

## OFFERING MEMORANDUM

Book-Entry Only

Ratings:

Moody's Investors Service, Inc.: P1

Standard & Poor's Ratings Service: A1+

Fitch Ratings: F1+

**\$175,000,000**

**TEXAS PUBLIC FINANCE AUTHORITY  
STATE OF TEXAS  
GENERAL OBLIGATION COMMERCIAL PAPER NOTES  
(COLONIA ROADWAY PROJECTS),  
SERIES 2002B**

The Notes are being issued by the Texas Public Finance Authority (the "Authority") pursuant to Article III, Section 49-1 of the Texas Constitution ("Constitutional Authority") and Chapters 1232, 1371 and 1403, Texas Government Code, as amended (collectively, the "Act"). Upon issuance in accordance with the terms of a resolution ("Resolution") adopted by the board of directors of the Authority, the Notes are direct and general obligations of the State of Texas (the "State"). *See* "THE NOTES – Payment and Security." The Notes are authorized by the Resolution in the aggregate principal amount of \$175,000,000, provided that the Notes shall not be outstanding in an amount greater than the commitment under the Liquidity Agreement.

The Comptroller of Public Accounts of the State of Texas has agreed, pursuant to a liquidity agreement, to provide a revolving line of credit to purchase any Notes that are not otherwise refunded or paid by the State upon their maturity. The commitment under the Liquidity Agreement is equal to \$175,000,000 plus 270 days of interest at the Maximum Interest Rate, which is currently 10%. *See* "Liquidity Facility."

In the opinion of McCall, Parkhurst & Horton L.L.P., and Delgado, Acosta, Braden & Jones, P.C., Co-Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes under existing law. The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

**JPMORGAN**

**LEHMAN BROTHERS**

June 13, 2002

**INFORMATION CONCERNING THE OFFER**

J.P. Morgan Securities Inc. and Lehman Brothers serve as the exclusive dealers for the Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Colonia Roadway Projects), Series 2002B (the “Notes”) offered or to be offered hereby.

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

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

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

The information concerning the Authority and the State contained in this Offering Memorandum does not purport to cover all aspects of the Authority’s and the State’s operations and financial position. During the period of the offering of the Notes, reference is made to the Authority’s most recent Official Statement for its general obligation bonds and the most recent audited financial statements and information concerning the financial condition of State government provided by the Comptroller of Public Accounts of the State (the “Comptroller”), annually updated financial information and operating data provided by the Comptroller, and the quarterly updated disclosure appendix used in state agency offerings (herein referred to as “Appendix A”). This information is made available to Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) and the State Information Depository (“SID”) or may be obtained by contacting the Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701. The current Appendix A is available via the Internet at <http://www.window.state.tx.us/treasops/bondapp.html>.

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**\$175,000,000**  
**TEXAS PUBLIC FINANCE AUTHORITY STATE OF TEXAS**  
**GENERAL OBLIGATION COMMERCIAL PAPER NOTES**  
**(COLONIA ROADWAY PROJECTS), SERIES 2002B**

**OFFERING**

J.P. Morgan Securities Inc. (“JPMorgan”) and Lehman Brothers (“Lehman”) as Commercial Paper Dealers are soliciting on behalf of the Texas Public Finance Authority (the “Authority”) purchasers for the Authority’s commercial paper notes styled “Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Colonia Roadway Projects), Series 2002B” (the “Notes”). The aggregate principal amount of Notes authorized to be issued shall not exceed \$175,000,000. This offering does not constitute a re-issuance of Notes pursuant to the Constitutional Provision and the Act. The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. The interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes.

**THE TEXAS PUBLIC FINANCE AUTHORITY**

The Authority is a public authority and body politic and corporate created in 1984 by an act of the Texas Legislature, when the Authority succeeded the Texas Public Building Authority. The Authority is currently governed by a board of directors (the “Board”) composed of seven members appointed by the Governor of the State with the advice and consent of the State Senate. The Authority employs an Executive Director who is charged with managing the affairs of the Authority, subject to and under the direction of the Board.

