

OFFICIAL STATEMENT

NEW ISSUE - Book-Entry-Only

Ratings: Moody's: "Aaa"; S&P: "AAA" See "Ratings" herein.

In the opinion of Co-Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not subject to the alternative minimum tax on individuals and corporations; however, interest on the Bonds is 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 liability. See "TAX MATTERS" herein.



\$192,730,000

TEXAS PUBLIC FINANCE AUTHORITY

\$100,675,000
Revenue Refunding Bonds
(Building and Procurement Commission Projects)
Series 2004A

\$37,295,000
Revenue Refunding Bonds
(State Preservation Board Projects)
Series 2004B

\$31,350,000
Revenue Refunding Bonds
(Parks and Wildlife Department Projects)
Series 2004C

\$23,410,000
Special Revenue Refunding Bonds
(Department of State Health Services Projects)
Series 2004D

Interest Accrual Date: Date of Delivery

Due: February 1, as shown on the inside cover pages

The Texas Public Finance Authority (the "Authority") is issuing its Revenue Refunding Bonds (Building and Procurement Commission Projects) Series 2004A (the "Series 2004A Bonds"), its Revenue Refunding Bonds (State Preservation Board Projects) Series 2004B (the "Series 2004B Bonds"), its Revenue Refunding Bonds (Parks and Wildlife Department Projects) Series 2004C (the "Series 2004C Bonds," and together with the Series 2004A Bonds and Series 2004B Bonds, the "Series 2004A, B and C Bonds") and its Special Revenue Refunding Bonds (Department of State Health Services Projects) Series 2004D (the "Series 2004D Bonds," and together with the Series 2004A, B and C Bonds, the "Bonds") in the principal amounts shown above. The Bonds are being issued to refund and defease certain outstanding bonds issued by the Authority on behalf of the Texas Building and Procurement Commission, formerly the General Services Commission (the "Commission"), the Texas State Preservation Board (the "Preservation Board"), the Texas Parks and Wildlife Department (the "Parks Department"), and the Department of State Health Services, formerly the Texas Department of Health (the "Health Department;" and together with the Commission, the Preservation Board, and the Parks Department, the "State Agencies," and each a "State Agency") (collectively, the "Refunded Bonds"). See Appendix D - Schedule of Refunded Bonds. A portion of the proceeds of each series of Bonds will be used to pay costs of issuance. See "PLAN OF FINANCE" herein.

The Bonds are dated November 1, 2004, but bear interest from the Date of Delivery (defined below). Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2005, until maturity or redemption. The Bonds are subject to optional redemption prior to maturity, as more fully described herein. See "THE BONDS—Optional Redemption." The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the book-entry system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium, if any, and interest on the 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 DTC's participating members for subsequent remittance to the owners of the beneficial interests in the Bonds.

The Bonds are special and limited obligations of the Authority payable only from certain pledged security (as described herein), which consists primarily of rent payments made pursuant to separate lease agreements between the Authority and the respective State Agencies (collectively, the "Leases," or individually, each a "Lease"). The Leases obligate the applicable State Agency to make rent payments sufficient to pay, when due, the principal of, premium, if any, and interest on the series of Bonds related to a Lease. See "THE BONDS - Source of Payment of the Bonds." With respect to the Series 2004D Bonds, see also "DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Interagency Financing Agreement" and "SCHEDULE I - Description of Certain Pledged Revenues relating to the Series 2004D Bonds."

Payment of the principal of and interest on the Bonds when due will be insured by separate financial guaranty insurance policies to be issued for each series of the Bonds by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."



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

SEE INSIDE COVER PAGES FOR MATURITY SCHEDULE

The Bonds are offered for delivery when, as, and if issued by the Authority and accepted by and delivered to the Underwriters, subject to the approving opinion of the Attorney General of the State and the opinion of Winstead Sechrest & Minick P.C. and Renee Higginbotham-Brooks, Esq. ("Co-Bond Counsel") as to the validity of the issuance of the Bonds under the Constitution and laws of the State. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P. The Bonds are expected to be available for delivery through the facilities of DTC on or about November 18, 2004 (the "Date of Delivery").

Piper Jaffray & Co.

Citigroup
Morgan Keegan & Company, Inc.

Lehman Brothers
Morgan Stanley

Loop Capital Markets
Siebert Brandford Shank & Co., L.L.C.

MATURITY SCHEDULE

\$100,675,000 Texas Public Finance Authority Revenue Refunding Bonds (Building and Procurement Commission Projects) Series 2004A

Serial Bonds

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾</u>
2005	\$ 1,800,000	2.500%	1.685%	882756TK5
2008	1,970,000	3.000%	2.290%	882756TL3
2009	5,495,000	5.000%	2.580%	882756TM1
2010	7,055,000	5.000%	2.830%	882756TN9
2011	8,715,000	5.000%	3.040%	882756TP4
2012	10,175,000	5.000%	3.230%	882756TQ2
2013	12,970,000	5.000%	3.390%	882756TR0
2014	12,885,000	5.000%	3.520%	882756TS8
2015*	11,910,000	5.000%	3.650%**	882756TT6
2016*	12,470,000	5.000%	3.730%**	882756TU3
2017*	8,400,000	5.000%	3.810%**	882756TV1
2018*	5,185,000	5.000%	3.890%**	882756TW9
2019*	845,000	4.000%	4.070%	882756TX7
2020*	800,000	4.000%	4.160%	882756TY5

\$37,295,000 Texas Public Finance Authority Revenue Refunding Bonds (State Preservation Board Projects) Series 2004B

Serial Bonds

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾</u>
2005	\$ 700,000	2.500%	1.877%	882756TZ2
2009	400,000	3.000%	2.580%	882756UA5
2010	3,900,000	5.000%	2.830%	882756UB3
2011	3,995,000	5.000%	3.040%	882756UC1
2012	4,095,000	5.000%	3.230%	882756UD9
2013	4,190,000	5.000%	3.390%	882756UE7
2014	4,300,000	5.000%	3.520%	882756UF4
2015*	4,410,000	5.000%	3.650%**	882756UG2
2016*	4,535,000	5.000%	3.730%**	882756UH0
2017*	1,985,000	5.000%	3.810%**	882756UJ6
2018*	1,995,000	5.000%	3.890%**	882756UK3
2019*	1,410,000	4.000%	4.070%	882756UL1
2020*	1,380,000	4.000%	4.160%	882756UM9

* The Bonds maturing on and after February 1, 2015 will be subject to redemption prior to maturity on August 1, 2014 or any date thereafter, in whole or in part, at the option of the Authority, as described herein. See "THE BONDS—Optional Redemption."

** Yield to first optional call date.

(1) CUSIP numbers have been assigned to this issue by the Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, and included solely for the convenience of the owners of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**\$31,350,000 Texas Public Finance Authority Revenue Refunding Bonds
(Parks and Wildlife Department Projects) Series 2004C**

Serial Bonds

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾</u>
2005	\$ 500,000	2.500%	1.877%	882756UN7
2008	540,000	3.000%	2.290%	882756UP2
2009	550,000	3.000%	2.580%	882756UQ0
2010	1,410,000	3.250%	2.830%	882756UR8
2011	3,545,000	5.000%	3.040%	882756US6
2012	3,620,000	5.000%	3.230%	882756UT4
2013	3,705,000	5.000%	3.390%	882756UU1
2014	2,710,000	5.000%	3.520%	882756UV9
2015*	2,785,000	5.000%	3.650%**	882756UW7
2016*	2,870,000	5.000%	3.730%**	882756UX5
2017*	2,955,000	5.000%	3.810%**	882756UY3
2018*	3,045,000	5.000%	3.890%**	882756UZ0
2019*	2,205,000	5.000%	3.980%**	882756VA4
2020*	910,000	4.000%	4.160%	882756VB2

**\$23,410,000 Texas Public Finance Authority Special Revenue Refunding Bonds
(Department of State Health Services Projects) Series 2004D**

Serial Bonds

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP⁽¹⁾</u>
2005	\$ 500,000	2.500%	1.877%	882756VC0
2007	495,000	2.500%	2.030%	882756VD8
2008	510,000	3.000%	2.290%	882756VE6
2009	1,970,000	3.000%	2.580%	882756VF3
2010	2,040,000	3.250%	2.830%	882756VG1
2011	2,110,000	3.500%	3.040%	882756VH9
2012	2,175,000	3.625%	3.230%	882756VJ5
2013	2,265,000	3.750%	3.390%	882756VK2
2014	2,365,000	5.000%	3.520%	882756VL0
2015*	2,485,000	5.000%	3.650%**	882756VM8
2016*	2,615,000	5.000%	3.730%**	882756VN6
2017*	1,890,000	5.000%	3.810%**	882756VP1
2018*	1,990,000	5.000%	3.890%**	882756VQ9

* The Bonds maturing on and after February 1, 2015 will be subject to redemption prior to maturity on August 1, 2014 or any date thereafter, in whole or in part, at the option of the Authority, as described herein. See "THE BONDS—Optional Redemption."

** Yield to first optional call date.

(1) CUSIP numbers have been assigned to this issue by the Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, and included solely for the convenience of the owners of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

STATE OF TEXAS

Rick Perry
Governor

David Dewhurst
Lieutenant Governor

Greg Abbott
Attorney General

Carole Keeton Strayhorn
Comptroller of Public Accounts

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

R. David Kelly
Chairman

H.L. Bert Mijares, Jr.
Vice Chairman

J. Vaughn Brock
Secretary

Mark A. Ellis
Member

Helen Huey
Member

Ruth C. Schiermeyer
Member

Daniel T. Serna
Member

Certain Appointed Officials

Kimberly K. Edwards
Executive Director

Judith Porras
General Counsel

Coastal Securities
Financial Advisor to the Authority

SALE AND DISTRIBUTION OF THE 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 representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. All other information contained herein has been obtained from the Authority, DTC and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Issuer or the Underwriters.

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 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 does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof.

Marketability

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain information set forth herein has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters.

All of the summaries of the statutes, resolutions, contracts, financial statements, reports, agreements, and other related documents set forth in this Official Statement are qualified in their entirety by reference to such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Authority.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, AND THE STATE OF TEXAS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Surety Bond for the Series 2004D Bonds	18
PLAN OF FINANCE	2	BOOK-ENTRY-ONLY SYSTEM	20
Purpose	2	Use of Certain Terms in Other Sections of this	
Refunded Bonds	2	Official Statement.....	22
SOURCES AND USES OF FUNDS.....	4	DESCRIPTION OF THE TRANSACTION	
MUNICIPAL BOND INSURANCE.....	4	DOCUMENTS	22
Payment Pursuant to Financial Guaranty Insurance		Selected Definitions.....	22
Policy.....	4	The Resolutions	24
Ambac Assurance Corporation.....	5	The Leases	31
Available Information.....	6	The Funds Management Agreement.....	35
Incorporation of Certain Documents by Reference ...	6	Interagency Financing Agreement.....	36
THE AUTHORITY	7	RATINGS.....	37
General	7	TAX MATTERS	37
Sunset Review	8	THE BONDS AS LEGAL INVESTMENTS IN	
Additional Authorized but Unfunded Revenue		TEXAS	39
Bond Projects	8	LITIGATION	39
Authority’s Enabling Act; Payment and Approval		CONTINUING DISCLOSURE OF	
of the Bonds.....	8	INFORMATION	40
Authority’s Relationship with Certain State		Continuing Disclosure Undertaking of the	
Agencies	8	Authority.....	40
TEXAS BUILDING AND PROCUREMENT		Continuing Disclosure Undertaking of the	
COMMISSION	9	Comptroller.....	40
General	9	Continuing Disclosure Undertaking of the	
Sunset Review	9	Authority and the Health Department.....	41
The Commission Projects	9	Availability of Information from NRMSIRs and	
TEXAS STATE PRESERVATION BOARD	10	SID.....	41
General	10	Limitations and Amendments	41
Sunset Review	10	Compliance with Prior Undertakings.....	42
Preservation Board Project	10	FORWARD-LOOKING STATEMENTS	42
TEXAS DEPARTMENT OF PARKS AND		UNDERWRITING	42
WILDLIFE	11	THE FINANCIAL ADVISOR	43
General	11	VERIFICATION OF MATHEMATICAL	
Sunset Review	12	ACCURACY	43
Parks Department Project	12	REGISTRATION AND QUALIFICATION OF	
TEXAS DEPARTMENT OF STATE HEALTH		BONDS FOR SALE.....	43
SERVICES	12	LEGAL MATTERS.....	43
General	12	MISCELLANEOUS	44
Administration.....	12		
Sunset Review	13	Schedule I - Description of Certain Pledged	
Health Department Project	13	Revenues Relating to the Series	
THE BONDS.....	13	2004D Bonds	
Description of the Bonds	13	Appendix A - The State of Texas	
Optional Redemption.....	14	Appendix B - Debt Service Requirements	
Notice of Redemption.....	14	Appendix C - Form of Opinion of Co-Bond	
Redemption Through The Depository Trust		Counsel	
Company	14	Appendix D - Schedule of Refunded Bonds	
Source of Payment of the Bonds	14	Appendix E – Form of Financial Guaranty	
Investment Considerations.....	16	Insurance Policy	
State Lease Fund Account	16		
Flow of Funds.....	16		
Reserve Fund for the Series 2004D Bonds	18		

