

OFFICIAL STATEMENT DATED JUNE 25, 2014

NEW ISSUES - Book-Entry-Only

RATINGS: Fitch: "AAA"  
Moody's: "Aaa"  
Standard & Poor's: "AAA"  
(See "RATINGS" herein)

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Series 2014A Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions existing on the date thereof subject to the matters described under "TAX MATTERS" including a description of alternative minimum tax consequences for corporations. The Series 2014B Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS" herein.*



**TEXAS PUBLIC FINANCE AUTHORITY**

**\$258,925,000**

**State of Texas**

**General Obligation Refunding Bonds,  
Series 2014A**

**\$233,280,000**

**State of Texas**

**General Obligation Refunding Bonds,  
Taxable Series 2014B**

**Dated Date and Interest Accrual Date: Date of Delivery**

**Due: October 1, as shown on pages ii and iii**

The Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2014A (the "Series 2014A Bonds") and the Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Taxable Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds") are general obligations of the State of Texas (the "State") being issued by the Texas Public Finance Authority (the "Authority") under the authority of the Constitution and general laws of the State, including Article III, Sections 49-1, 50-f, 50-g, and 67 of the Texas Constitution; Chapter 1232, Texas Government Code, as amended (the "Texas Public Finance Authority Act"); Chapters 1207, 1371, 1401, and 1403 Texas Government Code, as amended, and Chapter 102, Texas Health and Safety Code, as amended.

Proceeds of the Series 2014A Bonds will be used (i) to refund certain outstanding general obligation commercial paper notes of the State issued by the Authority (the "Series 2014A Refunded Notes"), as further identified on Schedule I attached hereto, in order to provide long term fixed rate financing for the authorized projects financed with the proceeds of the Series 2014A Refunded Notes and (ii) to pay the cost of issuing the Series 2014A Bonds. Proceeds of the Series 2014B Bonds will be used (i) to refund certain outstanding general obligation commercial paper notes of the State issued by the Authority (the "Series 2014B Refunded Notes") for the Cancer Prevention and Research Institute of Texas ("CPRIT"), as further identified on Schedule I attached hereto, in order to provide long term fixed rate financing for the authorized projects financed with the proceeds of the Series 2014B Refunded Notes and (ii) to pay the cost of issuing the Series 2014B Bonds. The Series 2014A Bonds and the Series 2014B Bonds are each separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the owners, the tax status of its interest and other features. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from the Date of Delivery, will be payable on April 1, 2015, and on each October 1 and April 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the initial purchasers named below (the "Underwriters") or the beneficial owners of the Bonds. Interest on and principal of the Bonds will be payable by the Authority (which will act as the initial Paying Agent/Registrar) to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System." The Bonds are subject to redemption prior to maturity as set forth in the section "DESCRIPTION OF THE BONDS — Optional Redemption."

**The Bonds are general obligations of, and are secured by the full faith and credit of, the State. See "DESCRIPTION OF THE BONDS - Source of Payment" herein. For general information regarding the State, including information concerning outstanding general obligation debt of the State, see "GENERAL INFORMATION REGARDING THE STATE" and Appendix A hereto.**

**MATURITY SCHEDULE**

(See Pages ii and iii)

CUSIP Prefix: 882723

*The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State and the approving opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Andrews Kurth LLP, Austin, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell & Giuliani LLP, Houston, Texas. See "LEGAL MATTERS." The Bonds are expected to be available for initial delivery through the facilities of DTC on or about July 8, 2014 (the "Date of Delivery").*

**J.P. MORGAN**

**BARCLAYS  
PIPER JAFFRAY & CO.**

**DREXEL HAMILTON, LLC**

**MESIROW FINANCIAL, INC.  
SAMCO CAPITAL MARKETS, INC.**

## MATURITY SCHEDULE

**\$258,925,000**  
**TEXAS PUBLIC FINANCE AUTHORITY**  
**STATE OF TEXAS**  
**GENERAL OBLIGATION REFUNDING BONDS,**  
**SERIES 2014A**

<b>Maturity (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield<sup>(1)</sup></b>	<b>CUSIP No. Suffix<sup>(2)</sup></b>
2015	\$14,330,000	2.000%	0.160%	NM7
2016	14,325,000	3.000%	0.350%	NN5
2017	14,320,000	4.000%	0.750%	NP0
2018	14,320,000	5.000%	1.110%	NQ8
2019	11,885,000	4.000%	1.420%	PG8
2019	2,400,000	3.000%	1.420%	NR6
2020	14,320,000	5.000%	1.680%	NS4
2021	14,320,000	5.000%	1.950%	NT2
2022	14,320,000	5.000%	2.170%	NU9
2023	14,320,000	5.000%	2.350%	NV7
2024	14,320,000	5.000%	2.470%	NW5
2025	14,315,000	5.000%	2.590%	NX3
2026	14,315,000	5.000%	2.680%	NY1
2027	14,315,000	5.000%	2.760%	NZ8
2028	14,315,000	5.000%	2.820%	PA1
2029	14,315,000	4.000%	3.170%	PB9
2030	14,315,000	4.000%	3.250%	PC7
2031	14,315,000	4.000%	3.320%	PD5
2032	9,770,000	4.000%	3.390%	PE3
2033	5,770,000	4.000%	3.450%	PF0

(Interest accrues from Date of Delivery)

**OPTIONAL REDEMPTION...** The Series 2014A Bonds maturing on and after October 1, 2025, are subject to redemption at the option of the Authority, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Authority may select, on October 1, 2024, or on any date thereafter, at a redemption price equal to par plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS — Optional Redemption."

<sup>(1)</sup> Yields shown are calculated to the earlier of stated maturity or first available redemption date at par plus accrued interest.