The Authority is authorized to issue general obligation bonds pursuant to the Constitutional Provision and the Act (together with the Constitutional Provision, the “Authorizing Law”), for the purpose of financing construction and acquisition of facilities for the State of Texas (the “State”).

**THE NOTES**

The Notes are authorized pursuant to the Authorizing Law and a Resolution adopted by the Authority on May 21, 2002 (the “Resolution”).

The Notes shall be in fully registered form and will mature in not more than 270 days from the date of issue and will pay par plus interest at maturity. The Notes will be issued as fully registered securities registered in the name of Cede & Co. as described herein. The principal and interest on the Notes will be payable at the office of Deutsche Bank Trust Company Americas, as the Issuing and Paying Agent (the “Issuing and Paying Agent”). Interest on the Notes is payable on an actual/365/366-day basis. Pursuant to the Resolution, the interest rate borne by the Notes may not exceed 10% per annum. The Notes will be offered in integral multiples of \$100,000. By acceptance of a Note, the purchaser thereof agrees that

any transfer of such Note may be made only to the Issuing and Paying Agent or through the Issuing and Paying Agent to a purchaser whose purchase is recorded by the Issuing and Paying Agent.

### **Use of Proceeds**

Proceeds of the sale of the Notes will be used to (i) fund financial assistance to counties for roadways to serve border colonias, (ii) pay, renew, refinance, or refund Notes, and (iii) pay the costs of issuance of the Notes.

### **Payment and Security**

The Notes are general obligations of the State. The principal and interest to be paid on each Note will be paid from and is secured by the funds that become available for payment of the Notes pursuant to the Constitutional Provision. The following excerpt from the Constitutional Provision is applicable to the Notes:

The bonds and notes authorized under this section constitute a general obligation of the state. While any of the bonds or notes or interest on the bonds or notes is outstanding and unpaid, there is appropriated out of the general revenue fund in each fiscal year an amount sufficient to pay the principal of and interest on the bonds and notes that mature or become due during the fiscal year, including an amount sufficient to make payments under a related credit agreement.

### **Liquidity Facility**

The Comptroller of Public Accounts of the State of Texas (the “Comptroller”) and the Authority have entered into a Liquidity Agreement dated as of June 1, 2002 (the “Liquidity Agreement”) under Section 404.024 of the Texas Government Code, as amended pursuant to which the Comptroller will purchase all maturing Notes, up to a maximum commitment of \$175,000,000 that are not otherwise refunded or paid by the State. The Comptroller’s commitment to purchase maturing Notes as necessary expires on August 31, 2004. The Authority has agreed not to issue any Notes that mature later than the expiration date of the Liquidity Agreement.

Under the Liquidity Agreement, the Comptroller may deliver a notice (a “No-Issuance Notice”) at any time that the Comptroller shall have determined that the conditions precedent to the issuance of a Note or Notes set forth therein are not satisfied. Upon receipt of such notice, the Issuing and Paying Agent must cease authenticating Notes unless and until such No-Issuance Notice is rescinded by the Comptroller in writing. Such No-Issuance Notice in and of itself will not render the liquidity facility ineffective with respect to Notes outstanding prior to the issuance of such No-Issuance Notice. The Comptroller is not required to make any advance under the Liquidity Agreement with respect to Notes issued in violation of a No-Issuance Notice. However, no default under the Liquidity Agreement or any other document relating to the Notes will eliminate the obligation of the State to pay the Notes when they mature.

Notice of Liquidity Substitution (Rule 2a-7 Compliance): The Issuing and Paying Agent shall give notice at least thirty (30) Business Days prior to the provision of any liquidity or credit facility acquired by the Authority as security or payment support for the Notes, or of a change in the identity of any provider of such liquidity or credit facility, to each registered Owner of the Notes at the registered address.

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

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

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

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

entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

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

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

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

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

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

## **LITIGATION**

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

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

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Notes, McCall, Parkhurst & Horton L.L.P., Austin, Texas, and Delgado, Acosta, Braden & Jones, P.C., El Paso, Texas, Co-Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Notes for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Notes 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 Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Co-Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Notes. See "APPENDIX B -- FORM OF BOND COUNSEL OPINION.