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the 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	\$100,675,000 Revenue Refunding Bonds (Building and Procurement Commission Projects) Series 2004A; \$37,295,000 Revenue Refunding Bonds (State Preservation Board Projects) Series 2004B, \$31,350,000 Revenue Refunding Bonds (Parks and Wildlife Department Projects) Series 2004C and \$23,410,000 Special Revenue Refunding Bonds (Department of State Health Services Projects) Series 2004D.
Maturity	February 1 of each of the years and in the principal amounts set forth on the inside cover pages of this Official Statement. See “THE BONDS.”
Interest	Payable semiannually on February 1 and August 1 of each year, beginning February 1, 2005, until maturity or redemption. See “THE BONDS.”
Redemption	The Bonds maturing on and after February 1, 2015 will be subject to redemption prior to maturity on August 1, 2014 or any date thereafter, in whole or in part, at the option of the Authority, as described herein. See “THE BONDS—Optional Redemption.”
Book-Entry System	The Bonds are initially issuable only to Cede & Co., the nominee of the Depository Trust Company (“DTC”), pursuant to a book-entry system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest and principal will be paid to Cede & Co., which will distribute the payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
Purpose	The Bonds are being issued to refund and defease certain of the Authority’s outstanding bonds issued on behalf of certain State Agencies (as defined herein). A portion of the proceeds of each series of Bonds will be used to pay the costs of issuance. See Appendix D--Schedule of Refunded Bonds.
Source of Payment	The Rent Payments (as defined herein) due under each Lease are the primary source of payment for the respective series of Bonds. Each Lease obligates the applicable State Agency to make rent payments sufficient to pay the principal of and interest on the series of Bonds relating to such Lease. The obligation of such State Agencies to make payments under their respective Leases is subject to, and dependent upon, appropriation by the Legislature of the State of funds necessary to make such payments. The Legislature has no obligation to make such appropriations. There is no mortgage on or other security interest in any of the projects financed with the Refunded Bonds. See “THE BONDS - Source of Payment of the Bonds” and “—Investment Considerations.” With respect to the Series 2004D Bonds, <i>see also</i> “DESCRIPTION OF THE TRANSACTION DOCUMENTS—The Interagency Financing Agreement” and “SCHEDULE I—Description of Certain Pledged Revenues relating to the Series 2004D Bonds” attached hereto.
Payment History	The Authority has never defaulted on bonds or other obligations payable from rent payments subject to biennial appropriation by the Legislature of the State.
Ratings and Municipal Bond Insurance	The Bonds are rated “Aaa” and “AAA” by Moody’s Investors Service, Inc. (“Moody’s”) and Standard and Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. (“S&P”), respectively, based on the issuance of separate financial guaranty insurance policies to be issued for each series of the Bonds by Ambac Assurance Corporation (the “Bond Insurer” or “Ambac Assurance”) simultaneously with the delivery of the Bonds. See “MUNICIPAL BOND INSURANCE” and “RATINGS” herein.

OFFICIAL STATEMENT

relating to

\$192,730,000

TEXAS PUBLIC FINANCE AUTHORITY

\$100,675,000
Revenue Refunding Bonds
(Building and Procurement Commission Projects)
Series 2004A

\$37,295,000
Revenue Refunding Bonds
(State Preservation Board Projects)
Series 2004B

\$31,350,000
Revenue Refunding Bonds
(Parks and Wildlife Department Projects)
Series 2004C

\$23,410,000
Special Revenue Refunding Bonds
(Department of State Health Services Projects)
Series 2004D

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover pages, Summary Statement, and attached Appendices) is to furnish information concerning the offering by the Texas Public Finance Authority (the "Authority") of its Revenue Refunding Bonds (Building and Procurement Commission Projects) Series 2004A (the "Series 2004A Bonds"), its Revenue Refunding Bonds (State Preservation Board Projects) Series 2004B (the "Series 2004B Bonds"), its Revenue Refunding Bonds (Parks and Wildlife Department Projects) Series 2004C (the "Series 2004C Bonds," and together with the Series 2004A Bonds and Series 2004B Bonds, the "Series 2004A, B and C Bonds") and its Special Revenue Refunding Bonds (Department of State Health Services Projects) Series 2004D (the "Series 2004D Bonds," and together with the Series 2004A, B and C Bonds, the "Bonds" or, as to any of the Bonds individually, a "Bond"), which are being issued in the principal amounts set forth above, pursuant to the authority granted to the Authority by the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended (the "Enabling Act"), Chapters 1207 and 1371, Texas Government Code, as amended, and pursuant to separate resolutions adopted by the Board of Directors of the Authority with respect to each series of Bonds (collectively, the "Resolutions" and each a "Resolution" with respect to the applicable series of Bonds). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Resolutions except as otherwise indicated herein.

This Official Statement includes descriptions of the Bonds (including the source of payment of each series of the Bonds), the Authority, the Commission, the Preservation Board, the Parks Department, and the Health Department (each a "State Agency," and collectively, the "State Agencies") and certain other matters, along with summaries of the Resolutions, the Leases, the Funds Management Agreement, and each Escrow Agreement. Because payments to be made under the lease agreements, as applicable, by the Commission with respect to the Series 2004A Bonds (the "Commission Leases"), by the Preservation Board with respect to the Series 2004B Bonds (the "Preservation Board Lease"), by the Parks Department with respect to the Series 2004C Bonds (the "Parks Department Lease"), and by the Commission on behalf of the Health Department or the Health Department with respect to the Series 2004D Bonds (the "Health Department Lease," and together with the Commission Leases, the Preservation Board Lease, and the Parks Department Lease, the "Leases," or as to any of the Leases individually, a "Lease"), will come from appropriations of State general funds made by the State Legislature, the information concerning the State of Texas (the "State") that is contained in Appendix A to this Official Statement should be reviewed carefully. See "THE BONDS - Source of Payment of the Bonds." With respect to the Series 2004D Bonds, see also "DESCRIPTION OF THE TRANSACTION DOCUMENTS—The Interagency Financing Agreement" and "SCHEDULE I—Description of Certain Pledged Revenues relating to the Series 2004D Bonds."

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 form of the Resolutions, the Leases, the Funds Management Agreement, and the Escrow Agreements are available for inspection at the offices of the Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701. Reference is made to the section herein captioned "DESCRIPTION OF THE TRANSACTION DOCUMENTS - Selected Definitions" and to the Resolutions, the Leases, the Escrow

Agreements, Funds Management Agreement, and the Interagency Financing Agreement for the definition of certain terms used herein.

This Official Statement speaks only as to its date. The information contained herein is subject to change. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Authority’s and the Health Department’s undertaking to provide certain information on a continuing basis.

PLAN OF FINANCE

Purpose

The Series 2004A Bonds are being issued to refund and defease certain of the Authority’s outstanding Building Revenue Bonds, Series 1996A; Building Revenue Bonds, Series 1997; Building Revenue and Revenue Refunding Bonds (General Services Commission Projects), Series 1997A, and Building Revenue Bonds (General Services Commission Project), Series 2000A; (collectively, the “Series 2004A Refunded Bonds”). Such bonds of the series of bonds referenced in the previous sentence that remain outstanding after the refunding of the Series 2004A Refunded Bonds are hereinafter referred to as the “Commission Bonds.”

The Series 2004B Bonds are being issued to refund and defease certain of the Authority’s outstanding Building Revenue Bonds (State Preservation Board Project), Series 1997B; Building Revenue Bonds (State Preservation Board Project), Series 1999A; and Building Revenue Bonds (State Preservation Board Project), Series 2000B; (collectively, the “Series 2004B Refunded Bonds”). Such bonds of the series of bonds referenced in the previous sentence that remain outstanding after the refunding of the Series 2004B Refunded Bonds are hereinafter referred to as the “Preservation Board Bonds.”

The Series 2004C Bonds are being issued to refund and defease certain of the Authority’s outstanding Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 1998, Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 1999B; Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 2000; and Revenue Bonds (Texas Parks and Wildlife Department Projects), Series 2001 (collectively, the “Series 2004C Refunded Bonds”). Such bonds of the series of bonds referenced in the previous sentence that remain outstanding after the refunding of the Series 2004C Refunded Bonds are hereinafter referred to as the “Parks Department Bonds.”

The Series 2004D Bonds are being issued to refund and defease certain of the Authority’s outstanding Special Revenue Bonds (Texas Department of Health Laboratory Project), Series 1996B and Special Revenue Bonds (Texas Department of Health Laboratory Projects), Series 1998; (collectively, the “Series 2004D Refunded Bonds”). Such bonds of the series of bonds referenced in the previous sentence that remain outstanding after the refunding of the Series 2004D Refunded Bonds are hereinafter referred to as the “Health Department Bonds.”

The Series 2004A Refunded Bonds, Series 2004B Refunded Bonds, Series 2004C Refunded Bonds, and Series 2004D Refunded Bonds are collectively referred to herein as the “Refunded Bonds.” See APPENDIX D—Schedule of Refunded Bonds. A portion of the proceeds of each series of Bonds will be used to pay the costs of issuing such Bonds. The refunding and defeasance of the Refunded Bonds will result in net debt service savings to the Authority.

Refunded Bonds

The Series 2004A Refunded Bonds, the Series 2004B Refunded Bonds and the Series 2004C Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such bonds from funds to be deposited pursuant to an escrow agreement relating to the Series 2004A, B and C Bonds (the “Series 2004A, B and C Escrow Agreement”) between the Authority and the Comptroller acting by and on behalf of Texas Treasury Safekeeping Trust Company (the “Series 2004A, B and C Escrow Agent”). The Series 2004D Refunded Bonds and the interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such bonds from funds to be deposited pursuant to an escrow agreement relating to the Series 2004D Bonds (the “Series 2004D Escrow Agreement,” and together with the

Series 2004A, B and C Escrow Agreement, the “Escrow Agreements”) between the Authority and the Comptroller acting by and on behalf of the Texas Treasury Safekeeping Trust Company (the “Series 2004D Escrow Agent,” and together with the Series 2004A, B and C Escrow Agent, the “Escrow Agent”).

Each Resolution with respect to the Series 2004A, B and C Bonds provides that a portion of the proceeds of the sale of each series of such Bonds will be deposited into separate accounts with the Series 2004A, B and C Escrow Agent in such amounts as necessary to accomplish the discharge and final payment of the Series 2004A Refunded Bonds, the Series 2004B Refunded Bonds, and the Series 2004C Refunded Bonds, respectively. Such funds will be held by the Series 2004A, B, and C Escrow Agent in a special escrow account for each respective series of Bonds (each an “Escrow Account” and collectively, the “Series 2004A, B and C Escrow Fund”) and used to purchase direct obligations of the United States of America (the “Federal Securities”). Under the Series A, B, and C Escrow Agreement, the separate Escrow Accounts with respect to each series of Bonds are irrevocably pledged to the payment of the principal of and interest on the Series 2004A Refunded Bonds, Series 2004B Refunded Bonds, and Series 2004C Refunded Bonds, respectively.

The Resolution with respect to the Series 2004D Bonds provides that a portion of the proceeds of the sale of the Series 2004D Bonds will be deposited with the Series 2004D Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Series 2004D Refunded Bonds. Such funds will be held by the Series 2004D Escrow Agent in a special escrow fund for the Series 2004D Bonds (the “Series 2004D Escrow Fund” and together with the Series 2004A, B and C Escrow Fund, the “Escrow Funds”) and used to purchase direct obligations of the United States of America (the “Federal Securities”). Under the Series 2004D Escrow Agreement, the Series 2004D Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Series 2004D Refunded Bonds.

Simultaneously with the delivery of the Bonds, the Authority will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity, on the date or dates designated for such redemption, on which date or dates money will be made available to redeem the Refunded Bonds from money held in the Escrow Funds under the Escrow Agreements.

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the Federal Securities held in the respective Escrow Funds to provide for payment of the applicable Refunded Bonds will be verified by Grant Thornton LLP (the “Verification Agent”), a firm of independent certified public accountants. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

By the deposit of the Federal Securities with the Escrow Agent pursuant to the Escrow Agreements, the Authority will have entered into firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds in accordance with applicable law. Co-Bond Counsel will render an opinion to the effect that, as a result of such firm banking and financial arrangements, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in each Escrow Agreement.

[Remainder of page intentionally left blank.]

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

Sources	<u>Series 2004A</u>	<u>Series 2004B</u>	<u>Series 2004C</u>	<u>Series 2004D</u>
Par Amount of Bonds	\$100,675,000.00	\$37,295,000.00	\$31,350,000.00	\$23,410,000.00
Net Premium	10,211,952.10	3,570,978.90	2,900,881.35	1,428,441.45
Authority Contribution	<u>403,395.36</u>	<u>--</u>	<u>--</u>	<u>1,339,039.72</u>
Total	<u>\$111,290,347.46</u>	<u>\$40,865,978.90</u>	<u>\$34,250,881.35</u>	<u>\$26,177,481.17</u>
Uses				
Deposit to Escrow Fund	\$110,458,559.08	\$40,551,778.89	\$33,983,758.55	\$25,984,698.35
Costs of Issuance ¹	<u>831,788.38</u>	<u>314,200.01</u>	<u>267,122.80</u>	<u>192,782.82</u>
Total	<u>\$111,290,347.46</u>	<u>\$40,865,978.90</u>	<u>\$34,250,881.35</u>	<u>\$26,177,481.17</u>

¹The Costs of Issuance includes the Underwriters' discount, the Bond Insurer's premium, and other costs of issuance.

MUNICIPAL BOND INSURANCE

The following information has been furnished by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") for use in this Official Statement. Payment of the principal of and interest on the Bonds when due will be insured by separate financial guaranty insurance policies to be issued for each series of the Bonds by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. Reference is made to Appendix E for a specimen of the Bond Insurer's policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a separate financial guaranty insurance policy (each referred to as the "Financial Guaranty Insurance Policy" with respect to the applicable series of Bonds) relating to each series of the Bonds, effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent/Registrar. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent/Registrar has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,142,000,000 (unaudited) and statutory capital of \$4,824,000,000 (unaudited) as of June 30, 2004. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "MUNICIPAL BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company’s Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company’s Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company’s Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004; and
7. The Company’s Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “Available Information”.