<sup>(2)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

## MATURITY SCHEDULE

**\$233,280,000**  
**TEXAS PUBLIC FINANCE AUTHORITY**  
**STATE OF TEXAS**  
**GENERAL OBLIGATION REFUNDING BONDS,**  
**TAXABLE SERIES 2014B**

<b>Maturity (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield<sup>(1)</sup></b>	<b>CUSIP No. Suffix<sup>(2)</sup></b>
2015	\$12,465,000	0.210%	0.210%	PH6
2016	12,465,000	0.644%	0.644%	PJ2
2017	12,465,000	1.204%	1.204%	PK9
2018	12,465,000	1.666%	1.666%	PL7
2019	12,460,000	1.986%	1.986%	PM5
2020	12,460,000	2.289%	2.289%	PN3
2021	12,460,000	2.589%	2.589%	PP8
2022	12,460,000	2.843%	2.843%	PQ6
2023	12,460,000	2.993%	2.993%	PR4
2024	12,460,000	3.093%	3.093%	PS2
2025	12,460,000	3.293%	3.293%	PT0
2026	12,460,000	3.423%	3.423%	PU7
2027	12,460,000	3.573%	3.573%	PV5
2028	12,460,000	3.663%	3.663%	PW3
2029	12,460,000	3.693%	3.693%	PX1
2030	12,460,000	3.858%	3.858%	PY9
2031	12,460,000	3.908%	3.908%	PZ6
2032	12,460,000	3.958%	3.958%	QA0
2033	8,980,000	4.008%	4.008%	QB8

(Interest accrues from Date of Delivery)

**OPTIONAL REDEMPTION...** The Series 2014B Bonds maturing on and after October 1, 2025, are subject to redemption at the option of the Authority, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Authority may select, on October 1, 2024, or on any date thereafter, at a redemption price equal to par plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS — Optional Redemption."

<sup>(1)</sup> Yields shown are calculated to the earlier of stated maturity or first available redemption date at par plus accrued interest.

<sup>(2)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

**STATE OF TEXAS**

Rick Perry  
Governor

David Dewhurst  
Lieutenant Governor

Greg Abbott  
Attorney General

Susan Combs  
Comptroller of Public Accounts

**TEXAS PUBLIC FINANCE AUTHORITY**

**BOARD OF DIRECTORS**

- Billy M. Atkinson, Jr. – Chair
- Ruth C. Schiermeyer – Vice-Chair
- Gerald Alley – Secretary
- Mark W. Eidman – Member
- Rodney K. Moore – Member
- Robert T. Roddy, Jr. – Member
- Walker N. Moody – Member

**CERTAIN APPOINTED OFFICERS**

Lee Deviney, Executive Director  
John Hernandez, Deputy Director<sup>1</sup>  
Pamela Scivicque, Director of Business Administration

**Consultants and Advisors**

Financial Advisor .....Coastal Securities, Inc.  
Bond Counsel..... McCall, Parkhurst & Horton L.L.P.  
Disclosure Counsel ..... Andrews Kurth LLP

**For additional information regarding the Authority, please contact:**

Mr. Jorge Rodriguez  
Coastal Securities, Inc.  
2526 N. Loop 1604 West, Suite 150  
San Antonio, Texas 78248  
(210) 487-7000

<sup>1</sup> The Board appointed Mr. Hernandez as Interim Executive Director on January 16, 2014. He will continue to serve in this capacity during a thirty day transition period until July 16, 2014 and will return to his role as Deputy Director. See “THE AUTHORITY — Authority Executives.”

## SALE AND DISTRIBUTION OF THE BONDS

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

### Use of Official Statement

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

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

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

NEITHER THE AUTHORITY, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

### Marketability

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

### Securities Laws

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

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

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See “LEGAL MATTERS - Forward Looking Statements” herein.

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## SUMMARY STATEMENT

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

<b>ISSUER</b> .....	Texas Public Finance Authority.
<b>OFFERING</b> .....	State of Texas General Obligation Refunding Bonds, Series 2014A, in the aggregate principal amount of \$258,925,000.  State of Texas General Obligation Refunding Bonds, Taxable Series 2014B, in the aggregate principal amount of \$233,280,000.
<b>MATURITY</b> .....	The Series 2014A Bonds are scheduled to mature on October 1 in each of the years 2015 through 2034, inclusive.  The Series 2014B Bonds are scheduled to mature on October 1 in each of the years 2015 through 2034, inclusive.
<b>INTEREST</b> .....	Interest on the Bonds will accrue from the Date of Delivery and will be payable on April 1 and October 1 of each year, commencing April 1, 2015, until maturity or prior redemption. See “DESCRIPTION OF THE BONDS.”
<b>REDEMPTION</b> .....	The Series 2014A Bonds maturing on and after October 1, 2025, are subject to redemption at the option of the Authority, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Authority may select, on October 1, 2024, or on any date thereafter, at a redemption price equal to par plus accrued interest to the date fixed for redemption.  The Series 2014B Bonds maturing on and after October 1, 2025, are subject to redemption at the option of the Authority, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the Authority may select, on October 1, 2024, or on any date thereafter, at a redemption price equal to par plus accrued interest to the date fixed for redemption. See “DESCRIPTION OF THE BONDS — Optional Redemption.”
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to a book-entry-only system (as described herein). No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Interest on and principal of the Bonds will be paid to Cede & Co., which will distribute the payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “DESCRIPTION OF THE BONDS — Book-Entry-Only System.”
<b>PURPOSE</b> .....	The Series 2014A Bonds are being issued for the purpose of (i) refunding certain outstanding general obligation commercial paper notes of the State issued by the Authority (the “Series 2014A Refunded Notes”), as further identified on Schedule I attached hereto, in order to provide long term fixed rate financing for the authorized projects financed with the proceeds of the Series 2014A Refunded Notes and (ii) paying the cost of issuing the Series 2014A Bonds. See “PLAN OF FINANCE.”  The Series 2014B Bonds are being issued for the purpose of (i) refunding certain outstanding general obligation commercial paper notes of the State issued by the Authority (the “Series 2014B Refunded Notes”) for the Cancer Prevention and Research Institute of Texas (“CPRIT”), as further identified on Schedule I attached hereto, in order to provide long term fixed rate financing for the authorized projects financed with the proceeds of the Series 2014B Refunded Notes and (ii) paying the cost of issuing the Series 2014B Bonds. See “PLAN OF FINANCE.”
<b>SOURCE OF PAYMENT</b> .....	The Bonds are general obligations of, and are secured by the full faith and credit of, the State, issued under the applicable Authorizing Law (defined herein). See “DESCRIPTION OF THE BONDS — Source of Payment.”

<b>RATINGS</b> .....	Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch Ratings have assigned ratings of “Aaa”, “AAA” and “AAA”, respectively, to the Bonds. See “RATINGS.”
<b>LEGALITY</b> .....	The issuance of the Bonds is subject to the approval of the Attorney General of the State and the opinions of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. See “LEGAL MATTERS.”



