Bonds, which is \_\_\_\_\_, 2004 (the "C-\_\_ Tax Exempt Conversion Date").

The Series 2003C-\_\_ Bonds mature, bear interest and may be transferred and exchanged as set forth in the Series 2003C-\_\_ Bonds and the bond resolution adopted by the Board of Directors of the Authority authorizing their issuance (the "Resolution") and in the Pricing Certificates of the Pricing Committee. The Series 2003C-\_\_ Bonds, along with the other Series 2003 Bonds issued under the Resolution, were issued to provide funds for the purpose of funding the Commission Program (as described in the Resolution).

Pursuant to the Resolution, the Series 2003C-\_\_ Bonds were issued as Taxable bonds subject to conversion to Tax-Exempt bonds upon the occurrence of certain events, including the delivery of this opinion. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Resolution.

WE HAVE ACTED as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2003C-\_\_ Bonds under the Constitution and laws of the State of Texas (the "State") and with respect to the treatment of interest on the Series 2003C-\_\_ Bonds as excludable from gross income for federal income tax purposes as of the C-\_\_ Tax Exempt Conversion Date. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings and certain other documents as we have deemed appropriate in order to issue our opinion. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority or the disclosure thereof in connection with the sale of the Series 2003C-\_\_ Bonds. Our role in connection with the Authority's Official Statement dated September 9, 2003, as supplemented on September 25, 2003 and on July 28, 2004, prepared for use in connection with the sale of the Series 2003C-\_\_ Bonds has been limited as described therein.

IN OUR CAPACITY as co-bond counsel, we have participated in the preparation of and have examined limited portions of a transcript of certified proceedings pertaining to the Series 2003C-\_\_ Bonds on which we have relied in giving our opinion. The transcript contains

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\* In the final opinion issued for each of the respective sub-series of Series 2003C Bonds, references will be to the Series 2003C-1, C-2, C-3, C-4, or C-5 Bonds, as applicable.

certified copies of certain proceedings of the Authority and the Commission, customary certificates of officers, agents and representatives of the Authority and the Commission and other public officials; and other certified showings relating to the authorization and issuance of the Series 2003C-\_\_ Bonds. We have also examined a private letter ruling (the "Ruling") issued by the Internal Revenue Service with respect to the Series 2003C-\_\_ Bonds on July 15, 2004, certain notices to the Tender Agent and Remarketing Agent of the proposed conversion of the Series 2003C-\_\_ Bonds to Tax-Exempt bonds, and certain other certified showings relating to the proposed conversion of the Series 2003C-\_\_ Bonds to Tax-Exempt bonds.

BASED ON SUCH EXAMINATION AND SUBJECT TO THE MATTERS SET FORTH BELOW, IT IS OUR OPINION that, as of the C-\_\_ Tax Exempt Conversion Date:

- (1) Interest on the Series 2003C-\_\_ Bonds is excludable from gross income for federal income tax purposes under existing law.
- (2) The Series 2003C-\_\_ Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2003C-\_\_ Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Series 2003C-\_\_ Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax.

IT IS OUR FURTHER OPINION, based on the foregoing, that the conversion of the Series 2003C-\_\_ Bonds to Tax-Exempt bonds will not have an adverse effect on the status of the Series 2003C-\_\_ Bonds as valid and legally binding special obligations of the Authority payable solely from the sources provided therefor in the Resolution.

In providing such opinions, we have relied on the Ruling and on representations of the Authority, the Commission, the Authority's co-financial advisors, and the Underwriters, with respect to matters solely within the knowledge of the Authority, the Commission, the Authority's co-financial advisors, and the Underwriters, respectively, which we have not independently verified. Furthermore, we have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Series 2003C-\_\_ Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing provisions of the Resolution, interest on the Series 2003C-\_\_ Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Series 2003C-\_\_ Bonds or the other Series 2003 Bonds.

It is to be understood that the rights of holders of the Series 2003C-\_\_ Bonds and the enforceability of the Series 2003C-\_\_ Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Owners of the Series 2003C-\_\_ Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2003C-\_\_ Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Series 2003C-\_\_ Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series 2003C-\_\_ Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

Vinson & Elkins L.L.P.

Delgado, Acosta, Braden, & Jones, P.C.