[Remainder of page intentionally left blank.]

THE AUTHORITY

General

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

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

<u>Name</u>	<u>Position</u>	<u>Term Expires (February 1)</u>
R. David Kelly	<i>Chairman</i>	2007
H.L. Bert Mijares, Jr.	<i>Vice Chairman</i>	2005
J. Vaughn Brock	<i>Secretary</i>	2007
Mark A. Ellis	<i>Member</i>	2009
Helen Huey	<i>Member</i>	2005
Ruth C. Schiermeyer	<i>Member</i>	2007
Daniel T. Serna	<i>Member</i>	2003*

* Member continues to serve until a successor is appointed by the Governor.

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, who has been employed in that position since March 1997.

Pursuant to the Enabling Act and Chapter 1401 and 1403, Texas Government Code, the Authority issues general obligation and revenue bonds for designated State agencies (including certain institutions of higher education) and administers the Master Lease Purchase Program, a revenue commercial paper program, primarily to finance equipment acquisitions by State agencies. Under these authorities, the Authority has issued revenue bonds on behalf of the Parks Department, the Commission, the Preservation Board, the Texas Department of Criminal Justice, the Health Department, the Texas Department of Agriculture, the Texas Department of Human Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission, Midwestern State University, Stephen F. Austin University, and Texas Southern University. It has also issued general obligation bonds for the Parks Department, the Commission, the Health Department, the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, and the Texas Juvenile Probation Commission.

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

Sunset Review

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The next 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.

Additional Authorized but Unfunded Revenue Bond Projects

The State Legislature has authorized the Authority to issue revenue bonds for a number of additional projects and may authorize further projects in future legislative sessions. See Appendix A, "STATE DEBT - State Revenue Bonds." The Authority cannot determine which of the projects to be financed with these authorizations, or which additional projects, will be authorized and funded by the Legislature.

Authority's Enabling Act; Payment and Approval of the Bonds

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

Payments on the Bonds are expected to be made solely from the Pledged Security. See "THE BONDS - Source of Payment of the Bonds." Any default in payments on the Bonds will not affect the payment of any other obligations of the Authority.

With certain exceptions, bonds issued by State agencies and institutions, 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 Bonds received the final approval of the Texas Bond Review Board on or before the date hereof.

Authority's Relationship with Certain State Agencies

The Authority has entered into a memorandum of understanding or similar agreement (each a "State Agency Memorandum," and collectively, the "State Agency Memorandums") with each of the Commission, the Parks Department, the Preservation Board, and the Commission (on behalf of the Health Department), which define the division of authority between the Authority and each State Agency with respect to projects financed by the Authority. Each State Agency Memorandum provides that the Authority, at the request of such State Agency, will issue bonds to finance projects identified by the State Agency and approved by the State Legislature. Each State Agency Memorandum also provides that the respective State Agency will be responsible for the planning, construction, maintenance, and operation of projects, except that the Authority is required to provide certain insurance deemed necessary or appropriate for any project. Under the terms of each State Agency Memorandum, the respective State Agency is obligated to provide to the Authority a deed to any building project or real property that is the site of a building project and any necessary easements, without cost. With respect to the various projects financed pursuant to State Agency Memorandums, the State Agency has transferred title of the financed projects to the Authority. Under the Enabling Act and the State Agency Memorandums, the State Agency will reacquire title to the projects once the Bonds are paid in full. In the event of a conflict between the State Agency Memorandums and the Leases, the Leases control.

TEXAS BUILDING AND PROCUREMENT COMMISSION

General

The Commission, an agency of the State, is generally responsible for the (i) procurement of all supplies, materials, services and equipment for state agencies and departments (with certain limited exceptions); (ii) acquisition, construction, equipping, modernization and remodeling of state-owned buildings (also with certain limited exceptions); and (iii) execution of leases for space in privately-owned buildings to be occupied by state agencies and for maintenance of state-owned property.

Three members of the Commission are appointed by the Governor with the advice and consent of the State Senate; two members are appointed by the Governor from a list of nominees provided by the Speaker; and two members are appointed by the Lieutenant Governor. Members of the Commission hold office for staggered terms of six years. Current members of the Commission and the date on which each member's term expires are as follows:

<u>Name</u>	<u>Term Expires (January 31)</u>
Brenda Pejovich, Chair	2009
Stuart S. Coleman	2007
James S. Duncan	2009
Bob Jones	2007
Victor E. Leal	2009
Mary Ann Newman-Buckley	2005

The Commission employs an Executive Director who is charged with managing the affairs of the Commission, subject to and under the direction of the Commission. Cindy Reed is the Interim Executive Director of the Commission.

Sunset Review

The Commission is subject to review under the Texas Sunset Act. The next scheduled review of the Commission under the Texas Sunset Act is during the legislative session in 2013. The Commission's enabling act provides that if the Commission is not continued in existence, the Commission will cease to exist on September 1, 2013; however, the Texas Sunset Act provides that the Commission will exist until September 1 of the following year (September 1, 2014) in order to conclude its business.

The Commission Projects

The Commission projects leased pursuant to the four Commission Leases between the Commission and the Authority consist of the projects which were originally financed with the proceeds of the Series 2004A Refunded Bonds, the Commission Bonds, and the Authority's Revenue Refunding Bonds, Series 2002 (the "Commission Projects"). At the direction of the State Legislature, the Authority may sell or otherwise dispose of any one or more of the Commission Projects, provided that 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 Commission Project, the proceeds received may, at the election of the Commission: (i) be used to restore or replace such Commission Project or (ii) be applied to the prepayment of Rent Payments in the inverse order of their due dates (as provided in the Commission Leases). See "THE BONDS-Investment Considerations." There is no mortgage on or other security interest with respect to the Bonds in any of the Commission Projects or in any other projects financed with the Refunded Bonds.

The Commission Projects include: (i) the acquisition and construction of a Health and Human Services state office building located in Fort Worth; (ii) the costs of construction of an office building in Austin for legislative agencies; (iii) the costs of rehabilitation and renovation of various State owned buildings in Austin; (iv) the

construction of a State office building and parking facilities in El Paso, Texas; (v) the construction of four new buildings and renovation in eight existing buildings located at the Texas School for the Deaf Campus in Austin, Texas; (vi) the construction of two parking facilities in the Capitol Complex; (vii) the relocation and construction of the Aircraft Pooling Board facilities at Austin-Bergstrom International Airport; (viii) the additional improvements to the Robert E. Johnson Building in the Capitol Complex, including construction of a parking facility; (ix) renovation of the State Board of Insurance Building in Austin; and (x) the costs of renovation and asbestos abatement at the John H. Reagan State Office Building located in the Capitol Complex.

TEXAS STATE PRESERVATION BOARD

General

The Preservation Board is an agency of the State, pursuant to Chapter 443, Texas Government Code, created in 1983, and is responsible for preserving and maintaining the Texas State Capitol, the Capitol Extension, the 1857 General Land Office Building, other designated buildings, their contents and their grounds and for operating the Bob Bullock Texas State History Museum. The Preservation Board also provides educational programs centered on Texas history, operates the State Capitol gift shops and controls areas such as the cafeteria, press area, and ATM machine at the State Capitol.

Other than the Governor, Lieutenant Governor and Speaker of the House, which are made members of the board pursuant to Chapter 443, Texas Government Code, the other members of the Preservation Board are appointed by the Governor, Lieutenant Governor and the Speaker of the House. Members of the Preservation Board hold office for terms of two years, which terminate either on the date of the beginning of a Legislative Regular Session (for elected officials) or February 1 in any odd numbered year (for board members that are not elected officials). The current members of the Preservation Board are as follows:

<u>Name</u>	<u>Title</u>
Rick Perry, Governor	Chairman
David Dewhurst, Lieutenant Governor	Co-Vice Chairman
Tom Craddick, Speaker of the House	Co-Vice Chairman
Peggy Hamric, member of Texas House of Representatives	Member
Chris Harris, member of Texas Senate	Member
Jocelyn Levi Straus, citizen	Member

The Preservation Board employs an Executive Director who is charged with managing the affairs of the Preservation Board, subject to and under the direction of the members of the Preservation Board. Gaye Polan is the Executive Director of the Preservation Board.

Sunset Review

The Preservation Board is subject to review under the Texas Sunset Act. The next scheduled review of the Preservation Board under the Texas Sunset Act is during the legislative session in the year 2007. The Preservation Board's enabling act (Texas Government Code, Chapter 443) provides that if the Preservation Board is not continued in existence, the Preservation Board will cease to exist on September 1, 2007; however, the Texas Sunset Act provides that the Preservation Board will exist until September 1 of the following year (September 1, 2008) in order to conclude its business.

Preservation Board Project

The Preservation Board project leased pursuant to the Preservation Board Lease between the Preservation Board and the Authority consists of the project originally financed with the proceeds of the Series 2004B Refunded Bonds and the Preservation Board Bonds (the "Preservation Board Project"). At the direction of the State Legislature, the Authority may sell or otherwise dispose of the Preservation Board Project, 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 the Preservation Board Project, the proceeds received may, at the election of the Preservation Board: (i) be used to restore or replace such Preservation Board Project or (ii) be applied to the prepayment of Rent Payments in the inverse order of their due dates (as provided in the Lease). See “THE BONDS-Investment Considerations.” There is no mortgage on or other security interest with respect to the Bonds in the Preservation Board Project or any other projects financed with the Refunded Bonds.

The Preservation Board Project consists of the construction of Phases I, II, and III of the Bob Bullock Texas State History Museum. The museum is located in the Capitol Complex, and includes three levels of exhibit space and an additional level utilized for mechanical operations and administrative support. The museum also includes an underground parking facility which can accommodate up to 500 cars.

TEXAS DEPARTMENT OF PARKS AND WILDLIFE

General

The Parks Department is an agency of the State, established pursuant to Section 11.011 of the Texas Parks and Wildlife Code. The Parks Department has under its control and custody all recreational and natural areas designated as State parks and all historical sites acquired by the Parks Department, except as otherwise provided by law. The Parks Department is also responsible for 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 Parks Department currently has 10 internal divisions: Wildlife, Coastal Fisheries, Inland Fisheries, Law Enforcement, State Parks, Infrastructure, Communications, Administrative Resources, Legal, and Human Resources. Two deputy executive directors, a chief of staff and a general counsel report directly to the Executive Director. Intergovernmental affairs, Internal Audit and Internal Affairs are administered through the Parks Department’s Executive Office.

The Texas Parks and Wildlife Commission (“Parks Commission”) consists of nine members appointed by the Governor with the advice and consent of the State Senate. Park Commission members serve staggered terms of six years, with the terms of three members expiring every two years. Park Commission members hold office until successors are appointed and qualified. The Park Commission may meet as often as necessary, but at least on a quarterly basis. The Park Commission's chief responsibility is the adoption of policies and rules to carry out all programs of the Parks Department. The commission approves the biennial budget and appropriation requests for submission to the State Legislature, sets departmental policy, and appoints an Executive Director charged with the implementation of that policy and operation of the Parks Department on a daily basis. Robert L. Cook is the Executive Director of the Parks Department.

The current members of the Parks Commission and the date on which each member’s term expires are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires (February 1)</u>
Joseph B.C. Fitzsimons	Chairman	2007
Alvin L. Henry	Vice-Chairman	2005
J. Robert Brown	Member	2009
Ned S. Holmes	Member	2009
Peter M. Holt	Member	2005
Philip Montgomery	Member	2007
John D. Parker	Member	2009
Donato D. Ramos	Member	2007
Mark E. Watson, Jr.	Member	2005
Lee Marshall Bass	Chairman-Emeritus	N/A

Sunset Review

The Parks Department is subject to review under the Texas Sunset Act. The next scheduled review of the Parks Department under the Texas Sunset Act is during the legislative session in the year 2013. The Parks Department's enabling act provides that if the Parks Department is not continued in existence, the Parks Department will cease to exist on September 1, 2013; however, the Texas Sunset Act provides that the Parks Department will exist until September 1 of the following year (September 1, 2014) in order to conclude its business.

Parks Department Project

The Parks Department project leased pursuant to the Parks Department Lease between the Parks Department and the Authority consists of the project originally financed with the proceeds of the Series 2004C Refunded Bonds and the Parks Department Bonds (the "Parks Department Project"). At the direction of the State Legislature, the Authority may sell or otherwise dispose of the Parks Department Project, 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 the Parks Department Project, the proceeds received may, at the election of the Parks and Wildlife Commission: (i) be used to restore or replace such Parks Department Project or (ii) be applied to the prepayment of Rent Payments in the inverse order of their due dates (as provided in the Lease). See "THE BONDS-Investment Considerations." There is no mortgage on or other security interest with respect to the Bonds in the Parks Department Project or any other projects financed with the Refunded Bonds.

The Parks Department Project includes various infrastructure repairs and facility improvements at various wildlife facilities and park sites consisting of repair, replacement, and renovation of water and wastewater system facilities, water distribution systems, lift stations, wastewater treatment plants, and upgrading sewage irrigation equipment. Such Parks Department Project also includes various facility improvements, including renovations to park restroom facilities, roof replacements, upgrading HVAC and electrical systems, construction of maintenance and storage buildings, and installations of rip-rap water control structures and concrete water control abutments.

TEXAS DEPARTMENT OF STATE HEALTH SERVICES

General

The Department of State Health Services (the "Health Department") is an agency of the State operating under the authority of its enabling statute, the Texas Health and Safety Code, Chapter 1001. House Bill 2292 (78th Leg., 2003, R.S.) reorganized the 12 health and human services agencies into five. The Texas Department of Health, along with the Texas Health Care Information Council, the Texas Commission on Alcohol and Drug Abuse, and the Mental Health component of the Texas Department of Mental Health and Mental Retardation were consolidated to form the Health Department on September 1, 2004.