## OFFICIAL STATEMENT

relating to

### TEXAS PUBLIC FINANCE AUTHORITY

**\$258,925,000**  
**State of Texas**  
**General Obligation Refunding Bonds,**  
**Series 2014A**

**\$233,280,000**  
**State of Texas**  
**General Obligation Refunding Bonds,**  
**Taxable Series 2014B**

### INTRODUCTION

The purpose of this Official Statement (which includes the schedule and appendices) is to furnish information concerning the offering of \$258,925,000 Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), and the \$233,280,000 Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Taxable Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds") which are being issued by the Authority pursuant to Article III, Sections 49-l, 50-f, 50-g, and 67 of the Texas Constitution (collectively, the "Constitutional Provision"); Chapter 1232, Texas Government Code, as amended (the "Texas Public Finance Authority Act"); Chapters 1207, 1371, 1401, and 1403 Texas Government Code, as amended, and Chapter 102, Texas Health and Safety Code, as amended (the Constitutional Provision, the Texas Public Finance Authority Act and any regulations promulgated by the Authority thereunder, and the other statutes cited above together constituting the "Authorizing Law"), and pursuant to the Resolution (defined below) and Pricing Certificates (defined below) to be executed by designated members of the Board (defined below). Capitalized terms used in this Official Statement and not otherwise defined shall have the meaning assigned in the Bond Resolution (defined below).

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

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

### PLAN OF FINANCE

#### Authority for Issuance

The Bonds are being issued in accordance with the Authorizing Law, and additionally pursuant to the bond resolution (the "Resolution") adopted by the Board of Directors of the Authority (the "Board") on June 5, 2014. As permitted by Chapters 1207 and 1371, Texas Government Code, as amended, the Board, in the Resolution, delegated to certain designated officials (the "Pricing Committee") the authority to establish and approve the final terms of sale of the Bonds through the execution of one or more "Pricing Certificates", which Pricing Certificates will be finalized and executed in connection with the sale of the Bonds (the Resolution and the Pricing Certificates are jointly referred to herein as the "Bond Resolution").

#### Purpose

The Series 2014A Bonds are being issued for the purpose of (i) refunding certain outstanding general obligation commercial paper notes of the State issued by the Authority (the "Series 2014A Refunded Notes"), as further identified on Schedule I attached hereto, in order to provide long term fixed rate financing for the authorized projects financed with the proceeds of the Series 2014A Refunded Notes and (ii) paying the cost of issuing the Series 2014A Bonds.

The Series 2014B Bonds are being issued for the purpose of (i) refunding certain outstanding general obligation commercial paper notes of the State issued by the Authority (the "Series 2014B Refunded Notes" and, collectively with the Series 2014A Refunded Notes, the "Refunded Notes") for the Cancer Prevention and Research Institute of Texas ("CPRIT"), as further identified on Schedule I attached hereto, in order to provide long term fixed rate financing for the authorized projects financed with the proceeds of the Series 2014B Refunded Notes and (ii) paying the cost of issuing the Series 2014B Bonds.

## Payment of Refunded Notes

The principal and interest due on the Refunded Notes are to be paid on the maturity dates of such Refunded Notes from funds to be deposited with the Texas Treasury Safekeeping Trust Company (the “Escrow Agent”) in accordance with the Escrow Agreement for the Refunded Notes (the “Escrow Agreement”) between the Authority and the Escrow Agent. A portion of the proceeds of the sale of the Bonds, together with other lawfully available funds of the Authority, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Notes. Such funds will be held by the Escrow Agent in a separate special escrow account for the Series 2014A Refunded Notes and a separate special escrow account for the Series 2014B Refunded Notes (collectively, the “Escrow Fund”) and used to pay at maturity the respective series of Refunded Notes. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Notes. All of the Refunded Notes will be paid on their respective maturity dates which shall occur by July 11, 2014.

By the deposit of cash with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have entered into firm banking and financial arrangements for the discharge, defeasance and final payment of the Refunded Notes in accordance with applicable law and the terms of the resolutions authorizing their issuance. Bond Counsel will render an opinion to the effect that, in reliance upon the sufficiency certificate of the Authority’s financial advisor described below, and as a result of such firm banking and financial arrangements, such Refunded Notes will be deemed to be no longer outstanding except for the purpose of receiving the funds provided therefor by, and are secured solely by and payable solely from, the Escrow Fund pursuant to the Escrow Agreement and the Authority will have no further responsibility with respect to amounts available in the Escrow Fund.

The Authority’s financial advisor will provide a sufficiency certificate which Bond Counsel will rely upon as to the sufficiency of funds to be deposited with the Escrow Agent for the discharge, defeasance and final payment of the Refunded Notes.

## Sources and Uses of Funds

The proceeds from the sale of the Series 2014A Bonds, together with other lawfully available funds of the Authority, will be applied approximately as follows:

<b>Sources of Funds</b>	
Principal Amount	\$258,925,000.00
Net Original Issue Premium	37,046,715.00
Authority Contribution	6,464,804.28
<b>Total</b>	<u>\$302,436,519.28</u>
<b>Uses of Funds</b>	
Deposit to Escrow Fund	\$301,214,804.29
Costs of Issuance <sup>(1)</sup>	1,221,714.99
<b>Total</b>	<u>\$302,436,519.28</u>

The proceeds from the sale of the Series 2014B Bonds, together with other lawfully available funds of the Authority, will be applied approximately as follows:

<b>Sources of Funds</b>	
Principal Amount	\$233,280,000.00
Authority Contribution	5,813,966.83
<b>Total</b>	<u>\$239,093,966.83</u>
<b>Uses of Funds</b>	
Deposit to Escrow Fund	\$237,956,912.71
Costs of Issuance <sup>(1)</sup>	1,137,054.12
<b>Total</b>	<u>\$239,093,966.83</u>

<sup>(1)</sup> Includes Underwriters’ Discount.

## Separate Issues

The Series 2014A Bonds and the Series 2014B Bonds are each separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds share certain common attributes, each issue is

separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the owners, the tax status of its interest and other features.

