

SUPPLEMENT TO OFFERING MEMORANDUM

Dated July 31, 2017

RELATING TO  
TEXAS PUBLIC FINANCE AUTHORITY  
REVENUE COMMERCIAL PAPER NOTES  
(TEXAS FACILITIES COMMISSION PROJECTS)  
SERIES 2016A (Taxable) and SERIES 2016B (Tax-Exempt)

All capitalized terms shall have the meaning set forth in the Offering Memorandum dated September 1, 2016, which is incorporated and attached hereto for all purposes.

With respect to the Notes issued by the Texas Public Finance Authority (the “Authority”), the Comptroller of Public Accounts of the State (in such capacity, the “Liquidity Provider”) has agreed to extend the liquidity agreement (the “Liquidity Agreement”) between the Authority and the Liquidity Provider to August 31, 2018.

Additionally, the Liquidity Agreement has been amended to exclude an additional three Events of Default from the Conditions Precedent relating to the disbursement of funds by the Liquidity Provider in the event of a Notice of Draw (as defined under the Liquidity Agreement). The three additional Events of Default relate to failure to pay judgment, breach or failure of performance under the Liquidity Agreement and Resolution Event of Default. To reflect this change to the Liquidity Agreement, the Offering Memorandum is hereby amended by adding the below paragraph to the Offering Memorandum following the second paragraph under the heading “Liquidity Facility”:

As further provided in the Agreement, the Comptroller will disburse funds subject to certification by the Authority that (i) No Event of Default has occurred and is continuing (except not as to those Events of Default described in clauses (i), (ii), (v), (ix) (x) and (xi) below), and (ii) the Authority is unable to market the Notes in an amount equal to the amount requested in a Notice of Draw.

The above referenced changes to the Liquidity Agreement are effective September 1, 2017.

**OFFERING MEMORANDUM  
DATED SEPTEMBER 1, 2016**

Book-Entry-Only

Ratings:  
Standard & Poor's Ratings Service: A-1+  
Fitch Ratings: F1+

**\$767,670,000**

**TEXAS PUBLIC FINANCE AUTHORITY  
REVENUE COMMERCIAL PAPER NOTES  
(TEXAS FACILITIES COMMISSION PROJECTS)**

**SERIES 2016A (TAXABLE)**

**SERIES 2016B (TAX-EXEMPT)**

The Texas Public Finance Authority State of Texas Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016A (Taxable) and Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016B (Tax-Exempt) (collectively, the "Notes") are being issued by the Texas Public Finance Authority (the "Authority") pursuant to Chapters 1232 and 1371, Texas Government Code, as amended (collectively, the "Acts"). Upon issuance in accordance with the terms of a resolution ("Resolution") adopted by the board of directors of the Authority, the Notes are special obligations of the Authority, payable solely from revenues derived by the Authority pursuant to a lease dated June 1, 2016 by and between the Authority and the Texas Facilities Commission (the "Commission") relating to the Project (as defined herein). Payments to the Authority under the lease are subject to biennial appropriation by the Legislature of the State (the "Legislature") of funds lawfully available for payment. The Legislature is not legally required to make the appropriations for such payments. *See* "THE NOTES – Payment and Security."

The Notes are authorized by the Resolution in the aggregate principal amount of \$767,670,000, provided that the Notes shall not be outstanding in an amount greater than the commitment under the Liquidity Agreement (as defined herein). *See* "OFFERING." The Comptroller of Public Accounts of the State of Texas has agreed, pursuant to a liquidity agreement (the "Liquidity Agreement"), to purchase any Notes that are not otherwise refunded or paid by the State upon their maturity. The commitment under the Liquidity Agreement is equal to \$75,000,000 plus 270 days of interest at the Maximum Interest Rate, which is currently 10%, from September 1, 2016 through August 31, 2017 (the "Commitment"). The Authority will not issue Notes in excess of the Commitment without prior amendment to increase the amount of such Commitment. The Liquidity Agreement expires August 31, 2017. *See* "THE NOTES – Liquidity Facility."