The Health Department is headquartered in Austin and oversees eleven state public health regions. The Health Department continues to provide the same public health services as were previously provided by the Texas Department of Health and also provides mental health and substance abuse services. The Health Department has approximately 11,000 employees.

Administration

House Bill 2292 abolished all health and human services agency governing boards, including the Texas Board of Health, effective September 1, 2004. Instead of governing boards, the bill provides for the Governor to appoint agency advisory councils for the five new agencies. The Health Department's advisory council has not yet been appointed.

DSHS has revised its organizational chart and executive management positions to accommodate the consolidation. The following executives are employed at DSHS:

Name	Title
Eduardo J. Sanchez, M.D., M.P.H. David Wanser, Ph.D.	Commissioner of State Health Services Deputy Commissioner for Behavioral and Community Health Services
Nick Curry, M.D., M.P.H.	Deputy Commissioner for Prevention, Preparedness and Regulatory Services
Randy Fritz, M.P.A. Machelle Pharr, C.P.A., C.G.F.M. Joseph Vesowate	Chief Operating Officer Chief Financial Officer Assistant Commissioner, Mental Health & Substance Abuse Services
Evelyn Delgado	Assistant Commissioner, Family and Community Health Services
Alecia Hathaway, M.D., M.P.H.	Assistant Commissioner, Prevention and Preparedness Services
Richard Bays	Assistant Commissioner, Regulatory Services

Sunset Review

The Health Department is subject to review under the Texas Sunset Act. The next scheduled review of the Health Department under the Texas Sunset Act is during the legislative session in the year 2009. The Health Department's enabling act provides that if the Health Department is not continued in existence, the Health Department will cease to exist on September 1, 2009; however, the Texas Sunset Act provides that the Health Department will exist until September 1 of the following year (September 1, 2010) in order to conclude its business.

Health Department Project

The Health Department Project (the "Health Department Project") leased pursuant to the Health Department Lease consists of the project originally financed with the proceeds of the Series 2004D Refunded Bonds and the Health Department Bonds. At the direction of the State Legislature, the Authority may sell or otherwise dispose of the Health Department Project, 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 the Health Department Project, the proceeds received may, at the election of the Commission: (i) be used to restore or replace such Health Department Project or (ii) be applied to the prepayment of Rent Payments in the inverse order of their due dates (as provided in the Lease). See "THE BONDS-Investment Considerations." There is no mortgage on or other security interest with respect to the Bonds in the Health Department Project or any other projects financed with the Refunded Bonds.

The Health Department Project consists of the construction of Phases I and II of a laboratory to conduct vital State mandated tests for the citizenry of the State and an office building, parking garage and related improvements for the Health Department. The project replaced an existing laboratory of the Health Department and is located at 1100 West 49th Street in Austin, Texas.

THE BONDS

Description of the Bonds

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of Bonds will not receive physical delivery of the bond certificates. The Bonds will be issuable in fully registered form and purchases of Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The Bonds will bear interest at the respective rates shown on the inside cover pages of this Official Statement, calculated on the basis of a 360-day year composed of 12 months of 30 days each. The Bonds will

mature in the respective principal amounts and on the respective dates shown on the inside cover pages of this Official Statement. The Bonds are dated November 1, 2004, but bear interest from the Date of Delivery (as defined on the cover page hereof). Interest on the Bonds is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2005, until maturity or redemption.

Optional Redemption

The Bonds maturing on and after February 1, 2015 will be subject to redemption prior to maturity on August 1, 2014 or any date thereafter, in whole or in part, at the option of the Authority, in such manner as the Authority may select, at a redemption price of par plus accrued interest to the date fixed for redemption.

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

Notice of Redemption

Notice of any redemption identifying the Bonds to be redeemed in whole or in part is required to be given by the Paying Agent/Registrar at least 30 days but not more than 45 days prior to the date fixed for redemption by sending notice to DTC (or any successor securities depository for the Bonds) as long as a book-entry registration is used for the Bonds, or if the Bonds subsequently are issued in certificate form, to the registered owners of the Bonds to be redeemed in whole or in part at the address shown in the registration books kept by the Paying Agent/Registrar.

Redemption Through The Depository Trust Company

The Paying Agent/Registrar, so long as a book entry system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to any Resolution, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners (defined herein). Any such selection of Bonds to be redeemed will not be governed by the respective Resolution and will not be conducted by the Authority or the Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Source of Payment of the Bonds

Pursuant to each Resolution, the Authority will pledge to the Bond Owners as security for the payment of each series of Bonds (the "Pledged Security") all right, title, and interest of the Authority in and to (i) the Pledged Revenues (described below); (ii) all rights and remedies of the Authority under the Funds Management Agreement, the respective Lease, and any other lease or use agreement or arrangement of all or any part of the Commission Projects, Preservation Board Project, Parks Department Project or the Health Department Project (except for the Authority's rights (A) to receive proceeds of insurance maintained with respect to the such projects, (B) to indemnification and (C) to payment of Bond Administration Costs); and (iii) amounts in the Interest and Sinking

Fund. In addition, with respect to the Series 2004D Bonds, Pledged Security will also include all right, title and interest of the Authority in and to the Reserve Fund, as described below under “Reserve Fund for the Series 2004D Bonds.” The money held by the Comptroller in the Rebate Funds, if any, does not constitute security for the Bonds.

Pledged Revenues for the Series A, B, and C Bonds. Pledged Revenues with respect to each of the Series 2004A Bonds, the Series 2004B Bonds and the Series 2004C Bonds include: (i) all Rent Payments under each Lease, except the amount of such payments used by the Authority for the purchase of insurance or to fund a self-insurance program as described in the Leases; (ii) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and (iii) if a Lease is terminated with respect to any of the Commission Projects, Preservation Board Project, or Parks Department Project, the net revenues (i.e. revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from such projects.

Pledged Revenues for the Series D Bonds. Pledged Revenues with respect to the Series 2004D Bonds include: (i) all Rent Payments, except the amount of such payments used by the Authority for the purchase of insurance or to fund a self-insurance program as described in the Health Department Lease, which are payable from Dedicated Revenues, Transferred Revenues and any other source of legally available funds of the Health Department designated for such purpose; (ii) any receipts derived from the exercise of any rights or remedies of the Authority with respect to the Pledged Security; and (iii) if the Health Department Lease is terminated with respect to any or all of the Health Department Project, the net revenues (i.e. revenues net of operating and maintenance expenses, determined in accordance with generally accepted accounting principles) derived from such project. Dedicated Revenues include the receipts generated by the Health Department from laboratory fees and related earned federal funds or any other money available, from legislative appropriation or otherwise, now or in the future to make Lease Payments. Transferred Revenues include any and all funds transferred by the Health Department from other appropriated items to pay Lease Payments to the Authority as provided in the Interagency Financing Agreement. For the current legislative biennium 2004-2005, the State Legislature statutorily appropriated all laboratory fees included in Dedicated Revenues for the payment of debt service on the Series 2004D Bonds and the Health Department Bonds. It is anticipated that Dedicated Revenues will be the sole source of appropriated funds used to pay such debt service; however, if Dedicated Revenues are insufficient for the payment of such debt service, the Health Department may make payments from Transferred Revenues or any other source of legally available funds. Dedicated Revenues have been generated in sufficient amounts to pay all debt service on the Series 2004D Refunded Bonds and Health Department Bonds since such revenues were included as Pledged Revenues in March 1998. As described below, the determination of the source (if any) of Pledged Revenues is made by the State Legislature as part of the State’s Budget process on a biennial basis, and accordingly may vary in any future biennium. For additional information relating to the Pledged Revenues with respect to the Series 2004D Bonds, see “SCHEDULE I-- Description of Certain Pledged Revenues relating to the Series 2004D Bonds” attached hereto. See also “DESCRIPTION OF THE TRANSACTION DOCUMENTS—The Interagency Financing Agreement.”

Rent Payments. With respect to each series of Bonds, each Lease obligates the applicable State Agency to make Rent Payments in amounts sufficient to pay the principal of, premium, if any, and interest when due on the respective series of Bond and any outstanding Commission Bonds, Preservation Board Bonds, Parks Department Bonds, and Health Department Bonds, respectively. See “DESCRIPTION OF THE TRANSACTION DOCUMENTS - The Leases-Rent Payments.” **The obligation of the State Agencies to make Rent Payments and other payments under their respective Leases is subject to, and dependent upon, the appropriation of Pledged Revenues by the State Legislature in amounts sufficient to make such payments. Under the State Constitution, an appropriation may not be made for more than one biennium. Accordingly, at any given time, the obligations of such State Agencies under their respective Lease will be limited to the then-current fiscal year or biennium and, if the State Legislature has adopted an appropriations bill, for the succeeding fiscal year or biennium. Although the term of each such Lease extends beyond the current fiscal year or biennium, the continuation of such Leases is dependent upon the successive appropriation in the budget for each fiscal year or biennium of sufficient money to make the payments required thereunder, and the failure of the State Legislature to make such appropriation may result in the termination of the applicable Lease. While it is expected that the State Legislature will make appropriations for each fiscal year or biennium in an amount sufficient to allow the Commission, the Preservation Board, the Parks Department, and the Health Department, to make the Rent Payments and other required payments under their respective Lease, the State**

Legislature has no legal obligation to do so, and the owners of the Bonds will have no right to compel the State Legislature to make such appropriations.

Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds, and therefore, the pledge of the Pledged Security granted by the Authority under each of the Resolutions is valid, effective and perfected. At any time while the Bonds are outstanding and unpaid, if State law is amended with such result that the pledge of the Pledged Security becomes subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, the Authority has agreed (in order to preserve to the registered owners of the Bonds a security interest in such pledge) to take such measures as it determines are reasonable and necessary under State law to comply with Chapter 9 of the Texas Business & Commerce Code and enable a filing of a security interest in the pledge to occur.

The Authority has never defaulted on bonds or other obligations payable from rent payments subject to biennial appropriation by the State Legislature.

Because the Rent Payments will ultimately be made from funds appropriated by the State Legislature to the Commission, the Preservation Board, the Parks Department, and the Health Department, potential investors are encouraged to review Appendix A to this Official Statement (which contains certain information regarding the State) as though the State were the source of revenues for debt service payments on the Bonds, even though the State will not be obligated to pay debt service on the Bonds. The financial condition of the State has a bearing upon whether the State 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.

Investment Considerations

The Authority has not granted the Bond Owners a lien against, or security interest in, the Commission Projects, the Preservation Board Project, the Parks Department Project, or the Health Department Project as security for the Bonds. If the Commission, the Preservation Board, the Parks Department, or the Health Department defaults in the payment of amounts due under their respective Leases, or any such Lease is terminated because of nonappropriation, the Authority has the right, in accordance with the respective Leases, to re-lease the respective project relating to such Lease to other users. However, the ability of the Authority to re-lease any such project upon default under any such lease (or termination of the same because of nonappropriation) may be impaired by factors such as the integration of such project with other State facilities, the specialized nature of such project, and market demand for rental space generally. The Authority's ability to re-lease a project is further limited by federal income tax-related covenants contained in the respective Resolutions authorizing the issuance of the Refunded Bonds which, in order to preserve the excludability of interest on the Bonds from gross income for federal income purposes, effectively prohibits the lease of the applicable projects to non-governmental users without the consent of the Bond Owners. The ability of the Authority to re-lease a project 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.

State Lease Fund Account

The Enabling Act provides for the State Lease Fund Account (0507), and provides that the State Legislature may make its appropriation of funds (including funds appropriated for Rent Payments due under the Leases) to the State Agencies directly into the State Lease Fund Account. The State Lease Fund Account (0507) is a separate account in the State Treasury for accounting purposes, but money credited to the account will not be segregated from other State money. The owners of the Bonds will have no interest in, or rights to, money credited to the State Lease Fund Account (0507).

Flow of Funds

The Authority will establish separate interest and sinking funds for each series of Bonds (each an "Interest and Sinking Fund" with respect to the applicable series of 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 applicable Interest and Sinking Fund will be held in trust and, except for funds held for the payment of Bond Obligations (hereinafter defined) that have become due, will be subject to the pledge created by the respective Resolutions.

All Pledged Revenues collected by the Authority will be deposited into the applicable Interest and Sinking Fund. Under the Funds Management Agreement, on each Rent Payment Date, the Authority will make Rent Payments on behalf of the State Agencies by transferring funds from the State Lease Fund Account (or from such other source of funds lawfully available to such State Agency as may be directed by the State Agency) 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 applicable series of 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 the Bonds next comes due following such Rent Payment Date, the Comptroller of Public Accounts receives instructions of the Executive Director to transfer funds to the Interest and Sinking Fund from the applicable State Lease Fund Account (or from such other source of funds lawfully available to the agency as may be directed by such agency) in order to cure a deficiency in the Interest and Sinking Fund, the Comptroller of Public Accounts, upon receipt of such instructions, shall make such transfer in the amount and otherwise in accordance with such instructions.

A Rebate Fund is to be established with respect to the applicable series of Bonds if there exists a Rebate Amount with respect to such Bonds, 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 Bonds) received from investment of the proceeds of the Bonds and certain money held in connection with the Bonds. The Rebate Fund, if created with respect to any series of Bonds, will be 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 will transfer to the Rebate Fund the amounts directed by the Authority to be paid to the federal government pursuant to the Code.