## THE AUTHORITY

### General

Under the Texas Public Finance Authority Act, the Authority’s power is limited to financing and refinancing project costs for State agencies and institutions and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including the authority of such agency or institution to construct buildings. The Texas Public Finance Authority Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation.

Pursuant to the Texas Public Finance Authority Act and Chapters 1401 and 1403, as amended, the Authority issues general obligation bonds and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers five commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two general obligation commercial paper programs for certain general State government construction projects; a general obligation commercial paper program for the Colonia Roadway program; and a general obligation commercial paper program for CPRIT. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code, as amended.

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

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

### Authority Executives

The Authority is currently governed by the Board, which is composed of seven members appointed by 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 Board until a successor therefor has qualified for office. The current members of the Board, the office held by each member and the date on which each member’s term expires are as follows:

Name	Position	Term Expires (February 1)
Billy M. Atkinson, Jr.	Chair	2017
Ruth C. Schiermeyer	Vice-Chair	2019
Gerald Alley	Secretary	2019
Mark W. Eidman	Member	2015
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2017
Walker N. Moody	Member	2019

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

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

*John Hernandez, Deputy Director.* The Board appointed Mr. Hernandez as Interim Executive Director on January 16, 2014. He will continue to serve in this capacity during a thirty day transition period until July 16, 2014 and will return to his role as Deputy Director. He leads the Finance and Accounting Team, which is responsible for debt service budgeting, arbitrage rebate compliance, the State of Texas Master Lease Program, general ledgers, financial reporting, and information technology. Mr. Hernandez and his team also provide support for new debt issuance of fixed rate and variable rate debt. Mr. Hernandez holds a B.A. in finance from St. Edwards University in Austin.

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

The Board is currently accepting applications for the permanent position of General Counsel. The Board is currently evaluating the timeline and process to fill the General Counsel position.

### **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 Texas legislative session in 2023. The Texas Public Finance Authority Act, as amended by the 82nd Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2023; however, the Texas Sunset Act also provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year in order to conclude its business.

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

### **Texas Bond Review Board**

With certain exceptions, bonds issued by State agencies, including bonds issued by the Authority, must be approved by the Texas Bond Review Board (the "Bond Review Board") prior to their issuance. The Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller of Public Accounts. The Governor is the Chairman of the Bond Review Board. Each member of the Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Bond Review Board and approved on June 9, 2014.

### **Retirement Plan of the Authority**

The Authority participates in joint contributory retirement plans of the State (collectively the "Plan") administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and law enforcement and custodial officers. For more detailed information on the ERS and other State sponsored retirement plans, their respective funding and liabilities, see Appendix A attached hereto.

## **DESCRIPTION OF THE BONDS**

### **General**

The Bonds are dated the Date of Delivery, and mature on October 1 in each of the years and in the amounts and will bear interest at the per annum rates shown on pages ii and iii hereof. Interest on the Bonds will accrue from the Date of Delivery, will be payable on April 1 and October 1 of each year, commencing April 1, 2015, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a maturity.

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

### **Source of Payment**

The Bonds are general obligations of the State and are backed by the full faith and credit of the State. The Bonds are issued under the applicable Authorizing Law, including the Constitutional Provision. Funds available pursuant to the Constitutional Provision are the sole security for payment of the Bonds. The Refunded Notes were also issued pursuant to the authority of the Constitutional Provision.

The Constitutional Provision provides that while any of the bonds or notes or interest on the bonds or notes authorized by such sections is outstanding and unpaid, an amount sufficient to pay the principal of and interest on the bonds and notes that mature during the fiscal year, including an amount sufficient to make payments under a related credit agreement during the fiscal year is appropriated from the state treasury.

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

### **Flow of Funds**

Under the terms of the Bond Resolution, the Authority will create for each separate series of the Bonds: (i) an Interest and Sinking Fund, (ii) a Costs of Issuance Fund, and (iii) a Rebate Fund (with respect to the Series 2014A Bonds, if such Fund is determined to be necessary). The Escrow Fund will be created by the Escrow Agent pursuant to the Escrow Agreement.

Pursuant to the Bond Resolution, the Authority will deposit or cause to be deposited into the Interest and Sinking Fund an amount that is sufficient (together with any other funds on deposit therein) to provide for the timely payment of the Bond Obligations, from funds that are available for such purpose under the Constitutional Provision, not later than the second (2<sup>nd</sup>) Business Day preceding each date on which any such Bond Obligations come due. The Authority may make any such deposit on an earlier date so long as such date is not earlier than the 50th day before the date that the Bond Obligations for which such deposit is made come due. If, on any date that funds in the Interest and Sinking Fund are required (pursuant to the Bond Resolution) to be withdrawn for the payment of Bond Obligations, and such Interest and Sinking Fund does not contain sufficient funds for such purpose, an amount of immediately available funds sufficient (together with the funds then on deposit in such Interest and Sinking Fund) to pay such Bond Obligations will be transmitted to the appropriate payee(s) for such purpose from funds made available under the Constitutional Provision, at such time as will cause such Bond Obligations to be timely paid.

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

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

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

## **Series 2014B Bonds Not Tax-Exempt Obligations**

The Series 2014B Bonds are not obligations described in section 103(a) of the Internal Revenue Code of 1986.

### **Defaults and Remedies**

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

### **Transfer, Exchange, and Registration**

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

### **Limitation on Transfer**

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

### **Record Date for Interest Payment**

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

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

### **Optional Redemption**

The Series 2014A Bonds scheduled to mature on and after October 1, 2025 are subject to redemption prior to maturity at the option of the Authority on October 1, 2024 or on any date thereafter, in whole or in part from time to time, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part within a maturity, the particular Series 2014A Bonds or portion thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

The Series 2014B Bonds scheduled to mature on and after October 1, 2025 are subject to redemption prior to maturity at the option of the Authority on October 1, 2024 or on any date thereafter, in whole or in part from time to time, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part within a maturity, the particular Series 2014B Bonds or portion thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

### **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-only registration (“Book-Entry-Only System”) is used for the Bonds or, if the Bonds subsequently are issued in certificate form, notice of redemption will be sent by United States mail, first class postage prepaid, 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. See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” herein.

In addition, the Paying Agent/Registrar will give notice of redemption of the Bonds at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent such Bond in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the Bonds to be redeemed, including the complete name of the Bonds, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed, including a contact person and telephone number.