In rendering their opinion, Co-Bond Counsel will rely upon (a) certain information and representations of the Authority, including information and representations contained in the Authority's federal tax certificate, and (b) covenants of the Authority contained in the Note documents relating to certain matters, including arbitrage and the use of the proceeds of the Notes and the property financed or refinanced therewith. Although it is expected that the Notes will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Notes could be

affected by future events. However, future events beyond the control of the Authority, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Notes to become taxable retroactively to the date of issuance.

Co-Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Co-Bond Counsel's opinion is not a guarantee of a result. The 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 such 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 Notes.

A ruling was not sought from the Internal Revenue Service by the Authority with respect to the Notes or the project financed with the Note proceeds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Notes, or as to whether the Internal Revenue Service would agree with the opinion of Co-Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Authority as the taxpayer and the Noteholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Notes. This discussion is based on Existing Law which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE NOTES.

Interest on the Notes 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. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent

for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Notes may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Notes, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

### **STATE, LOCAL AND FOREIGN TAXES**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Notes under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **FINANCIAL AND OTHER INFORMATION**

The State is not required to file reports with the Securities and Exchange Commission. Incorporated herein as described in Appendix A is information concerning the State prepared and furnished by the Comptroller. Reference is made to the Authority's most recent Official Statement for its general obligation bonds and the most recent audited financial statements and information concerning the financial condition of the State government provided by the Comptroller, annually updated financial information and operating data provided by the Comptroller, and the quarterly updated disclosure appendix used in state agency securities offerings (herein referred to as ("Appendix A")). This information is made available to Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") and the State Information Depository ("SID"). The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID and recognized by the SEC as a qualified SID. The address of the Municipal Advisory Council is 600 W. Eighth Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

In addition, the Comptroller currently publishes *Fiscal Notes*, a monthly publication, which includes key economic indicators for the State's economy, as well as monthly statements of cash condition, revenues and expenses for State Government on a combined basis. Noteholders may subscribe to *Fiscal Notes* by writing to *Fiscal Notes*, Comptroller of Public Accounts, P.O. Box 13528, Austin, Texas 78711-3528. Information about State government may also be obtained by contacting the Comptroller's *BBS Window on State Government* via the Internet at [window.cpa.state.tx.us](http://window.cpa.state.tx.us) or via Worldwide Web at [www.window.state.tx.us](http://www.window.state.tx.us) or by calling 1-800-227-8392. Upon request, either JPMorgan or Lehman will be pleased to provide further information concerning the Authority or the State.

## Continuing Disclosure - Material Event Notices

The Authority, in connection with the issuance of the Notes, is exempt from the requirements of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission. In the Resolution, the Authority has made the following agreement, in compliance with the Rule, for the benefit of the holders and beneficial owners of the Notes. The Authority is required to observe the agreement for so long as the Authority remains obligated to advance funds to pay the Notes.

The Authority will provide timely notice of any of the following events with respect to the Notes, if such event is material to a decision to purchase or sell Notes: (1) principal and interest payment delinquencies; (2) nonpayment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of holders of the Notes; (8) Note calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes; and (11) rating changes. The Authority will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board.

## Ratings

The following are the ratings assigned to the Authority’s general obligation bonds and its commercial paper program.

	Commercial <u>Paper Notes</u>	General <u>Obligation Bonds</u>
Moody’s Investors Service	P1	Aa1
Standard & Poor’s Ratings Service	A1+	AA
Fitch Ratings	F1+	AA+

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Notes.

## For Further Information - Please Contact:

Donna Ciccimarro, Vice President, J.P. Morgan Securities Inc., (212) 834-7179 or Kathy Ryan, Vice President, Lehman Brothers (212) 528-1011.

The foregoing information has been obtained from published sources or has been furnished by the Authority. JPMorgan and Lehman do not warrant the accuracy or completeness of this information. This

memorandum should be considered in conjunction with Appendix A and further financial information concerning the Authority and the State is available on request.