Pursuant to the Leases, insurance or condemnation proceeds received as a result of damage, destruction, or condemnation of all or any portion of a Commission Project, Preservation Board Project, Parks Department Project, or Health Department Project, respectively, may either be: (i) applied toward the prepayment of Rent Payments under the applicable Lease in the inverse order of their due dates; or (ii) used to restore or replace such Project. If such proceeds are to be used to restore or replace the Project, such proceeds must be deposited into the applicable Restoration Fund. Proceeds derived from the sale or other disposition of any such Project, at the direction of the Legislature, must be deposited in the applicable Restoration Fund confirmed under the applicable Resolution. The Authority has covenanted to treat and administer the applicable Restoration Fund as if it were the related Project Fund (as created in the bond resolutions authorizing the issuance of the applicable series of Refunded Bonds) in all respects, except that pursuant to the Leases 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 a project. Any money remaining in the applicable Restoration Fund after the payment of all restoration or replacement costs, as evidenced by a certificate of an Authorized Representative, must be deposited into the applicable Interest and Sinking Fund or into the State Lease Fund Account, pursuant to the Funds Management Agreement.

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 money in a Fund shall be deposited in such Fund.

Reserve Fund for the Series 2004D Bonds

The resolutions relating to the Health Department Bonds established, and the Resolution relating to the Series 2004D Bonds confirms, the Reserve Fund with respect to such bonds and any additional bonds issued on a parity therewith pursuant to the Health Department Lease. The Reserve Fund will equally and ratably secure the payment of debt service on the Health Department Bonds and the Series 2004D Bonds, and will be applied to pay the principal of and interest on the Health Department Bonds and the Series 2004D Bonds and any additional bonds on parity therewith at any time there are insufficient funds available in the Interest and Sinking Fund for such purpose. With respect to the Health Department Bonds, the Authority elected to satisfy the reserve fund requirement for such bonds with the purchase of a surety bond from Ambac Assurance Corporation (the “Surety Provider”), in lieu of depositing cash into the Reserve Fund. It is anticipated that, simultaneously with the delivery of the Series 2004D Bonds, the surety bond with respect to the Health Department Bonds will be replaced with a new surety bond (the “Surety Bond”), issued by the Surety Provider, which will extend to both the Health Department Bonds and the Series 2004D Bonds. *See* “—Surety Bond for the Series 2004D Bonds” below. The Surety Bond will be issued in an amount equal to the Reserve Required Amount, and no cash will be deposited into the Reserve Fund upon the issuance of the Series 2004D Bonds. **The Reserve Fund will not be available to pay debt service on the Series 2004A Bonds, the Series 2004B Bonds or the Series 2004C Bonds.**

Surety Bond for the Series 2004D Bonds

The following information has been furnished by the Surety Provider for use in this Official Statement. The Surety Bond will apply only to the Series 2004D Bonds and the Health Department Bonds, and not to any other series of the Bonds.

Debt Service Reserve Fund Ambac Assurance Surety Bond.

Application has been made to Ambac Assurance Corporation (“Ambac Assurance”) for the issuance of a Surety Bond for the purpose of funding the Reserve Fund (see “—Reserve Fund for the Series 2004D Bonds” herein). The Series 2004D Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2004D Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Paying Agent/Registrar certifying that provision for the payment of principal of or interest on the Series 2004D Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Series 2004D Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Obligor is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Obligor is subordinate to the Obligor’s obligations with respect to the Series 2004D Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Resolution with respect to the Series 2004D Bonds provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond shall be paid from first available Pledged Revenues; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond shall be deposited from next available Pledged Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

Ambac Assurance Corporation.

Ambac Assurance Corporation (“Ambac Assurance”) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,142,000,000 (unaudited) and statutory capital of \$4,824,000,000 (unaudited) as of June 30, 2004. Statutory capital consists of Ambac Assurance’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading “Surety Bond for the Series 2004D Bonds”.

Available Information.

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference.

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company’s Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;

4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004; and
7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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.

Use of Certain Terms in Other Sections of this Official Statement

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

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Selected Definitions

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.

Additional Bonds – the additional parity bonds permitted to be issued pursuant to the applicable Resolution.

Authorizing Law – Chapter 1232, Texas Government Code, as amended.

Bond Administration Costs - the paying agency, financial advisory, legal, arbitrage compliance, and other costs incurred by or on behalf of the Authority (including without limitation, costs of enforcing the transaction documents and attorneys' fees) in connection with the administration of the Bonds.

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

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

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

Business Day - 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 serving as 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.

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

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

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

Event of Nonappropriation – any “*Event of Nonappropriation*” as defined in the Leases.

Event of Taxability - any act or omission that could cause any payment with respect to any of the 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 Owner of the Bond.

Fund(s) – (with respect to each series of Bonds) collectively, or individually, the Interest and Sinking Fund; the Costs of Issuance Fund; the Restoration Fund; the Rebate Fund; and the Reserve Fund (with respect to the Series 2004D Bonds only).

Funds Management Agreement – the Funds Management Agreement (including any amendments thereto), between the Authority and the Comptroller providing for the administration of the proceeds of each series of the Bonds and the availability of State funds for the payment of the Bond Obligations related thereto.

Government Obligations - any of the following:

(1) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States;

(2) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the 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

(3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the 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 - the “Texas Public Finance Authority Revenue Refunding Bonds (Building and Procurement Commission Projects), Series 2004A Interest and Sinking Fund,” “Texas Public Finance Authority Revenue Refunding Bonds (State Preservation Board Projects), Series 2004B Interest and Sinking Fund,” “Texas Public Finance Authority Revenue Refunding Bonds (Parks and Wildlife Department Projects), Series 2004C Interest and Sinking Fund,” and the “Texas Public Finance Authority Special Revenue Refunding Bonds (Department of State Health Services Projects) Series 2004D Interest and Sinking Fund,” as applicable created pursuant to the respective Resolutions.

Lease Payment(s) – the Rent Payments and/or any other payments of money required to be paid or made available by the applicable State Agency pursuant to the applicable Lease, including (without limitation) costs of issuance, if any, required to be maintained pursuant to the Lease and Bond Administration Costs.

Legislature - the Legislature of the State.

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

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

Project or Projects –with respect to the Series 2004A Bonds, any or all of the Commission Projects; with respect to the Series 2004B Bonds, the Preservation Board Project; with respect to the Series 2004C Bonds, the Parks Department Project; and with respect to the Series 2004D Bonds, the Health Department Project, as applicable.

Purchase Agreement - the bond purchase agreement between the Authority and the purchaser of the Bonds.

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

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

Register - the official registration records for the Bonds maintained by the registrar for the Bonds pursuant to the Resolutions.

Rent Payment Date - any date on which Rent Payments are required to be paid pursuant to a Lease.

Rent Payment(s) - the portion of Lease Payments (under each Lease) attributable to debt service on the Bonds and other outstanding bonds issued to finance and/or refinance one or more Projects under such Lease.

State - the State of Texas.

State Lease Fund Account- the account identified as such in the Authorizing Law or any successor fund created pursuant to law for the same purpose.

Sufficient Assets - with respect to the Bond Obligations or any Bond or Bonds, any combination of the following:

- (1) an amount of money sufficient, without investment, to pay such Bond Obligations when due; and
- (2) Government Obligations that 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) – collectively, the Resolutions (as applicable to the particular series of Bonds), the Leases (as applicable to the particular series of Bonds), the Funds Management Agreement, the Purchase Agreement, the Escrow Agreements, the Interagency Financing Agreement (with respect to the Series 2004D Bonds), the Bonds, and the Book Entry Representation Letter.

The Resolutions

The Bonds are issued pursuant to separate bond resolutions adopted and approved by the Authority on October 25, 2004. The following is a summary of certain provisions contained in each Resolution. Any reference to Bonds in this section refers to the particular series of Bonds approved under the applicable Resolution. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolutions. Copies of the Resolutions are available for examination at the offices of the Authority.

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

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 Resolution unless such debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Resolution. Notwithstanding anything to the contrary herein, the Authority reserves the right to issue obligations to refund the Bonds, the Commission Bonds, the Preservation Board Bonds, the Parks Department Bonds, or the Health Department Bonds and to finance other improvements to any or all of the Projects or any part thereof or the property on which any part of such Project is situated pursuant to any Lease or other lease agreements and to secure such obligations with a pledge of the amounts to be received from such Lease or such other lease agreements. See "Additional Bonds" below.

Additional Bonds. So long as any Lease is in effect, the Authority may issue one or more series of Additional Bonds for the purpose of financing, in whole or in part, the costs for any Project that the Legislature by law has authorized or for the purpose of refunding any outstanding Bonds, Commission Bonds, Preservation Board Bonds, Parks Department Bonds, Health Department Bonds, as applicable, or Additional Bonds. Such Additional Bonds, when issued, and the interest thereon shall 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 Bonds, the Commission Bonds, the Preservation Board Bonds, the Parks Department Bonds, the Health Department Bonds, as applicable, and any Additional Bonds at the time outstanding, and the Bonds, the Commission Bonds, the Preservation Board Bonds, the Parks Department Bonds, the Health Department Bonds, as applicable, and any Additional Bonds, when issued and the interest thereon, shall be on a parity and in all respects of equal dignity with each other. Notwithstanding the foregoing, no installment, series or issue of Additional Bonds shall be issued and delivered unless the Chair of the Authority Board signs a written certificate to the effect that the Authority is not in default, or as of the date of issuance and delivery of the Additional Bonds then being issued will not be in default, as to any of its covenants, conditions or obligations set forth in the applicable Lease, the Funds Management Agreement, the applicable Resolution or any supplemental or amending resolution authorizing Additional Bonds.

Bond Ownership. A Bond Owner is deemed as the absolute owner of the Bond(s) for all purposes. The Paying Agent/Registrar is not bound to recognize any Person as the owner of any 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 Resolution, for purposes of determining whether the requisite number of registered owners of Bonds have taken any action authorized thereunder, the Authority will count the beneficial owners of 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 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 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 Bond to which payments with respect to the Bonds will be made, as provided in the 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 Bond issued and delivered pursuant to the Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such 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 Bonds of the same series, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any 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 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 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 Bonds, the Paying Agent/Registrar is required to transfer or exchange any such 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 Bond issued in exchange for or upon transfer of the Bonds so selected for redemption of an appropriate legend to the effect that such new Bond has been so selected for redemption.

If a portion of any Bond is redeemed prior to its scheduled maturity as provided in the Resolution, a substitute Bond or 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 Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar will cause to be printed, executed, and delivered a new Bond of the same principal amount, maturity, and interest rate as the damaged, mutilated, lost, stolen, or destroyed Bond.

In every case of loss, theft, or destruction of a Bond, the applicant for a replacement 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 Bond, the applicant must furnish to the Paying Agent/Registrar evidence to its satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant must surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

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

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

Application of Pledged Revenues. The Authority will cause to be deposited into applicable Interest and Sinking Fund from the Pledged Revenues an amount sufficient (together with any other money 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 Bond Obligations and otherwise as provided in the Funds Management Agreement.

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 is to be secured in the manner and to the extent required by law.

Unclaimed Payment. Any money held for the payment of Bond Obligations due on any 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 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 Resolution.

- (a) The Resolution may be amended without consent of or notice to the owners of outstanding 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 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 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 Bonds.
- (b) Notwithstanding the foregoing, nothing contained in the Resolution or any Transaction Document may permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds, the amendment of the terms and conditions of any Transaction Document or in any Bond so as to:
 - (1) Make any change in the maturity of the outstanding Bonds;
 - (2) Reduce the rate of interest borne by any of the outstanding Bonds;
 - (3) Reduce the amount of the principal payable on the outstanding Bonds;
 - (4) Modify the terms of payment of principal of, premium (if any), or interest on the outstanding Bonds, or impose any conditions with respect to such payment;
 - (5) Affect the rights of the owners of less than all of the Bonds then outstanding;
 - (6) Change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment; or
 - (7) Change the Pledged Revenues.

Amendment of State Agency Leases and Funds Management Agreement

- (a) A Lease may be amended by the Authority and the applicable State Agency by mutual agreement in accordance with the provisions of the respective Leases.
- (b) The Funds Management Agreement may 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 the State, will not adversely affect the rights of any Bond Owner under the Transaction Documents.

Defeasance of Bonds.

- (a) The Bond Obligations on any Bond (or Bonds) 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 Resolution (including, without limitation, compensation of the Paying Agent/Registrar) with respect to such Bond(s) have been paid, or provision satisfactory to the person to whom any such payment is or will be due for making such payment has been made; and
 - (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.
- (b) If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Bonds, the particular maturity or maturities of Bonds (or, if less than all of a maturity, the principal amount within a maturity) will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines.
 - (c) The Paying Agent/Registrar must transfer funds from the Interest and Sinking Fund or an escrow account established pursuant to the Resolution at such times and in such amounts as necessary for the timely payment of the Bond Obligations on the 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":

Event of Default - the occurrence 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 Bonds;
- (3) the occurrence of any act of bankruptcy of the Authority, the State, or any State Agency, as applicable; or

- (4) the occurrence of any “Event of Default” as defined in any of the Leases, as applicable, or any lease (or other use arrangement) of the Projects entered into by the Authority relating to any Project.

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 Rent 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 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 Resolution.

Enforcement of Rights and Remedies.

- (a) During the continuance of an Event of Default or an Event of Nonappropriation, the owners of the Bonds, 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 Bonds may be appointed through a Bond Owners’ Direction, to exercise any rights and remedies available to the owners of the outstanding 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 Bonds or require the Authority to carry out any agreements with or for the benefit of the owners of the outstanding 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 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 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 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) In addition to the remedies provided under the Resolution, the owners of the outstanding Bonds, acting pursuant to Bond Owners’ Direction, may exercise any other rights and remedies afforded by law.