Any notice of redemption so mailed as provided in the Bond Resolution will be conclusively presumed to have been duly given, whether or not the Bond Owner receives such notice by the date fixed for redemption, and due provisions shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed. When the Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as provided in the Bond Resolution, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Authority will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

### **Purchase in Lieu of Redemption**

Any money held in the Interest and Sinking Fund for application to the redemption of the Bonds may instead be applied, at the Authority’s discretion, to purchase one or more Bonds of the same maturity as those Bonds for the redemption of which such money is held if:

- (1) the total cost to effect such purchase that is to be paid with such money (including brokerage and other charges) is less than the amount of the Bond Obligations owing on the purchased Bonds on the purchase date;
- (2) such purchase is consummated before notice of such redemption is given to the Bond Owners; and
- (3) upon such purchase, the Bond(s) so purchased are surrendered to the Paying Agent/Registrar for cancellation.

An amount of money equal to the principal amount of the Bonds so purchased shall be credited toward the particular redemption of Bonds for which such money was held.

### **Redemption Through DTC**

The Paying Agent/Registrar, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption (with respect to the Bonds), notice of proposed amendment to the Bond Resolution, or other notices with respect to the Bonds only to

the Depository Trust Company, New York, New York (“DTC”). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of 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. Any such selection of Bonds to be redeemed will not be governed by the Bond Resolution and will not be conducted by the Authority as 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 “DESCRIPTION OF THE BONDS - Book-Entry-Only System” herein.

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

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit



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

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

### Selected Definitions

The following terms that appear as capitalized terms in this Official Statement shall have the following meanings, unless the context otherwise requires. A reference to any of such terms in the singular number shall include the plural and vice versa.

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

*Authorizing Law* - the Constitutional Provision, the Texas Public Finance Authority Act (Chapter 1232, Texas Government Code, as amended) and any regulations promulgated by the Authority thereunder, Chapters 1207, 1371, 1401, and 1403, Texas Government Code, as amended, and Chapter 102, Texas Health and Safety Code, as amended.

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

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

*Board* - the Board of Directors of the Authority.

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

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

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

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

*Bond Resolution* - the Bond Resolution authorizing the issuance of the Bonds adopted by the Authority on June 5, 2014.

*Bonds* - the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2014A" and the "Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Taxable Series 2014B" authorized by the Bond Resolution.

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

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

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

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

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

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

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

*Constitutional Provision* - Collectively, Article III, Sections 49-l, 50-f, 50-g and 67 of the Texas Constitution.

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

*Costs of Issuance* - the “costs of issuance,” as provided in the Authorizing Law, incurred in connection with the issuance of the Bonds.

*Costs of Issuance Fund* - with respect to the Series 2014A Bonds, the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2014A Costs of Issuance Fund” and with respect to the Series 2014B Bonds, the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Taxable Series 2014B Costs of Issuance Fund” created pursuant to the Bond Resolution.

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

*Escrow Agent* - the Texas Treasury Safekeeping Trust Company, as escrow agent under the Escrow Agreement and any successor thereto as therein permitted.

*Escrow Agreement* - the Escrow Agreement (including any amendments thereto) between the Authority and the Escrow Agent providing for the payment for the Refunded Notes, if applicable, of money sufficient to pay debt service thereon.

*Escrow Fund* - either (a) the escrow fund, if any, created with respect to each series of the Refunded Notes pursuant to the Escrow Agreement or (b) the escrow account for each series of the Refunded Notes created pursuant to the Escrow Instructions, if any; such fund or account in either case to be created and held by the Escrow Agent.

*Escrow Instructions* - means the letter of instructions, if any, from the Authority to the Escrow Agent or Issuing and Paying Agent for the Refunded Notes providing for the payment for the Refunded Notes of money sufficient to pay debt service thereon.

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

*Fund* - any of the Funds.

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

*General Counsel* - the general counsel of the Authority or any individual or firm appointed to serve in such capacity for the Authority.

*Government Obligations* - any of the following:

- (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;
- (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the 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;
- (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the 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; and
- (4) such other investments now or hereafter authorized by Chapter 1207, Texas Government Code, as amended, for the investment of escrow deposits.

*Interest and Sinking Fund* - with respect to the Series 2014A Bonds, the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2014A Interest and Sinking Fund(s)” and with respect to the Series 2014B Bonds, the “Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Taxable Series 2014B Interest and Sinking Fund(s)” created pursuant to the Bond Resolution.

*Interest Payment Date* - April 1 and October 1 of each year commencing April 1, 2015.

*Legislature* - the Legislature of the State.

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

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

*Pricing Certificate* - means the certificate(s) executed by the Pricing Committee that set(s) forth the final terms of each series of the Bonds.

*Pricing Committee* - the members of the Board who are authorized to act on behalf of the Board in selling and delivering the Bonds, with any designated alternates as provided in the Resolution.

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

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

*Purchasers or Underwriters* - the Persons who initially purchase the Bonds from the Authority pursuant to the Purchase Contract.

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

*Refunded Notes* - the then outstanding general obligation commercial paper notes set forth in Schedule I attached to this Official Statement that are refunded for the purpose of achieving long term fixed rate financing.

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

*Securities Depository* - initially the Depository Trust Company, or any Person acting as a securities depository for the Book-Entry Bonds.

*State* - the State of Texas.

*Sufficient Assets* - with respect to the Bond Obligations for 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 (a) are not redeemable prior to maturity; and (b) mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay such Bond Obligations when due.

*Transaction Documents* - as used in the Bond Resolution, collectively, the Bond Resolution, the Escrow Agreement, if any, the Escrow Instructions, if any, the Purchase Contract, and the Bonds.

## **The Bond Resolution**

The Bonds will be issued pursuant to the Bond Resolution and the following is a summary of certain provisions of the Resolution, adopted by the Board on June 5, 2014, and the Pricing Certificates. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Resolution. Copies of the Bond Resolution are available for examination at the offices of the Authority.

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

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

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

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

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

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

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

***Creation of Funds.*** The Authority will create the following Funds for each series of the Bonds, except that the Rebate Fund shall be created only if, as a result of any calculation called for pursuant to the Bonds Resolution, there exists a rebate amount with respect to the Series 2014A Bonds in an amount greater than zero: (i) the Interest and Sinking Fund, (ii) the Costs of Issuance Fund and (iii) the Rebate Fund. The Escrow Fund will be created by the Escrow Agent pursuant to the Escrow Agreement or Escrow Instructions, as applicable.