The Notes will be issued in whole or in part as Revenue Commercial Paper Notes (Texas Facilities Commission Projects), Series 2016A ("Taxable Notes") and Revenue Commercial Paper Notes (Texas Facilities Commission Projects), Series 2016B ("Tax-Exempt Notes"). The form of Bond Counsel opinion of Bracewell LLP, delivered to the Authority, the Issuing and Paying Agent, and the Dealer, as hereinafter defined, is set forth as Appendix B. Copies of such opinion are available upon request from the Dealer.

**The Notes are not a debt of the State, the Authority, or any state agency, political corporation, or political subdivision of the State. Neither the faith and credit nor taxing power of the State or any State agency, political corporation or political subdivision of the State is pledged to the payment of the Notes, and none of them is obligated to pay the Notes except as provided by the Act. The Notes are special limited obligations of the Authority payable solely from revenues and other security pledged under the Resolution (which includes rent payments under a lease described therein) pursuant to the Act.**

**MORGAN STANLEY**

## INFORMATION CONCERNING THE OFFER

Morgan Stanley & Co. LLC serves as the exclusive dealer for the Texas Public Finance Authority Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016A (Taxable) and Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016B (Tax-Exempt) (collectively, the “Notes”) offered or to be offered hereby.

No dealer, broker or other person has been authorized to give any information or to make any representation other than as contained in this Offering Memorandum or the other information incorporated herein by reference, and if given or made, such other information or representation must not be relied upon as having been authorized.

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Notes offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Notes, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Memorandum (including the information relating to the Authority and the State of Texas (the “State”) and other information incorporated herein by reference) has been prepared from information furnished by the Authority, and has been reviewed and approved by the Authority, and such information is believed to be reliable. No representation is made as to either the accuracy or completeness of the information herein (including the information incorporated herein by reference). Neither the delivery of this Offering Memorandum nor the sale of any of the Notes implies that the information herein (including the information incorporated herein by reference) is correct as of any time subsequent to the date hereof. The summaries of and references to documents, statutes and agreements in this Offering Memorandum (including the information incorporated herein by reference) do not purport to be complete, comprehensive or definitive, and are qualified by reference to the complete text of each such document, statute or agreement. Copies of such documents, statutes and agreements may be obtained without charge by contacting the Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701.

The information concerning the Authority and the State contained in this Offering Memorandum does not purport to cover all aspects of the Authority’s and the State’s operations and financial position. During the period of the offering of the Notes, reference is made to the Authority’s most recent Official Statement for its general obligation bonds, the most recent State comprehensive annual financial report (“CAFR”) and updated State financial information and operating data of the general type provided by the Comptroller of Public Accounts of the State (the “Comptroller”) in the quarterly disclosure bond appendix used in state agency offerings (herein referred to as “Appendix A”). This information is made available to the Municipal Securities Rulemaking Board or may be obtained by contacting the Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701. The current Appendix A is available via the Internet at <http://comptroller.texas.gov/treasops/bond-appendix.php>.

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**\$767,670,000**  
**TEXAS PUBLIC FINANCE AUTHORITY**  
**REVENUE COMMERCIAL PAPER NOTES**  
**(TEXAS FACILITIES COMMISSION PROJECTS)**

**SERIES 2016A (TAXABLE)**

**SERIES 2016B (TAX-EXEMPT)**

**OFFERING**

The Texas Public Finance Authority Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016A (Taxable) and Revenue Commercial Paper Notes (Texas Facilities Commission Projects) Series 2016B (Tax-Exempt) (collectively, the “Notes”) are being issued by the Texas Public Finance Authority (the “Authority”) in the aggregate principal amount not exceed \$767,670,000, and the aggregate amount outstanding at any time shall not exceed the Commitment (as hereinafter defined) under the Liquidity Agreement by and between the Authority and the Comptroller of Public Accounts (the “Comptroller”) in the amount of \$75,000,000 plus 270 days of interest at the Maximum Interest Rate, which is currently 10%, from September 1, 2016 through August 31, 2017 (the “Commitment”). The Authority will not issue Notes in excess of the Commitment without prior amendment to increase the amount of such Commitment. This offering does not constitute a re-issuance of Notes pursuant to the Acts. The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

**THE TEXAS PUBLIC FINANCE AUTHORITY**

**General**

The Authority is a public authority and body politic and corporate created in 1984 by an act of the Texas Legislature (the “Legislature”), when the Authority succeeded the Texas Public Building Authority. The purpose of the Authority is to provide financing for the construction or acquisition of facilities and other projects and programs for State agencies.