- (e) To the extent permitted by law, any suit or other action or proceeding instituted by the owners of the outstanding Bonds may be instituted, if necessary, in the name of the Authority for the benefit of the owners of the outstanding Bonds.
- (f) No delay or omission to exercise any right or power existing upon any breach of the Resolution or a Lease 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.
- (g) Any judgment against the Authority will be enforceable only against the Pledged Security. A deficiency judgment will not be authorized against any assets of or the general credit of, the Authority, the Comptroller, any State Agency, or the State.

Restoration of Rights. If any action taken by the owners of the 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 Bonds, the owners of the outstanding 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 Bonds will continue as though no such action had been taken.

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

Remedies Nonexclusive. No remedy available to the owners of the 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 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 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 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 Bonds;
- (3) third, to the payment of the unpaid principal of (and any premium on) the 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 Bond Owners 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 Bond then outstanding of such default or Event of Nonappropriation.

No Personal Liability. No obligation imposed under the Resolution, the Bonds, or any document executed by the Authority, the State Agency (as applicable) in connection therewith will be deemed to be the obligation, in an individual capacity, of any officer, employee, or agent of the Authority, the

Comptroller, the State Agency (as applicable) and no such officer, employee, or agent, or any individual executing the Bonds or any such other document on behalf of any such entity shall be subject to any personal liability with respect thereto.

The Leases

The applicable State Agency (the Commission, Preservation Board, Parks Department, and/or Health Department, as appropriate) (for purposes of this section, each a “Lessee”) entered into the respective Leases for the purpose of financing their respective Project or Projects. The following is a summary of certain provisions of the Leases. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to each of the Leases. Copies of the Leases are available for examination at the offices of the Authority.

Lease of Project. Each Lease provides that the Authority leases the related Project to the Lessee, and the Lessee leases such Project from the Authority.

Rent Payments. On each 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. 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.

With respect to the Commission Leases, the Preservation Board Lease, and the Parks Department Lease, 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 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. 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.

With respect to the Health Department Lease, the Authority shall transfer the payment of the Rent Payments on or before the Rent Payment Date (defined below), directly to the Interest and Sinking Fund, in the following order of priority, from: (i) Dedicated Revenues, (ii) other Pledged Revenues, including Transferred Revenues, and (iii) any other legally available money. In the event that there are insufficient Pledged Revenues available or other legally available money for such purposes, the Lease authorizes the Authority to apply money on deposit in the Reserve Fund or to make a demand for payment under a surety policy or policies held for the benefit of the Reserve Fund, or both, to make such Rent Payment. In such event, the Health Department will thereafter be required under the Interagency Financing Agreement to replenish the Reserve Fund or pay any repayment obligation incurred by the Authority to the issuer of the surety policy or policies, the payment of which will result in the reinstatement of such surety policy. The first Business Day of each January and July shall be a Rent Payment Date.

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 and the Resolution or reduce the amount of any Rent Payment. If all or any part of the Bonds are called for redemption in accordance with the 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 Bonds on the date fixed for redemption, or, if the Authority deems it to be more advantageous, to buy 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 Bonds being outstanding and the Project 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 its Lease 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 (inclusive of any Rent Payment). The Lessee must apply, or cause to be applied, any funds lawfully available to it (whether from the State Lease Fund Account or any other source) 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 its Lease, except in accordance with the express terms thereof. Notwithstanding any other provision of the Leases, 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 its Lease.

Changes in Plans and Specifications and Project Site and Substitution of Projects. The Lessee may alter a Project (as described in the Project Description) or substitute other facilities for all or any part of a Project 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 and construction of a Project (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 a 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 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 of the Authority with a revised Project Description describing a Project as altered or substituted; and the Authority notifies each Rating Agency of such alteration or substitution and provides such Rating Agency with a revised Project Description describing a Project as altered and substituted.

Maintenance and Operation. The maintenance and operation of a Project, 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 the Projects or for any theft or other loss of any personal property located at the Projects.

Project Insurance; Damage or Destruction; Condemnation.

- (a) The Authority must obtain and maintain insurance with respect to each Project 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:
 - (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 such Project or 100% of the replacement value of all Projects if insurance is written on a blanket basis (except with respect to the Commission Lease relating to the Authority's Building Revenue Bonds, Series 1996A, in which case such coverage must be in an amount (to the extent of insurability) not less than an amount equal to 110% of the outstanding aggregate principal amount of the bonds);
 - (2) business interruption or other time element coverage in an amount not less than one year's debt service on the outstanding 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 that, in the opinion of a nationally recognized actuary selected by the Authority, which opinion is furnished to the Authority at least once every two years, is actuarially sound.
- (c) The Authority must furnish the Lessee with a copy of each policy of insurance maintained under its Leases. 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 Leases, 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. The Leases in no way limit or prohibit the Legislature or the Lessee from using a Project for any lawful purposes under the laws of the State, including leasing or subleasing any portion of the 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 one or more Projects may release the Lessee from, or mitigate its obligations under, the Leases and the Lessee will continue to be obligated to make all payments required under the Leases.

Disposition of Project. At the direction of the Legislature, the Authority may sell or otherwise dispose of all or any part of any 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 to be used to pay project costs of a substitute Project or transferred in part to the Interest and Sinking Fund to be applied in accordance with the applicable Resolution and the Funds Management Agreement.

Events of Default Defined. The following are “Events of Default” under the Leases and the term “Event of Default” means, whenever used in the Leases, 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 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 any or each Project without terminating the Lease(s), and sublease all or any part of any or each Project 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(s) so long as the Legislature shall have appropriated funds to the Lessee to pay such amounts.
- (b) Terminate the Lease(s), enter and take possession of any or each Project, and at its option, to the extent permitted by law, lease any or each such Project 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(s) and not paid by such other party so long as the Legislature has appropriated funds to the Lessee to pay such amounts.
- (c) Take any action at law or in equity to collect any amount due or that may become due under the Lease(s), or to enforce performance of any obligation of the Lessee under the Lease(s), by mandamus or otherwise.

If the Authority leases or subleases a Project as a result of its exercise of remedies taken in enforcement of a Lease, the Lessee shall remain liable (to the extent of legally available funds and as otherwise permitted by law) for all payments that are due or become due under the Lease, except to the extent that the Authority receives payments as a result of leasing or subleasing the Project.

No remedy in the Leases 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 Leases 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 Leases.

To the extent provided in the Resolution, such rights and remedies as are given the Authority thereunder will, upon execution and delivery of the Resolution, be assigned to the owners of the Bonds, and as provided in the 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 Resolution.

Performance of Lessee's Obligations by Authority. While the Lessee is in default of any provision of any 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 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 Leases. Unless otherwise terminated as provided therein, the Leases will remain in full force and effect from the date thereof until the Bond Obligations on all outstanding Bonds, Commission Bonds, Preservation Board Bonds, Parks Department Bonds, or Health Department Bonds have been paid (or provision has been made for such payment pursuant to the Resolution or other applicable resolutions) and all other obligations of the Leases have been satisfied.

Reinstatement. If a 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 applicable Project, 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 applicable Project.

Conveyance Upon Termination. When a Lease is terminated as a result of the Bond Obligations on all outstanding 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 applicable Project to the Lessee.

Amendment of Lease. The Authority and the Lessee, by mutual agreement, may amend a Lease in accordance with the provisions of the Lease.

The Funds Management Agreement

The Authority and the Comptroller will enter into a Funds Management Agreement with respect to the Bonds (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 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 Bonds. On each Rent Payment Date, the Authority will make Rent Payments on behalf of the applicable State Agency by transferring funds from the State Lease Fund Account (or from such other source of funds lawfully available to the State Agency as may be directed by the State Agency) to the applicable Interest and Sinking Fund in an amount that (taking into account other funds, if any, on deposit in such Interest and Sinking Fund) is sufficient to pay the Bond Obligations next coming due.

The Authority may transfer funds to the applicable 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 applicable 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 of an Authorized Representative to transfer funds to the applicable Interest and Sinking Fund from the State Lease Fund Account (or from such other source of funds lawfully available to the agency, as may be directed by the applicable State Agency) in order to cure a deficiency in the applicable 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 Other Lease Payments. The Authority may apply funds lawfully available to the applicable State Agency or the Authority from the State Lease Fund Account (or from such other source of lawfully available funds of such State Agency or the Authority) to the payment of Lease Payments other than Rent Payments due under the applicable Lease.

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 money (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 money sufficient to meet the Authority’s obligations. The proceeds received from the disposition of any investment acquired with money 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.

Investment Losses. Any losses from investment of any Fund will be charged 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.

Interagency Financing Agreement

General. The Authority, the Commission, and the Health Department have entered into an Interagency Financing Agreement (the “Interagency Financing Agreement”) originally dated as of January 1, 1996 and amended and restated as of March 1, 1998, and as further amended on or prior to the Date of Delivery, which is applicable to the Series 2004D Bonds, the Health Department Bonds, and any additional bonds issued on parity therewith.

Collection of Rent Payments. The Interagency Financing Agreement requires the Authority to make Rent Payments on behalf of the Commission and the Health Department on each January 1 and July 1 by transferring funds from the Pledged Revenues (in the order of priority set forth in the Interagency Financing Agreement and in the applicable Resolution) to the applicable Interest and Sinking Fund in an amount that (taking into account other funds, if any, on deposit in the applicable Interest and Sinking Fund) is sufficient to pay the principal of, premium, if any, and interest on the Series 2004D Bonds, the Health Department Bonds, and any additional bonds issued on parity with such bonds, which is due on the next succeeding February 1 and August 1, as the case may be.

If there are insufficient moneys available from Dedicated Revenues for the payment of all principal of and interest coming due on such bonds on the next succeeding February 1 and August 1, then on or before the Business Day which is twenty-one (21) days after the Rent Payment Date, the Health Department will (after receipt of any necessary approvals) provide Transferred Revenues or any other legally available revenues sufficient, together with any funds on deposit in the applicable Interest and Sinking Fund, for such payment of principal and interest.

If there are insufficient moneys available from Dedicated Revenues and Transferred Revenues or any other legally available money, the Health Department has authorized the Authority to transfer money from the Reserve Fund (together with any money then on deposit in the Interest and Sinking Fund) to provide for the payment of such principal and interest.

The Health Department will pay Rent Payments or cause Rent Payments to be paid, from lawfully available funds, on behalf of the Commission, for deposit in accordance with the Resolution and the Funds Management Agreement. The Health Department agrees in the Interagency Financing Agreement to the maximum extent permitted by law, to apply all funds available to the Health Department, first to the payment of the Rent Payments, prior to all other potential uses of such funds.

Health Department Obligations Unconditional, Subject to Appropriation. All obligations of the Health Department under the Interagency Financing Agreement are absolute and unconditional and are not subject to any diminution, abatement, set-off, or counterclaim, and the Health Department will not suspend or discontinue any Rent Payments. The obligation of the Health Department to make Rent Payments is subject to enactment by the Legislature of appropriations that are lawfully available to be applied to the Rent Payments. The Interagency Financing Agreement will not constitute a debt or general obligation of the State or any of its agencies, or a pledge of the faith and credit of the State or of any such agencies. The source of payment of the Health Department’s obligations under the Interagency Financing Agreement are limited strictly to the sources identified in the applicable Resolution and such agreement. The State has no obligation to continue to make appropriations for the purpose of making Rent Payments.

RATINGS

The Bonds are rated “Aaa” and “AAA” by Moody’s Investors Service, Inc. (“Moody’s”) and Standard and Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. (“S&P”), respectively, based upon the issuance of separate financial guaranty insurance policies to be issued for each series of the Bonds by the Bond Insurer. Moody’s and S&P have provided underlying ratings of “Aa2” and “AA-” respectively to the Bonds. 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 Bonds.

TAX MATTERS

Opinion of Co-Bond Counsel

In the opinion of Winstead Sechrest & Minick P.C. and Renee Higginbotham-Brooks, Esq., Co-Bond Counsel (“Co-Bond Counsel”), under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), assuming compliance with certain covenants and the accuracy of certain representations as discussed below. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be included in adjusted current earnings for purposes of calculating the federal alternative minimum tax liability of corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits, and Financial Asset Securitization Investment Trusts). See “Appendix D - Form of Co-Bond Counsel Opinion.”

The Code establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and rebate to the United States of certain earnings from investments. The Authority has covenanted to comply with certain procedures, and has made certain representations and certifications, designed to assure compliance with such Code requirements.

Purchasers are advised that Co-Bond Counsel’s opinion is not a guarantee of result and is not binding on the Service; rather, such opinion represents Co-Bond Counsel’s legal judgment based on its review of existing law, as well as its assumption that the Authority will continue to comply with its covenants regarding the exclusion from gross income of interest on the Bonds for federal income tax purposes. In addition, Co-Bond Counsel’s opinion will rely on representations by the Authority, the Authority’s Financial Advisor, and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority’s Financial Advisor, and the Underwriters, respectively, which Co-Bond Counsel have not independently verified. If the Authority should fail to comply with its covenants, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral tax consequences with respect to the Bonds. Co-Bond Counsel express no opinion regarding any such collateral tax consequences.

The statutes, regulations, published rulings, and court decisions upon which Co-Bond Counsel have based their opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Service. No assurance can be given that such law or its interpretation will not be changed in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling has been sought from the Service, and the opinion of Co-Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service's view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the Authority as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the Authority might have different or conflicting interests from those of the owners of the Bonds.

The opinions set forth above are based on existing law and Co-Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Co-Bond Counsel assume no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to their attention, or any changes in law that may occur after the issuance date of the Bonds. In addition, Co-Bond Counsel have not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the transcript and other relevant documents for the Bonds may be changed, and certain actions may be taken, under circumstances, terms, and conditions set forth in such documents upon the advice or with the approving opinion of nationally-recognized bond counsel. Co-Bond Counsel express no opinion regarding the federal tax treatment of interest on the Bonds if any such change occurs, or any action is taken, upon the advice or approval of bond counsel other than Co-Bond Counsel.