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

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

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

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

**Application of Rebate Fund.** The Authority shall remit to the Secretary of the Treasury of the United States (or such other payee as required by the Regulations), from the Rebate Fund, the amount of the most recently calculated rebate amount (if any) in accordance with the Regulations. The Rebate Fund shall otherwise be applied in accordance with the Resolution.

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

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

**No Tax-Exemption.** The Authority does not intend to issue the Series 2014B Bonds in a manner that the Series 2014B Bonds would constitute obligations described in Section 103(a) of the Code.

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

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

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

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

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

No amendment to the Bond Resolution will take effect until the Executive Director obtains an opinion of Bond Counsel to the effect that such amendment will not adversely affect the excludability of interest on any Series 2014A Bond from the gross income of the Bond Owner thereof for federal income tax purposes, and an opinion of Bond Counsel to the effect that such amendment will not violate the Bond Resolution, the Authorizing Law or other applicable law and, upon obtaining the required Bond Owner consent (if any), will comply with the requirements of the Bond Resolution for such amendment.

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

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

- (1) the payment of the Bond Obligations with respect thereto has been provided for by irrevocably depositing Sufficient Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar or a financial institution or trust company designated by the Authority, which will be held in trust in a separate escrow account and applied exclusively to the payment of such Bond Obligations;
- (2) the Authority has received an opinion of Bond Counsel to the effect that: (a) such deposit of Sufficient Assets will not adversely affect the excludability of interest on any Series 2014A Bonds from the gross income of the Bond Owner thereof for federal income tax purposes and complies with State law; and (b) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied;
- (3) all amounts of money (other than Bond Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Bond Resolution with respect to such Bond(s) have been paid, or provision satisfactory to the Person to whom any such payment is or will be due for making such payment has been made; and
- (4) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.

If a deposit of Sufficient Assets is to provide for the payment of Bond Obligations on less than all of the outstanding Bonds, the particular maturity or maturities of Bonds (or, if less than all of a particular maturity, the principal amounts), will be as specified by the Authority, and the particular Bonds (or portions thereof) will be selected by the Paying Agent/Registrar by lot in such manner as the Paying Agent/Registrar determines (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000 principal amount).

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

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

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

### **The Escrow Agreement**

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

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

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

## GENERAL INFORMATION REGARDING THE STATE OF TEXAS

### Bond Appendix

The Texas Comptroller of Public Accounts (the “Comptroller”) prepares a quarterly appendix (the “Bond Appendix”) which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated May 2014 and is incorporated herein as described in “APPENDIX A – The State.” See “CONTINUING DISCLOSURE OF INFORMATION – Continuing Disclosure Undertaking of the Comptroller – General.” With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

### 2013 State Comprehensive Annual Financial Report

The Texas 2013 Comprehensive Annual Financial Report for the year ended August 31, 2013 (the “2013 CAFR”) is currently on file with the Municipal Securities Rulemaking Board (the “MSRB”). The 2013 CAFR is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2013 CAFR may be found at <http://www.window.state.tx.us/finances/pubs/cafr>.

### Constitutional Debt Limit

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

## LEGAL MATTERS

### Legal Opinions

The delivery of the Bonds is subject to the Authority furnishing the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds and the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority, and the approving legal opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Bond Resolution, are valid and legally binding obligations of the Authority, subject to applicable provisions of sovereign immunity, bankruptcy, reorganization and other similar matters affecting the rights of creditors or by general principles of equity which permit the exercise of judicial discretion, and, with respect to the Series 2014A Bonds, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Series 2014A Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The forms of Bond Counsel’s opinions are attached hereto as Appendix B. Bond Counsel was engaged by, and only represents, the Authority. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions “PLAN OF FINANCE” (except for the information under the subcaption “Sources and Uses of Funds” and “Separate Issues” as to which no opinion will be expressed), “DESCRIPTION OF THE BONDS” (except for the information under the subcaption “Book-Entry-Only System,” as to which no opinion will be expressed), “DESCRIPTION OF THE TRANSACTION DOCUMENTS,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaptions “Continuing Disclosure Undertaking of the Comptroller” and “Compliance with Prior Undertakings,” as to which no opinion will be expressed, and except for any information describing or otherwise pertaining to the continuing disclosure undertaking of the Comptroller, as to which no opinion will be expressed), and such firm is of the opinion that the statements and information contained under such captions and subcaptions provide an accurate and fair description of the Bonds, the Escrow Agreement and the Bond Resolution and are correct as to matters of law. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Authority by Andrews Kurth LLP, Austin, Texas, Disclosure Counsel to the Authority, whose legal fees are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell & Giuilani LLP, Houston, Texas, whose legal fee is contingent on the sale and delivery of the Bonds. Bond Counsel, Disclosure Counsel, and Underwriters Counsel periodically serve in other capacities on other separate and unrelated offerings of securities by the Authority.



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

### **Legal Investments in Texas**

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

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

### **Registration and Qualification of Bonds for Sale**

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

### **Forward Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the Authority and the State, that are not purely historical, are forward-looking statements, including statements regarding the Authority's and the State's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority and the State on the date hereof, and the Authority and the State assume no obligation to update any such forward-looking statements.

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

### **TAX MATTERS**

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

## **Certain Federal Income Tax Considerations**

**General.** The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986, as amended (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (“IRS”) and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **Series 2014A Bonds**

**Opinion.** On the date of initial delivery of the Series 2014A Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Authority, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) for federal income tax purposes, interest on the Series 2014A Bonds will be excludable from the “gross income” of the holders thereof and (2) the Series 2014A Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the Authority will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2014A Bonds. See Appendix B -- Forms of Bond Counsel Opinions.

In rendering its opinion, Bond Counsel to the Authority will rely upon (a) certain information and representations of the Authority, including information and representations contained in the Authority's federal tax certificate related to the Series 2014A Bonds, and (b) covenants of the Authority contained in the Series 2014A Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2014A Bonds and the property financed or refinanced therewith. Failure by the Authority to observe the aforementioned representations or covenants could cause the interest on the Series 2014A Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2014A Bonds in order for interest on the Series 2014A Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2014A Bonds to be included in gross income retroactively to the date of issuance of the Series 2014A Bonds. The opinion of Bond Counsel to the Authority is conditioned on compliance by the Authority with such requirements, and Bond Counsel to the Authority has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2014A Bonds.