The Authority is currently governed by a board of directors (the “Board”) composed of seven members appointed by the Governor of the State with the advice and consent of the Senate. The Authority employs an Executive Director who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board.

Before the Authority may issue bonds or other obligations for the acquisition or construction of a building or other project for a State agency, other than an institution of higher education, the Texas Legislature must have authorized the specific project or type of projects for which the bonds or other obligations are to be issued and the estimated cost of the project or the maximum amount of indebtedness that may be incurred by the issuance of bonds or other obligations. Chapter 1232 of the Texas Government Code is the general enabling law for the Authority to issue general obligation and revenue bonds for designated State agencies. The Legislature may authorize a bond issue and designate the Authority as the exclusive issuer pursuant to other statutes.

## **Authority to Issue the Notes**

The Authority is authorized to issue obligations pursuant to the Act for the purpose of financing the acquisition of facilities and equipment for agencies of the State of Texas, including Texas Facilities Commission (the “Commission”). The Legislature authorized the Projects (as hereinafter defined) during their 84<sup>th</sup> Regular Legislative Session. The Authority will enter into a lease (the “Lease”) with the Commission for the use of the Project (as hereinafter defined).

## **Other Authority Obligations**

The Authority has issued revenue and/or general obligation bonds or other obligations for the following state agencies: the Department of Agriculture; the School for the Blind and Visually Impaired; the Commission; the Department of Criminal Justice; certain health and human services agencies, including the Health and Human Services Commission, the Department of State Health Services, and the Department of Aging and Disability Services; the Historical Commission; the Juvenile Justice Department; the Texas Department of Public Safety; the Texas Military Department; the Texas Military Preparedness Commission; the Texas National Research Laboratory Commission (the agency responsible for the State’s share of the construction of the Superconducting Supercollider); the Texas Parks and Wildlife Department; the State Preservation Board; the Texas State Technical College System; the Texas Department of Transportation; the Texas Workers’ Compensation Fund; the Texas Workforce Commission; the Texas Windstorm Insurance Association; Midwestern State University; Stephen F. Austin University; and Texas Southern University.

In addition to the Notes, the Authority currently administers three commercial paper programs, namely the Master Lease Purchase Program, which is primarily for financing equipment acquisitions through a revenue commercial paper program; the General Obligation Commercial Paper Program, Series 2008 for certain general state government construction projects; and the General Obligation Commercial Paper Program (Cancer Prevention and Research Institute of Texas Project), Series A (Taxable) and Series B (Tax-Exempt) to fund operations and grants for the Cancer Prevention and Research Institute of Texas.

## **THE NOTES**

The Notes are being issued pursuant to Chapters 1232 and 1371 of the Texas Government Code, as amended, which enable the Authority to issue the Notes under this commercial paper program on behalf of the Commission (hereinafter collectively referred to as the “Authorizing Law”).

The Notes are authorized pursuant to the Authorizing Law and a Resolution adopted by the Authority on May 5, 2016. The Notes are authorized to be issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof to mature and become due and payable on such dates as shall be determined by an Authority Representative (as defined in the Resolution) at the time of sale; provided, however that no Notes shall (i) mature after the termination date of the Liquidity Agreement or (ii) have a term in excess of 270 days.

The Notes may be issued as “Taxable Notes” or “Tax-Exempt Notes.” as described herein. The interest on Tax-Exempt Notes is intended to be excludable from gross income for

purposes of federal income taxation, assuming continuing compliance by the Authority with the provisions of the Resolution. The Authority has taken no action to qualify interest payable on the Taxable Notes as excludable from gross income for purposes of federal income taxation. *See* “TAX MATTERS” herein.

The Authority is required to designate, at the time of or prior to issuance, whether Notes are to be issued as Taxable Notes or Tax-Exempt Notes.

The Notes shall be in fully registered form and will mature in not more than 270 days from the date of issue and will pay par plus interest at maturity. The Notes will be issued as fully registered securities registered in the name of Cede & Co. as described herein. The principal and interest on the Notes will be payable at the office of U.S. Bank National Association, as the Issuing and Paying Agent (the “Issuing and Paying Agent”). Interest on the Notes is payable on an actual/365/366-day basis. Pursuant to the Resolution, the interest rate borne by the Notes may not exceed 10% per annum. By acceptance of a Note, the purchaser thereof agrees that any transfer of such Note may be made only to the Issuing and Paying Agent or through the Issuing and Paying Agent to a purchaser whose purchase is recorded by the Issuing and Paying Agent.