## **APPENDIX A**

The Comptroller has filed with each NRMSIR and the SID the APPENDIX A for the State dated May 2002. Such APPENDIX A is hereby incorporated by reference into this Offering Memorandum. Copies of APPENDIX A may be examined at the offices of each NRMSIR and the SID in accordance with the applicable rules of each such entity governing the examination of such information. APPENDIX A is also available via the Worldwide Web at [www.window.state.tx.us/treasops/bondapp.html](http://www.window.state.tx.us/treasops/bondapp.html).

**APPENDIX B  
FORM OF LEGAL OPINION**

***McCall, Parkhurst & Horton L.L.P.***  
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**\$175,000,000  
TEXAS PUBLIC FINANCE AUTHORITY  
STATE OF TEXAS GENERAL OBLIGATION  
COMMERCIAL PAPER NOTES (COLONIA ROADWAY PROJECTS),  
SERIES 2002B**

**WE HAVE EXAMINED** a record of proceedings relating to the issuance from time to time of up to an aggregate principal amount of One Hundred and Seventy Five Million Dollars (\$175,000,000) of State of Texas General Obligation Commercial Paper Notes (Colonia Roadway Projects), Series 2002B (the "Notes") of the Texas Public Finance Authority (the "Authority"). We have also examined the Constitution and laws of the State of Texas; the opinion of the Attorney General of the State of Texas approving the proceedings authorizing the Notes and the Liquidity Agreement, dated as of June 1, 2002 (the "Agreement") between the Authority and the Comptroller of Public Accounts of the State of Texas; the resolution authorizing the issuance of the Notes adopted by the Authority on May 21, 2002 (the "Resolution"); and other certificates and representations of the Authority executed on the date of this opinion; and other material proceedings, opinions and certificates. Other than defined terms specifically defined herein, the defined terms used herein are those defined in the Resolution.

**BASED ON SAID EXAMINATION**, we are of the opinion that, under existing laws, such record of proceedings shows lawful authority for the issuance, reissuance and sale of the Notes from time to time, pursuant and subject to the provisions, terms and conditions of the Resolution.

**WE ARE FURTHER OF THE OPINION THAT**, under existing laws, upon due execution, authentication and payment, and upon compliance by the Authority with conditions and covenants of the Resolution, the Notes will be legal, valid and binding general obligations of the State of Texas, and a continuing appropriation is made pursuant to the Texas Constitution out of the general revenue fund in each fiscal year in an amount sufficient to pay the principal of and interest on the Notes that mature or become due during that fiscal year (less the amount of any sinking fund at the end of the proceeding fiscal year that is pledged to the payment of Notes or the interest thereon).

**THE AGREEMENTS, COVENANTS AND OBLIGATIONS** described in the foregoing paragraphs, however, may be limited by bankruptcy, insolvency, moratorium, reorganization, liquidation, or other similar laws now or hereafter enacted affecting creditors' rights generally.

**IN OUR OPINION**, except as discussed below, the interest on the Notes is excludable from the gross income of the owners 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 Notes are not "specified private activity bonds" and that accordingly, interest on the Notes will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied and will continue to rely upon the Federal Tax Certificate of the Authority. Furthermore, we have relied and will continue to rely on, and assume compliance by the Authority with, certain representations and covenants regarding the use and investment of the proceeds of the Notes. We call your attention to the fact that failure by the Authority to comply with such representations and covenants may cause the interest on the Notes to become includable in gross income of the owners retroactively to the date of issuance of the Notes.

**WE FURTHER CALL YOUR ATTENTION TO THE FACT THAT** the interest on tax-exempt obligations, such as the Notes, is (a) 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; (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code; and (c) included in the passive investment income of a Subchapter S corporation and subject to the tax imposed by section 1375 of the Code.

**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 Notes. 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.

**YOU MAY CONTINUE TO RELY** on this opinion to the extent that (i) there is no change in existing law subsequent to the date of this opinion and (ii) the representations, warranties and covenants contained in the Resolution and certain certificates of authorized officials of the Authority remain true and accurate.

Respectfully,