Original Issue Discount

Certain of the Bonds (the "Discount Bonds") may be offered and sold to the public at an "original issue discount" ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Bonds. The issue price of Discount Bonds is the initial offering price to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of Discount Bonds of the same maturity are sold pursuant to that offering.

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond's period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Co-Bond Counsel are of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the University encounters financial difficulties, and it is treated as interest earned by cash-basis owners (with possible tax consequences under the corporate alternative minimum tax as discussed above), even though no cash corresponding to the accrual is received in the year of accrual. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity (“Bond Premium”), which, for federal income tax purposes, is amortized over the period to maturity of the Premium Bond based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, an amortization period and yield determined on the basis of the earliest call date resulting in the lowest yield on that Premium Bond), compounded semiannually. No portion of that Bond Premium is deductible by the Premium Bond owner.

For purposes of determining a Premium Bond owner’s gain or loss on sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of Bond Premium that accrues during the ownership period. As a result, an owner of a Premium Bond may realize taxable gain for federal income tax purposes upon the sale or other disposition of such Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to the earliest call date resulting in the lowest yield on that Premium Bond) will realize no gain or loss upon retirement of that Premium Bond. Owners of Premium Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of Bond Premium properly accruable in any tax year (or portion thereof), and with respect to other federal, state, and local tax consequences of owning and disposing of Premium Bonds.

THE BONDS AS LEGAL INVESTMENTS IN TEXAS

Under State law, obligations such as the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The 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, as amended), the 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority has made no review of laws in other states to determine whether the 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 Bonds or the validity of the 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, threatened) against or affecting the State or any of its agencies or instrumentalities (nor to the best of his knowledge that there is 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 Bonds are being issued, or (3) would have a material adverse effect upon the power of the Authority to issue the 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 Bonds or the security for the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Authority

General. In each of the Resolutions, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay such 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 Resolution, the Authority has covenanted to provide notice of any of the following events with respect to the 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 facilities 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 Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 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 holders of the Bonds to provide certain updated information and notices while the Bonds remain outstanding. The Authority and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe her agreement for so long as the 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 ("Appendix A"). The Comptroller intends to continue to prepare Appendix A quarterly and to provide each such update or supplement to the information vendors to whom the Comptroller must provide annual information in accordance with his disclosure agreement. Quarterly updates to Appendix A are also available at www.window.state.tx.us/treasops/bondapp.html. 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 by contacting the Comptroller's *BBS Window on State Government* via the Internet at www.window.state.tx.us or 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 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 February 31 in each 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.

Continuing Disclosure Undertaking of the Authority and the Health Department

Pursuant to the Interagency Financing Agreement, as amended, the Health Department has agreed to provide to the Authority not later than thirty days after August 31 of each year, certain quantitative financial information and operating data, including the type of information contained in Schedule I hereto. The Authority has agreed in the Interagency Financing Agreement, as amended, to provide annually to each NRMSIR and any SID: (i) within 60 days after August 31 of each year beginning in 2005, the quantitative financial information and operating data so provided to the Authority by the Health Department, and (ii) timely notice of any failure by the Health Department to provide such financial information or operating data.

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 Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

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

Limitations and Amendments

The Authority, the Comptroller, and the Health Department have agreed to update information and to provide notices of material events only as described above. None of these entities has agreed to provide other information that may be relevant or material to a complete presentation of the Authority’s or the State’s or the Health Department’s financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. None of these entities makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person’s continuing disclosure agreement or from any statement made pursuant to such person’s agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority, the Comptroller, and/or the Health Department to comply with their agreements.

The Authority, the Comptroller, and the Health Department 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 or the Health Department if the agreement, as amended, would have permitted an underwriter to purchase or sell 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 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 Bonds. If the Authority or the Comptroller or the Health Department 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 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 them in accordance with SEC Rule 15c2-12, although neither entered into such an agreement before August 1995. The Health Department failed to comply with its continuing disclosure agreement made under the Interagency Financing Agreement with respect to the Health Department Bonds as follows: financial information for the Health Department's fiscal year 1999 which should have been filed by November 1, 1999 was filed on or about March 2, 2000.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, 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. The Authority's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherent 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, 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 of 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.

UNDERWRITING

The Underwriters, as set forth on the cover of this Official Statement, have agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority, to purchase: (i) the Series 2004A Bonds at a price of \$110,408,793.92 (representing the par amount of the Series 2004A Bonds of \$100,675,000, plus a net premium of \$10,211,952.10, and less an underwriting discount of \$478,158.18); (ii) the Series 2004B Bonds at a price of \$40,687,668.05 (representing the par amount of the Series 2004B Bonds of \$37,295,000, plus a net premium of \$3,570,978.90, and less an underwriting discount of \$178,310.85); (iii) the Series 2004C Bonds at a price of \$34,098,712.48 (representing the par amount of the Series 2004C Bonds of \$31,350,000, plus a net premium of \$2,900,881.35, and less an underwriting discount of \$152,168.87); and (iv) the Series 2004D Bonds at a price of \$24,728,467.50 (representing the par amount of the Series 2004D Bonds of \$23,410,000, plus a premium of \$1,428,441.45, and less an underwriting discount of \$109,973.95). The bond purchase agreement pertaining to the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased.

THE FINANCIAL ADVISOR

Coastal Securities is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's records and from other sources which are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL ACCURACY

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest earned on the Federal Securities held in each of the separate Escrow Accounts of the Series 2004A, B, and C Escrow Fund to provide for the payment of the Series 2004A Refunded Bonds, Series 2004B Refunded Bonds, and Series 2004C Refunded Bonds, respectively, will be verified by the Verification Agent. Likewise, the accuracy of the mathematical computations of the adequacy of the maturing principal of and interest earned on the Federal Securities held in the Series 2004D Escrow Fund to provide for the payment of the Series 2004D Refunded Bonds will be verified by the Verification Agent. See "PLAN OF FINANCE—Refunded Bonds."

The Verification Agent will separately verify that: (i) the scheduled payments of principal and interest on the Federal Securities held in the separate Escrow Accounts of the Series 2004A, B, and C Escrow Fund are in such amounts and become due at such times so as to provide sufficient funds to pay all principal of and interest on the Series 2004A Refunded Bonds, Series 2004B Refunded Bonds, and Series 2004C Refunded Bonds, respectively, payable from the respective Escrow Accounts when due, without reinvestment; and (ii) the scheduled payments of principal and interest on the Federal Securities held in the Series 2004D Escrow Fund are in such amounts and become due at such times so as to provide sufficient funds to pay all principal of and interest on the Series 2004D Refunded Bonds payable from the Series 2004D Escrow Fund when due, without reinvestment.

These computations will be based upon information and assumptions supplied by the Underwriters on behalf of the Authority. The Verification Agent has restricted its procedures to recalculating the computations provided by the Underwriters and has not evaluated or examined the assumptions or information used in the computations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The Bonds have not been registered under the federal Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder, nor the blue sky laws of any jurisdiction. The Resolutions have not been qualified under the federal Trust Indenture Act of 1939, as amended, in reliance upon an exemption provided thereunder.

LEGAL MATTERS

The delivery of the Bonds is subject to receipt of the approving opinion of the Attorney General of the State and the opinion of Winstead Sechrest & Minick P.C. and Renee Higginbotham-Brooks, Esq., Co-Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. The compensation paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. Co-Bond Counsel's opinion will be rendered at the closing of the sale of the Bonds in substantially the form attached to this Official Statement as Appendix C.

Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P. The Underwriters were selected by the governing board of the Authority. The senior managing underwriter selected Vinson & Elkins L.L.P. to serve as counsel to the Underwriters.

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

MISCELLANEOUS

References in this Official Statement to any 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.

[Remainder of page intentionally left blank.]

SCHEDULE I

DESCRIPTION OF CERTAIN PLEDGED REVENUES RELATING TO THE SERIES 2004D BONDS

The portion of the Pledged Revenues with respect to the Series 2004D Bonds (including Dedicated Revenues and Transferred Revenues,) which are designated for the 2004-2005 biennium to make Rent Payments (as described herein) is illustrated in the following table. **This Schedule I is provided solely for the purpose of illustrating the Pledged Revenues relating to the Series 2004D that have been appropriated for the current biennium. No assurance can be given regarding whether, and from what source, future appropriations, if any, will be made by the State Legislature.** For a more detailed discussion of the Pledged Revenues with respect to the Series 2004D Bonds, see “THE BONDS—Source and Payment of the Bonds” herein.

Texas Department of State Health Services Historical and Projected Pledged Revenues

	Actual				Projected	
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Sources:						
Beginning Fund Balances	\$ 7,144,390	\$ 4,022,724	\$ 1,017,195	\$ 778,046	\$ 1,248,926	\$ 1,248,926
Laboratory Fees:						
Non-Medical Newborn Screening Fee						
-- Note 2	--	--	2,900,000	2,516,271	2,141,990	2,144,795
Other New Laboratory Fees – Note 2	--	--	--	--	--	--
Safe Drinking Water Act Fees	--	--	--	623,767	600,000	600,000
EPSDT Blood-Lead Fees	--	134,208	--	470,880	400,000	400,000
Total Sources (Available for Debt Service)	\$ 7,144,390	\$ 4,156,932	\$ 3,917,195	\$ 4,388,964	\$ 4,390,916	\$ 4,393,721
Uses:						
Debt Service	<u>\$(3,121,666)</u>	<u>\$(3,139,737)</u>	<u>\$(3,139,149)</u>	<u>\$(3,140,038)</u> See Note 1	<u>\$(3,141,990)</u>	<u>\$(3,144,795)</u>
Ending Fund Balances	\$4,022,724	\$1,017,195	\$ 778,046	\$ 1,248,926	\$ 1,248,926	\$ 1,248,926
Available Transferred Revenues	\$22,400,347	\$21,002,848	\$20,671,470	\$17,489,485	\$17,267,097	\$19,949,802 See Note 3

Note 1 – During FY 2004, \$3,140,680 principal and interest were paid to bondholders. This included \$642 depository interest and \$3,140,038 paid from pledged revenue identified above.

Note 2 – Non-Medicaid newborn screening fee collections and other new laboratory fee collections were \$5.9 million in FY 2004 and are projected to be approximately \$6.0 million annually in FY 2005 and FY 2006. The 78th Texas Legislature appropriated collections of non-Medicaid newborn screening fees and other new laboratory fees in excess of the amount needed for bond debt service payments for laboratory operations in FY 2004 and 2005. Accordingly, total collections for laboratory operations are not included above.

Note 3 – The Health and Human Services Commission (HHSC), another state agency, is authorized by state law to consolidate administrative support services of HHSC, the department, and other health and human services agencies. Available transferred revenues reflect the transfer of appropriations to HHSC for human resources, purchasing, civil rights, Office of Inspector General, and leasing and system support. Projections for FY 2006 assume a continuation of current economic conditions. They further assume that the 79th Texas Legislature will not change the source or availability of pledged revenue for the Department of State Health Services. But, no assurances can be given regarding the source or availability of pledged revenue during the FY 2006-2007 biennium. The revenue is subject to biennial appropriation.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX A

THE STATE OF TEXAS

The Appendix A dated August 2004 is currently on file with each NRMSIR and the Texas SID and is hereby incorporated by reference and made a part of this Official Statement. The Appendix may also be obtained from the Comptroller's web site at www.window.state.tx.us/treasops/bondapp.html. It is anticipated that an updated Appendix A dated November 2004 will be available from the Comptroller's web site on November 1, 2004.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX B

DEBT SERVICE REQUIREMENTS

Fiscal Year	Prior	Less:	Plus:		Total	Combined
	Bonds	Refunded	The Bonds*		Debt Service	Debt
	Debt Service**	Bonds	Principal	Interest		Service***
		Debt Service				
2005	\$61,017,074	\$10,083,534	\$3,500,000	\$6,431,737	\$9,931,737	\$60,865,277
2006	60,983,240	10,083,534	0	9,126,631	9,126,631	60,026,338
2007	60,796,254	10,588,534	495,000	9,120,444	9,615,444	59,823,164
2008	58,394,566	13,163,789	3,020,000	9,068,956	12,088,956	57,319,734
2009	57,805,260	18,295,499	8,415,000	8,842,481	17,257,481	56,767,243
2010	57,401,869	23,770,865	14,405,000	8,331,369	22,736,369	56,367,373
2011	49,417,779	26,960,231	18,365,000	7,558,131	25,923,131	48,380,679
2012	50,512,184	27,736,799	20,065,000	6,628,159	26,693,159	49,468,544
2013	48,353,795	29,748,248	23,130,000	5,577,394	28,707,394	47,312,941
2014	47,001,680	27,758,925	22,260,000	4,456,800	26,716,800	45,959,555
2015	31,169,724	25,992,749	21,590,000	3,360,550	24,950,550	30,127,525
2016	27,826,493	25,787,518	22,490,000	2,258,550	24,748,550	26,787,525
2017	22,241,785	17,583,235	15,230,000	1,315,550	16,545,550	21,204,100
2018	18,545,550	13,884,413	12,215,000	629,425	12,844,425	17,505,563
2019	8,471,538	5,460,275	4,460,000	223,825	4,683,825	7,695,088
2020	3,927,363	3,927,363	3,090,000	61,800	3,151,800	3,151,800
Total	\$663,866,152	\$290,825,508	\$192,730,000	\$82,991,802	\$275,721,802	\$648,762,446

* Includes the Series 2004A Bonds, Series 2004B Bonds, Series 2004C Bonds, and Series 2004D Bonds.