### **Use of Proceeds**

Proceeds of the sale of the Notes will be used to (i) finance or refinance the construction and equipment of building projects (the “Project”) by the Commission and (ii) pay the costs of issuance and any administrative expense related to the Notes.

### **Payment and Security**

The Notes are special obligations of the Authority and are payable solely from revenues the Authority obtains from the Lease. Payments to the Authority under the Lease are subject to biennial appropriation by the Legislature of funds available for payment. The Legislature is not legally required to make the appropriations for such payments.

### **Liquidity Facility**

The Comptroller and the Authority have entered into a Liquidity Agreement dated as of June 1, 2016 (the “Liquidity Agreement”) under Section 404.027 of the Texas Government Code, as amended pursuant to which the Comptroller will purchase all maturing Notes, up to a maximum commitment of \$75,000,000 plus 270 days of interest at the Maximum Interest Rate, which is currently 10%, from September 1, 2016 through August 31, 2017 (the “Commitment”) that are not otherwise refunded or paid by the State. The Comptroller’s Commitment to purchase maturing Notes as necessary expires on August 31, 2017. The Liquidity Agreement may be renewed for additional terms of up to two years each, coterminous with the State fiscal biennium, at the sole and exclusive discretion of the Comptroller and with ninety (90) days advanced written request by the Authority. In the alternative, the Comptroller, in its sole and exclusive discretion, may extend the Liquidity Agreement for consecutive terms up to ninety (90) days each to allow the Authority to secure a substitute liquidity provider.

The Authority may, upon not less than three Business Days’ prior notice to the Comptroller, reduce all or any portion of the unused Commitment, provided that (a) any partial

reduction of the Commitment must be in the minimum amount of \$1,000,000 and in integral multiples of \$1,000,000 in excess thereof, and (b) no such reduction shall result in the Commitment being less than the sum of the maturity value of all Notes outstanding at such time. The Authority shall promptly give the Dealer and the Issuing and Paying Agent notice of any such reduction of the Commitment.

The Liquidity Agreement provides that the following events constitute Events of Default thereunder: (i) any interest on any Purchased Notes owed is not paid when due; or (ii) the Authority fails to pay fees, expenses or other amounts payable by it to the Liquidity Provider after receipt of ninety days written notice from the Liquidity Provider that the payment is past due (except as provided in (i) above); or (iii) (1) the Authority (a) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (b) admits in writing its inability to pay its debts as they become due or declares a moratorium for the repayment of its Debt, (c) makes a general assignment for the benefit of creditors, (d) commences a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (e) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts, or (f) takes any action for the purpose of effecting any of the acts set forth in clauses (a) through (e) of this subsection (iii); or (2) either (a) a case or other proceeding shall be commenced against the Authority and shall remain undismissed for a period of sixty (60) days seeking liquidation, conservation, dissolution, rehabilitation, conservatorship, reorganization or the winding up of its affairs or other relief with respect to it or its debts under any insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, assignee, liquidator, rehabilitator, conservator, custodian, sequestrator or other similar official of it or any substantial part of its property, or (b) an order shall be entered in any such proceeding granting the relief sought in such proceeding; or (iv) the State or any other governmental entity having jurisdiction over the Authority imposes a debt moratorium, debt restructuring, or other comparable extraordinary restriction that results in a restriction on repayment when due and payable of the principal of or interest on the Notes; or (v) the Authority fails to pay when due a final and nonappealable money judgment entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of \$5,000,000, and enforcement of such judgment continues unstayed and in effect for a period of sixty (60) consecutive days after appropriated funds become available to the Authority; or (vi) the Liquidity Agreement in its entirety for any reason ceases to be valid and binding on the Authority in accordance with its terms, or is declared pursuant to a final judgment by a governmental authority with jurisdiction to be null and void, or the validity or enforceability of the Liquidity Agreement or any of the other Transaction Documents as related to the payment of the Notes is repudiated, rejected or contested through legal procedures by the Authority or a proceeding is commenced by the Authority seeking to establish the invalidity or unenforceability thereof; or (vii) Authority fails to pay when due and payable (whether at maturity), after giving effect to any applicable grace period, the principal of or interest on any of its Debt on parity or senior to the Notes; or (viii) an "Event of Nonappropriation" as defined in the Resolution shall have occurred; or (ix) a breach or failure of performance by the Authority of any covenant, condition or agreement on its part to be observed or performed contained in the Liquidity Agreement and such breach or failure remains uncured for 30 days following notice of such breach, or, if such breach or failure cannot be cured in 30 days and the Authority has commenced curing such breach, then 60 days; or (x) any of the Authority's representations or warranties



made or deemed made by the Authority in the Liquidity Agreement or in any other Transaction Document or in any statement or certificate at any time given pursuant to the Liquidity Agreement or any other Transaction Document or in connection with the Liquidity Agreement or any other Transaction Document proves at any time to have been false or misleading in any material respect when made, or any such warranty is breached and may have a Material Adverse Change on the Liquidity Provider; or (xi) any “Event of Default” under the Resolution.

Upon the occurrence of any Event of Default described above, the Liquidity Provider may, by written notice to the Authority and the Issuing and Paying Agent, take one or more of the following actions: (i) give a No Issuance Notice; (ii) reduce the Commitment to the then outstanding amount of the Notes; (iii) declare all amounts payable by the Authority to the Liquidity Provider under the Liquidity Agreement to be forthwith due and payable, whereupon such amounts shall immediately become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are expressly waived pursuant to the Liquidity Agreement; and/or (iv) pursue any other remedy available to it at law or in equity. Any amount owing under the Liquidity Agreement (whether of principal, interest, fees or otherwise) which is not paid when due shall, to the extent permitted by law, bear interest, payable on demand, at the Default Rate.

Notwithstanding the foregoing, upon an Event of Default described in subsection (v) or (vii) above, the Liquidity Provider may provide written notice of termination of the Liquidity Agreement to the Authority and the Issuing and Paying Agent provided that: (a) the Liquidity Agreement may not be terminated prior to the maturity date(s) of any Notes then outstanding and (b) the termination of the Liquidity Agreement shall be subject to ninety (90) day extensions to allow the Authority to secure a substitute liquidity provider.

In the event the Comptroller delivers a No Issuance Notice pursuant to the provisions of the Liquidity Agreement, upon receipt of such notice, the Issuing and Paying Agent must cease authenticating Notes unless and until such No-Issuance Notice is rescinded by the Comptroller in writing. Such No-Issuance Notice in and of itself will not render the liquidity facility ineffective with respect to Notes outstanding prior to the issuance of such No-Issuance Notice. The Comptroller is not required to provide funds under the Liquidity Agreement with respect to Notes issued in violation of a No-Issuance Notice. However, no default under the Liquidity Agreement or any other document relating to the Notes will eliminate the obligation of the Authority to pay the Notes when they mature.

### **The Book-Entry-Only System**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Notes, in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the

meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s Rating Services’ rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them

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

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

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes 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, Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent/Registrar; disbursement of such payments to Direct Participants will be the responsibility of DTC; and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

## 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 Notes or the validity of the Notes.

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Notes or the security for the Notes. *See* Appendix A. At the time of payment for and delivery of the Notes, the Attorney General of the State of Texas will render an opinion to the effect that there is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best of his knowledge, 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 Notes are being issued, and (3) would have a material adverse effect upon the power of the Authority to issue the Notes.

## TAX MATTERS

### **Federal Income Tax Treatment of the Tax-Exempt Notes**

The opinion of Bracewell LLP, Bond Counsel, delivered on June 21, 2016 (“Bond Counsel’s Opinion”), stated that as of the date thereof, under existing law, (i) interest on the Tax-Exempt Notes authorized by the Resolution will be excludable from gross income for federal income tax purposes, and (ii) the Tax-Exempt Notes will not be “private activity bonds” within the meaning of the Code and, as such, interest on the Tax-Exempt Notes will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding adjusted current earnings for corporations. A copy of Bond Counsel’s Opinion is attached hereto as Appendix B.

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

Bond Counsel’s Opinion assumed continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Tax-Exempt Notes for federal income tax purposes and, in addition, relied on representations by the Board with respect to matters solely within the knowledge of the Board, which Bond Counsel did not independently verify. If the Board fails to comply with the covenants in the Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the respective installment of Tax-Exempt Notes could become includable

in gross income from the date of delivery of such Tax-Exempt Notes, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel's Opinion expressed no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or acquisition, ownership or disposition of the Tax-Exempt Notes.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC) includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Tax-Exempt Notes, is included in a corporation's "adjusted current earnings," ownership of the Tax-Exempt Notes could subject a corporation to alternative minimum tax consequences.

Prospective purchasers of Tax-Exempt Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income 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 Tax-Exempt Notes. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Tax-Exempt Notes should also be aware that under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Tax-Exempt Notes, received or accrued during the year.

Bond Counsel's Opinion is based on existing law, which is subject to change. Such opinion is further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's Opinion is not a guarantee of result and are not binding on the Service; rather, such opinion represents Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Tax-Exempt Notes. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Board as the taxpayer and the owners may not have a right to participate in such audit. Public awareness of any future audit of the Tax-Exempt Notes could adversely affect the value and liquidity of such Tax-Exempt Notes regardless of the ultimate outcome of the audit.

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Tax-Exempt Notes from gross income for federal income tax purposes. Any proposed or pending legislation, whether or not enacted, could also affect the value and liquidity of the Tax-Exempt Notes. Prospective purchasers of the Tax-Exempt Notes should consult with their own tax advisors with respect to any proposed, pending or future legislation.

### **Tax Treatment of the Taxable Notes**

The Board has taken no action to qualify interest payable on the Taxable Notes as excludable from gross income for federal income tax purposes, and, therefore, it is assumed that interest on the Taxable Notes is not excludable from gross income for federal tax purposes under existing law. Bond Counsel expresses no opinion as to the excludability from gross income for federal income tax purposes of interest payable on the Taxable Notes or with respect to any other federal, state, or local tax consequence of the purchase, ownership, receipt of interest on, or disposition of the Taxable Notes. Purchasers of the Taxable Notes should consult their own tax advisers with respect to federal, state, or local tax consequences of the purchase, ownership, receipt of interest on, or disposition of the Taxable Notes.

### **Taxable Notes Opinion**

Bond Counsel's Opinion also states that the Taxable Notes have been authorized and issued and the Taxable Notes have been duly delivered and that, assuming due authentication, Taxable Notes issued in exchange therefore will have been duly delivered, in accordance with law, and that the Taxable Notes, except as may be limited by laws applicable to the Authority relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Authority, and a continuing appropriation is made pursuant to the Texas Constitution out of the first moneys coming into the Treasury in each fiscal year, not otherwise appropriated by the Constitution, an amount which is sufficient to pay the principal of and interest on the Taxable Notes that mature or become due during that fiscal year (less the amount of any sinking fund at the end of the preceding fiscal year that is pledged to the payment of Notes or the interest thereon). *See* Appendix B – Form of Bond Counsel's Opinion.

## **FINANCIAL AND OTHER INFORMATION**

The State is not required to file reports with the Securities and Exchange Commission. Reference is made to the Authority's most recent Official Statement for its general obligation bonds, the State's most recent CAFR and the quarterly disclosure appendix prepared and furnished by the Comptroller for use in state agency offerings (herein as described in "APPENDIX A – **State Information.**" This information is made available to the MSRB's EMMA system on-line at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Continuing Disclosure Exemption**

The Authority, in connection with the issuance of the Notes, is exempt from the provisions of Securities and Exchange Commission (the “Rule”) Rule 15c2-12 and, therefore, this Offering Memorandum has not been deemed final under the provisions of said Rule, and the Authority has not entered into any agreement to provide for continuing disclosure of information in connection with the Notes.

## **Ratings**

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, has assigned a short-term rating of A-1+ to the Notes and Fitch Rating Services has assigned a short-term rating of F1+ to the Notes. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any 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 such ratings, or any of them, may have an adverse effect on the market price of the Notes.

## **For Further Information Contact:**

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The foregoing information has been obtained from published sources or has been furnished by the Authority. Morgan Stanley & Co. LLC does not warrant the accuracy or completeness of this information. This memorandum should be considered in conjunction with Appendix A and further financial information concerning the Authority and the State is available on request.

## **APPENDIX A**

The most current Bond Appendix is dated August 2016 and is hereby incorporated by reference and made a part of this Offering Memorandum and may be obtained either (i) by using the MSRB's Electronic Municipal Marketing Access system website, [www.emma.msrb.org](http://www.emma.msrb.org), using the Quick Search function and entering the term "State of Texas Comptroller" or (ii) from the Comptroller's website at <http://www.comptroller.texas.gov/treasops/bond-appendix.php>, until the Comptroller files a later version of such Bond Appendix. No representation is made that such information contains all material factors relating to the State or that any specific information in the Bond Appendix should be accorded any particular significance.



**APPENDIX B**  
**FORM OF BOND COUNSEL'S OPINION**

[See attached]

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June 21, 2016

We have acted as Bond Counsel for the TEXAS PUBLIC FINANCE AUTHORITY (the “Authority”) in connection with the establishment of the TEXAS PUBLIC FINANCE AUTHORITY REVENUE COMMERCIAL PAPER PROGRAM (TEXAS FACILITIES COMMISSION PROJECTS), SERIES 2016A (TAXABLE) and SERIES 2016B (TAX-EXEMPT), as provided in that certain resolution of the Authority adopted by the Authority’s Board of Directors on May 5, 2016 (the “Resolution”), and the issuance thereunder from time to time of an aggregate principal amount not to exceed \$767,670,000 in taxable commercial paper notes (the “Series 2016A Notes”) and tax-exempt commercial paper notes (the “Series 2016B Notes” and, together with the Series 2016A Notes, the “Notes”). Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and laws of the State (the “State”) and with respect to the exclusion of interest on the Series 2016B Notes from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Notes. The transcript contains certified copies of certain proceedings of the Authority, including the Resolution; certain certifications and representations and other material facts within the knowledge and control of the Authority, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Notes, including the Lease, the Liquidity Agreement, the Issuing and Paying Agency Agreement and the Dealer Agreement. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant.

We have not been requested to examine, and we have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority or the disclosure thereof in connection with the sale of the Notes.

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

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Notes from time to time in full compliance with the Constitution and laws of the State presently in effect;
2. upon due execution, authentication, issuance and delivery in compliance with the terms of the Resolution, the Notes will constitute legal, valid and binding special obligations of the State, enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Notes may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases; and the Notes have been authorized in accordance with law; and
3. upon due execution, authentication, issuance and delivery in compliance with the terms of the Resolution, the Notes will constitute special revenue obligations of the Authority, payable exclusively from Pledged Revenues, including Rent Payments made by the Texas Facilities Commission (the “TFC”) pursuant to the Lease and pledged as security for payment of the Notes from time to time. Rent Payments are payable solely from appropriations made by the Legislature. The Legislature is not required to make appropriations for Rent Payments. The Notes are not a debt, a pledge of the faith and credit, or secured by the taxing power of the State or any agency, political corporation, or political subdivision thereof.

Also based on such examination, it is further our opinion that, under existing law:

1. Interest on the Series 2016B Notes is excludable from gross income for federal income tax purposes.
2. The Series 2016B Notes are not “private activity bonds” within the meaning of the Code, and, as such, interest on the Series 2016B Notes is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Series 2016B Notes will be included in the “adjusted current earnings” of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied representations of the Authority with respect to matters solely within the knowledge of the Authority, which we have not

independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants of the Authority in the Resolution and the TFC in the Lease pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Series 2016B Notes for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Authority or the TFC fails to comply with the foregoing covenants of the Resolution and the Lease, respectively, interest on the Series 2016B Notes could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Series 2016B Notes.

Except as described above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Series 2016B Notes.

Prospective purchasers of the Series 2016B notes should be aware that the ownership of tax-exempt obligations, such as the Series 2016B Notes, may result in collateral federal income tax consequences to, among others, 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 are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals who may otherwise qualify for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2016B Notes).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to

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whether or not the Service will commence an audit of the Series 2016B Notes. 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 2016B Notes as includable in gross income for federal income tax purposes.

Very truly yours,