Bond Counsel's opinion regarding the Series 2014A Bonds represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion related to the Series 2014A Bonds is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2014A Bonds.

A ruling was not sought from the IRS by the Authority with respect to the Series 2014A Bonds or property financed with the proceeds of the Series 2014A Bonds. No assurances can be given as to whether or not the IRS will commence an audit of the Series 2014A Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the Authority as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

***Federal Income Tax Accounting Treatment of Original Issue Discount.*** The initial public offering price to be paid for one or more maturities of the Series 2014A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2014A Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Series 2014A Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any U.S. Holder who has purchased a Series 2014A Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All U.S. Holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

***Collateral Federal Income Tax Consequences.*** Interest on the Series 2014A Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Series 2014A Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2014A Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

***Future and Proposed Legislation.*** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2014A Bonds under federal or state law and could affect the market price or marketability of the Series 2014A Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **Series 2014B Bonds**

### ***Certain U.S. Federal Income Tax Consequences to U.S. Holders***

***Periodic Interest Payments and Original Issue Discount.*** The Series 2014B Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2014B Bonds or original issue discount, if any, accruing on the Series 2014B Bonds will be includable in “gross income” within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

***Disposition of Series 2014B Bonds.*** An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner’s tax basis in the Series 2014B Bonds. Generally, a U.S. Holder’s tax basis in the Series 2014B Bonds will be the owner’s initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2014B Bonds has been held for more than one year.

***Defeasance of the Series 2014B Bonds.*** Defeasance of any Series 2014B Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

***State, Local and Other Tax Consequences.*** Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Series 2014B Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes.

***Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders.*** A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Series 2014B Bond, will not be subject to U.S. federal income or withholding tax in respect of such Series 2014B Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder’s allocable portion of the interest income received by the controlled foreign corporation.

## RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and Fitch Ratings have assigned ratings of "Aaa", "AAA" and "AAA", respectively, to the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that the ratings of the Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of any one or more of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

## CONTINUING DISCLOSURE OF INFORMATION

### Continuing Disclosure Undertaking of the Authority

*General.* In the Bond Resolution, the Authority has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. The information will be available to investors by the MSRB through its EMMA system, free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

*Annual Reports.* The Authority is a third-party beneficiary of the Comptroller's Continuing Disclosure Agreement. The Comptroller will provide certain updated financial information and operating data to the MSRB, in an electronic format as prescribed by the MSRB, annually, as set out in the Continuing Disclosure Agreement, and described under " - Continuing Disclosure Undertaking of the Comptroller - *Annual Reports*." The information to be updated includes the quantitative financial information and operating data with respect to the State of the general type included in Appendix A to this Official Statement, and the Comptroller will update and provide this information within 195 days after the end of each Fiscal Year ending in and after 2014. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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

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

As used in this section "Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or liquidity facilities).

In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Authority - *Annual Reports*."

Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority has agreed to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

## **Continuing Disclosure Undertaking of the Comptroller**

*General.* The Comptroller has entered into a Continuing Disclosure Agreement with the Bond Review Board dated as of August 17, 1995 and amended January 25, 2010. The 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 this agreement for so long as the State remains an Obligated Person. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. The Comptroller intends to continue to prepare or supplement such an appendix quarterly and to provide annual information in accordance with her disclosure agreement.

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

*Annual Reports.* The Comptroller will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type referred to in Appendix A of this Official Statement. The Comptroller will update and provide this information within 195 days after the end of each Fiscal Year.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website or filed with the SEC, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current fiscal year end is August 31. Accordingly, the Comptroller must provide updated information within 195 days thereof in each year unless the State changes its fiscal year. If the State changes its fiscal year, the Comptroller will notify the MSRB of the change prior to the next date by which the Comptroller otherwise would be required to provide financial information and operating data as described above.

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

## **Availability of Information**

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

## **Limitations and Amendments**

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

The Authority and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in the identity, nature, status, or type of operations of the Authority or the State if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the Owners 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 such Bonds. If the Authority or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Authority - *Annual Reports*" and "CONTINUING DISCLOSURE OF INFORMATION - Continuing Disclosure Undertaking of the Comptroller - *Annual Reports*" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Authority and the Comptroller may also amend their continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that such amendment would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

### **Compliance With Prior Undertakings**

During the last five years, the Comptroller has not failed to comply, in any material respect, with any continuing disclosure agreement in accordance with the Rule.

During the last five years, the Authority has not failed to comply, in any material respect, with any continuing disclosure agreement in accordance with the Rule, except as follows: in connection with an August 11, 2009 upgrade of ratings assigned to the Authority's State of Texas general obligation bonds and lease revenue bonds, the notice filed by the Authority was not associated with all affected CUSIPs. In addition, a notice of Partial Redemption in connection with the Authority's Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2010C, was filed on September 23, 2011, more than ten business days after the actual redemption date of July 1, 2011. Also, the Authority filed notice of a June 22, 2012 upgrade of the underlying rating assigned to the Authority's unemployment compensation obligation assessment revenue bonds on April 15, 2014 (more than ten days after the Authority was notified of the rating change). In addition, in certain limited instances, the Authority has agreed to file information provided by State agencies for which the Authority has issued bonds ("client agencies"). The Authority's ability to make such filings in a timely manner is dependent on the Authority's receipt of information from these client agencies. The Authority has determined that, during the past five years, information was not provided in a timely manner by two client agencies, the Texas Military Facilities Commission and the Texas Department of Health, which resulted in late filings by the Authority. The Authority has since filed the required information and developed procedures to reduce the likelihood of such late filings in the future.

### **NO LITIGATION**

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Authority, threatened) that affects the obligation of the Authority to deliver the Bonds or the validity of the Bonds. The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Bonds. See Appendix A of this Official Statement. On the Date of Delivery of the Bonds to the Underwriters, the Authority will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending against the Authority, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or that would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

### **UNDERWRITING**

J.P. Morgan Securities LLC, as the authorized representative of a group of underwriters (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2014A Bonds at a purchase price of \$295,087,468.33 (representing the par amount of the Series 2014A Bonds of \$258,925,000.00, plus an original issue premium of \$37,046,715.00, and less an Underwriters' discount of \$884,246.67) and to purchase the Series 2014B Bonds at a purchase price of \$232,468,945.88 (representing the par amount of the Series 2014B Bonds of \$233,280,000.00, less an Underwriters' discount of \$811,054.12). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

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

### **FINANCIAL ADVISOR**

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

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

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

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

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

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

/s/ John Hernandez  
John Hernandez  
Deputy Director  
Texas Public Finance Authority



**Schedule I**  
**Schedule of Refunded Notes**

**Series 2014A Refunded Notes**

Series 2002-A Program CP

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>
May 2, 2014	July 9, 2014	\$5,000,000
April 3, 2014	July 10, 2014	2,000,000
April 4, 2014	July 10, 2014	1,000,000

Series 2002-B Program CP

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>
March 5, 2014	July 8, 2014	\$23,000,000

Series 2008 Program CP

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>
March 6, 2014	July 8, 2014	\$10,000,000
May 1, 2014	July 8, 2014	25,365,000
May 7, 2014	July 8, 2014	10,000,000
May 7, 2014	July 8, 2014	5,000,000
June 5, 2014	July 8, 2014	20,000,000
June 10, 2014	July 8, 2014	6,000,000
March 11, 2014	July 9, 2014	4,000,000
March 11, 2014	July 9, 2014	8,500,000
April 3, 2014	July 9, 2014	10,000,000
May 1, 2014	July 9, 2014	50,000,000
May 1, 2014	July 9, 2014	23,535,000
April 3, 2014	July 10, 2014	27,000,000
April 3, 2014	July 10, 2014	24,650,000
April 8, 2014	July 10, 2014	30,000,000
April 8, 2014	July 10, 2014	3,000,000
April 8, 2014	July 10, 2014	13,100,000

**Series 2014B Refunded Notes**

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>
June 17, 2014	July 8, 2014	\$50,000,000
June 17, 2014	July 8, 2014	10,300,000
March 13, 2014	July 9, 2014	47,000,000
April 8, 2014	July 10, 2014	50,000,000
April 8, 2014	July 10, 2014	5,380,000
May 1, 2014	July 11, 2014	50,000,000
May 1, 2014	July 11, 2014	25,200,000

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**APPENDIX A**

**THE STATE OF TEXAS**

The Bond Appendix dated May 2014 is currently on file with the MSRB and is hereby incorporated by reference and made a part of this Official Statement. The Bond Appendix may also be obtained (i) using the MSRB'S internet website, [www.emma.msrb.org](http://www.emma.msrb.org) by using the muni search function and entering the term "State of Texas Comptroller" and (ii) from the Comptroller's website at: <http://www.window.state.tx.us/treasops/bondapp.html> and will be updated from time to time by the Comptroller.

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**APPENDIX B**

**FORMS OF BOND COUNSEL OPINIONS**

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LAW OFFICES

M<sup>c</sup>CALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD  
SUITE 900  
DALLAS, TEXAS 75201-6587  
TELEPHONE: 214 754-9200  
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE  
SUITE 1800  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: 512 478-3805  
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET  
SUITE 1525  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: 210 225-2800  
FACSIMILE: 210 225-2984

*[An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Bonds, assuming no material changes in facts or law.]*

**TEXAS PUBLIC FINANCE AUTHORITY  
STATE OF TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$258,925,000**

**WE HAVE ACTED AS BOND COUNSEL** for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the State of Texas (the "State") general obligation bonds described above (the "Bonds"). We have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds, in the resolution of the Authority adopted on June 5, 2014, authorizing the issuance of the Bonds and the Pricing Committee's Pricing Certificate as authorized in such resolution (the resolution and Pricing Certificate, collectively, the "Resolution"). Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State, certified copies of the proceedings of the Authority, and other pertinent documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number R-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Authority and the State relating to sovereign immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally, the Bonds constitute valid and legally binding general obligations of the State payable solely from money made available for such purpose pursuant to Article III, Sections 49-1, 50-f and 50-g of the State Constitution and a continuing appropriation in an amount sufficient to pay the principal of and interest on the Bonds that mature or become due during the fiscal year, less the amount in the sinking fund, as further provided in such respective constitutional provisions.

**IT IS FURTHER OUR OPINION**, that, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under the section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, including a sufficiency certificate of the Authority's financial advisor, the accuracy of which we have not independently verified, and assume compliance by the Authority with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Authority to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**OUR OPINIONS 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 thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and

are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted 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.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. 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 the State, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and the Comptroller of Public Accounts as to the current outstanding indebtedness of the Authority and the State, and the sufficiency of the general obligation revenues pledged to the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,



LAW OFFICES

**M<sup>c</sup>CALL, PARKHURST & HORTON L.L.P.**

717 NORTH HARWOOD  
SUITE 900  
DALLAS, TEXAS 75201-6587  
TELEPHONE: 214 754-9200  
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE  
SUITE 1800  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: 512 478-3805  
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET  
SUITE 1525  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: 210 225-2800  
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*[An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Bonds, assuming no material changes in facts or law.]*

**TEXAS PUBLIC FINANCE AUTHORITY  
STATE OF TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2014B  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$233,280,000**

**WE HAVE ACTED AS BOND COUNSEL** for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the State of Texas (the "State") general obligation bonds described above (the "Bonds"). We have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds, in the resolution of the Authority adopted on June 5, 2014, authorizing the issuance of the Bonds and the Pricing Committee's Pricing Certificate as authorized in such resolution (the resolution and Pricing Certificate, collectively, the "Resolution"). Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State, certified copies of the proceedings of the Authority, and other pertinent documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number R-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Authority and the State relating to sovereign immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally, the Bonds constitute valid and legally binding general obligations of the State payable solely from money made available for such purpose pursuant to Article III, Section 67 of the State Constitution and a continuing appropriation in an amount sufficient to pay the principal of and interest on the Bonds that mature or become due during the fiscal year, less the amount in the sinking fund, as further provided in such constitutional provision.

**WE EXPRESS** no opinion as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

**OUR OPINIONS 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 thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State, and for no other reason or purpose. 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 the

State, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and the Comptroller of Public Accounts as to the current outstanding indebtedness of the Authority and the State, and the sufficiency of the general obligation revenues pledged to the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,