** Prior Bonds include the Refunded Bonds, the Commission Bonds, the Preservation Board Bonds, the Parks Department Bonds, and the Health Department Bonds (as defined in the Official Statement).

*** Includes debt service for the Prior Bonds (as defined in the footnote above), less debt service for the Refunded Bonds, plus debt service for the Bonds.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Winstead Sechrest & Minick PC
401 Congress Avenue, Suite 2100
Austin, Texas 78701

Renee Higginbotham-Brooks, Esq.
1612 Summit Avenue, Suite 230
Fort Worth, Texas 76102

November 18, 2004

TEXAS PUBLIC FINANCE AUTHORITY

\$100,675,000
Revenue Refunding Bonds
(Building and Procurement Commission Projects)
Series 2004A

\$31,350,000
Revenue Refunding Bonds
(Parks and Wildlife Department Projects)
Series 2004C

\$37,295,000
Revenue Refunding Bonds
(State Preservation Board Projects)
Series 2004B

\$23,410,000
Special Revenue Refunding Bonds
(Department of State Health Services Projects)
Series 2004D

We have acted as Co-Bond Counsel for the Texas Public Finance Authority (the "Authority") in conjunction with the issuance of the captioned bonds (the "Bonds"), dated November 1, 2004. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a maturity), have stated maturities as provided in the Authority's Official Statement (the "Official Statement") unless redeemed prior to maturity in accordance with the optional or mandatory redemption provisions stated on the Bonds, and bear interest on the unpaid principal amount from their date of delivery at the rates per annum stated in the resolutions adopted by the Board of Directors of the Authority and the Pricing Committee's Pricing Certificate authorizing their issuance (collectively, the "Resolutions").

We have acted as Co-Bond Counsel for the Authority solely to pass upon the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas (the "State"), and with respect to the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority or any state agency, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Our examination into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the Constitution and laws of the State, a transcript of certified proceedings of the Authority relating to the authorization and issuance of the Bonds, and other pertinent instruments authorizing and relating to the issuance of the Bonds, and an

examination of the Bonds executed and delivered initially by the Authority, which we found to be in due form and properly executed.

The transcript contains certified copies of certain proceedings of the Authority and the Texas Treasury Safekeeping Trust Company, as escrow agent (the "Escrow Agent"); the report of Grant Thornton LLP verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents and representatives of the Escrow Agent, the Authority, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded.

Based on our examination, it is our opinion that, under the applicable law of the United States of America and the State in force and effect on the date hereof:

1. The Bonds have been duly authorized by the Authority and are valid, legally binding, and enforceable obligations of the Authority, payable from a lien on and pledge of the Pledged Security (as defined in each Resolution).

2. Interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, real estate investment trust, real estate mortgage investment conduit, or financial asset securitization investment trust) for purposes of computing its alternative minimum tax liability.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to Escrow Agreements entered into between the Authority and the Escrow Agent on the date of delivery of the Bonds, and therefore, such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefore in such Escrow Agreements.

In rendering these opinions, we have relied on representations and certifications of the Authority and the Underwriters with respect to matters solely within the knowledge of the Authority and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance by the Authority with its covenants pertaining to those sections of the Code affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or if the Authority fails to comply with its covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that ownership of obligations such as the Bonds may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, United States branches of foreign corporations, 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, and individuals otherwise qualifying for the earned income credit. Owners of the Bonds should consult their tax advisors regarding the applicability of these and other collateral tax consequences. We express no opinion regarding any such collateral tax consequences.

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 our 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 on our review of existing law, and are made in reliance on 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 relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurances can be given regarding whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service would treat the Authority as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the Authority has covenanted in the Resolutions not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

The opinions contained herein are limited to the extent that the rights of the registered owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights or remedies generally and to the extent that certain equitable remedies, including specific performance, may be unavailable.

Respectfully submitted,

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX D

SCHEDULE OF REFUNDED BONDS

Series 2004A Refunded Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Building Revenue Bonds, Series 1996A					
TERM2016	08/01/2013	5.000%	\$3,735,000.00	08/01/2006	100%
	08/01/2014	5.000	3,920,000.00	08/01/2006	100
	08/01/2015	5.000	4,115,000.00	08/01/2006	100
	08/01/2016	5.000	4,325,000.00	08/01/2006	100
			<u>\$16,095,000.00</u>		
Building Revenue Bonds, Series 1997					
SERIALS	08/01/2008	4.700%	\$2,030,000.00	8/01/2007	100%
	08/01/2009	4.800	2,135,000.00	8/01/2007	100
	08/01/2010	4.900	2,255,000.00	8/01/2007	100
	08/01/2011	5.000	2,375,000.00	8/01/2007	100
	08/01/2012	5.000	2,510,000.00	8/01/2007	100
	08/01/2013	5.000	2,650,000.00	8/01/2007	100
	08/01/2014	5.000	2,800,000.00	8/01/2007	100
	08/01/2015	5.000	2,960,000.00	8/01/2007	100
TERM2017	08/01/2016	5.000	3,130,000.00	8/01/2007	100
	08/01/2017	5.000	3,310,000.00	8/01/2007	100
			<u>\$26,155,000.00</u>		
Building Revenue & Refunding Bonds, Series 1997A					
SERIALS	02/01/2009	5.500%	\$3,445,000.00	02/01/2008	101%
	02/01/2010	5.500	4,900,000.00	02/01/2008	101
	02/01/2011	5.500	5,180,000.00	02/01/2008	101
	02/01/2012	5.500	6,550,000.00	02/01/2008	101
	02/01/2013	5.500	5,415,000.00	02/01/2008	101
	02/01/2014	5.000	5,020,000.00	02/01/2008	101
	02/01/2015	5.000	3,700,000.00	02/01/2008	101
	02/01/2016	5.000	3,890,000.00	02/01/2008	101
	02/01/2017	5.000	4,090,000.00	02/01/2008	101
	02/01/2018	5.000	4,300,000.00	02/01/2008	101
			<u>\$46,490,000.00</u>		
Building Revenue Bonds, Series 2000A					
SERIALS	02/01/2011	5.600%	\$1,290,000.00	02/01/2010	100%
	02/01/2012	5.600	1,290,000.00	02/01/2010	100
	02/01/2013	5.700	1,290,000.00	02/01/2010	100
	02/01/2014	5.800	1,290,000.00	02/01/2010	100
	02/01/2015	5.800	1,285,000.00	02/01/2010	100
	02/01/2016	5.875	1,285,000.00	02/01/2010	100
TERM2020	02/01/2017	6.000	1,285,000.00	02/01/2010	100
	02/01/2018	6.000	1,285,000.00	02/01/2010	100
	02/01/2019	6.000	1,285,000.00	02/01/2010	100
	02/01/2020	6.000	1,285,000.00	02/01/2010	100
			<u>\$12,870,000.00</u>		

Series 2004B Refunded Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Revenue Bonds (State Preservation) Series 1997B					
SERIALS	02/01/2009	4.900%	\$365,000.00	02/01/2008	101%
	02/01/2010	5.000	385,000.00	02/01/2008	101
	02/01/2011	5.000	400,000.00	02/01/2008	101
	02/01/2012	5.000	425,000.00	02/01/2008	101
	02/01/2013	5.000	445,000.00	02/01/2008	101
	02/01/2014	5.000	470,000.00	02/01/2008	101
	02/01/2015	5.000	490,000.00	02/01/2008	101
	02/01/2016	5.000	520,000.00	02/01/2008	101
	02/01/2017	5.000	545,000.00	02/01/2008	101
	02/01/2018	5.000	570,000.00	02/01/2008	101
			<u>\$4,615,000.00</u>		
Revenue Bonds (State Preservation) Series 1999A					
SERIALS	02/01/2010	5.250%	\$1,955,000.00	02/01/2009	100%
	02/01/2011	5.250	2,040,000.00	02/01/2009	100
	02/01/2012	5.250	2,130,000.00	02/01/2009	100
	02/01/2013	5.250	2,225,000.00	02/01/2009	100
	02/01/2014	5.250	2,330,000.00	02/01/2009	100
	02/01/2015	5.250	2,440,000.00	02/01/2009	100
	02/01/2016	5.250	2,555,000.00	02/01/2009	100
			<u>\$15,675,000.00</u>		
Revenue Bonds (State Preservation) Series 2000B					
SERIALS	08/01/2010	5.000%	\$1,490,000.00	08/01/2009	100%
	08/01/2011	6.000	1,490,000.00	08/01/2009	100
	08/01/2012	6.000	1,490,000.00	08/01/2009	100
	08/01/2013	6.000	1,490,000.00	08/01/2009	100
	08/01/2014	6.000	1,490,000.00	08/01/2009	100
	08/01/2015	6.000	1,490,000.00	08/01/2009	100
	08/01/2016	6.000	1,490,000.00	08/01/2009	100
	08/01/2017	5.500	1,490,000.00	08/01/2009	100
	08/01/2018	5.500	1,490,000.00	08/01/2009	100
	08/01/2019	5.625	1,490,000.00	08/01/2009	100
	08/01/2020	5.625	1,490,000.00	08/01/2009	100
			<u>\$16,390,000.00</u>		

Series 2004C Refunded Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Revenue Bonds (Texas Parks & Wildlife) Series 1998					
SERIALS	08/01/2009	4.500%	\$570,000.00	02/01/2008	100%
	08/01/2010	4.600	595,000.00	02/01/2008	100
	08/01/2011	4.600	620,000.00	02/01/2008	100
	08/01/2012	4.650	650,000.00	02/01/2008	100
	08/01/2013	4.700	680,000.00	02/01/2008	100
	08/01/2014	4.750	715,000.00	02/01/2008	100
	08/01/2015	4.800	750,000.00	02/01/2008	100
TERM2008	08/01/2008	6.000	545,000.00	02/01/2008	100
TERM2018	08/01/2016	4.750	785,000.00	02/01/2008	100
	08/01/2017	4.750	825,000.00	02/01/2008	100
	08/01/2018	4.750	865,000.00	02/01/2008	100
			<u>\$7,600,000.00</u>		
Revenue Bonds (Texas Parks & Wildlife) Series 1999B					
SERIALS	02/01/2010	4.300%	\$850,000.00	02/01/2009	100%
	02/01/2011	4.400	890,000.00	02/01/2009	100
	02/01/2012	4.500	925,000.00	02/01/2009	100
	02/01/2013	4.600	970,000.00	02/01/2009	100
	02/01/2014	4.750	1,015,000.00	02/01/2009	100
	02/01/2015	4.750	1,060,000.00	02/01/2009	100
	02/01/2016	4.800	1,115,000.00	02/01/2009	100
	02/01/2017	4.800	1,165,000.00	02/01/2009	100
	02/01/2018	5.000	1,220,000.00	02/01/2009	100
	02/01/2019	5.000	1,280,000.00	02/01/2009	100
			<u>\$10,490,000.00</u>		
Revenue Bonds (Texas Parks & Wildlife) Series 2000					
SERIALS	02/01/2011	5.500%	\$1,000,000.00	02/01/2010	100%
	02/01/2012	5.500	1,000,000.00	02/01/2010	100
	02/01/2013	5.600	1,000,000.00	02/01/2010	100
	02/01/2014	5.750	1,000,000.00	02/01/2010	100
	02/01/2015	5.750	1,000,000.00	02/01/2010	100
	02/01/2016	5.900	1,000,000.00	02/01/2010	100
	02/01/2017	5.900	1,000,000.00	02/01/2010	100
	02/01/2018	6.000	1,000,000.00	02/01/2010	100
	02/01/2019	6.000	1,000,000.00	02/01/2010	100
	02/01/2020	6.000	1,000,000.00	02/01/2010	100
			<u>\$10,000,000.00</u>		
Revenue Bonds (Texas Parks & Wildlife) Series 2001					
SERIALS	08/01/2011	4.300%	\$1,050,000.00	08/01/2010	100%
	08/01/2012	4.400	1,050,000.00	08/01/2010	100
	08/01/2013	4.500	1,055,000.00	08/01/2010	100
			<u>\$3,155,000.00</u>		

Series 2004D Refunded Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Special Revenue Bonds (Health Lab) 1996B					
SERIALS	08/01/2007	4.900%	\$505,000.00	08/01/2006	100%
	08/01/2008	5.000	530,000.00	08/01/2006	100
	08/01/2009	5.100	555,000.00	08/01/2006	100
	08/01/2010	5.100	585,000.00	08/01/2006	100
	08/01/2011	5.200	615,000.00	08/01/2006	100
	08/01/2012	5.250	645,000.00	08/01/2006	100
	08/01/2013	5.300	680,000.00	08/01/2006	100
	08/01/2014	5.300	715,000.00	08/01/2006	100
	08/01/2015	5.300	755,000.00	08/01/2006	100
	08/01/2016	5.300	795,000.00	08/01/2006	100
			<u>\$6,380,000.00</u>		
Special Revenue Bonds (Health Lab) 1998					
SERIALS	08/01/2009	4.600%	\$1,425,000.00	08/01/2008	100%
	08/01/2010	4.700	1,495,000.00	08/01/2008	100
	08/01/2011	4.750	1,565,000.00	08/01/2008	100
	08/01/2012	5.000	1,635,000.00	08/01/2008	100
	08/01/2013	5.000	1,720,000.00	08/01/2008	100
	08/01/2014	5.000	1,805,000.00	08/01/2008	100
	08/01/2015	5.000	1,895,000.00	08/01/2008	100
	08/01/2016	5.000	1,990,000.00	08/01/2008	100
	08/01/2017	5.000	2,090,000.00	08/01/2008	100
	08/01/2018	5.000	2,195,000.00	08/01/2008	100
			<u>\$17,815,000.00</u>		

APPENDIX E

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee