

OFFICIAL STATEMENT DATED APRIL 24, 2014

NEW ISSUES - BOOK-ENTRY-ONLY

RATINGS: S&P: "AAA"
Fitch: "AAA"
Moody's: "Aaa"
See "RATINGS" herein

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law, interest on the 2014 Bonds is excludable from gross income for federal income tax purposes, and the 2014 Bonds are not "private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

TEXAS PUBLIC FINANCE AUTHORITY



\$212,145,000
UNEMPLOYMENT COMPENSATION
OBLIGATION ASSESSMENT
REVENUE REFUNDING BONDS,
SERIES 2014A

\$497,640,000
UNEMPLOYMENT COMPENSATION
OBLIGATION ASSESSMENT
REVENUE REFUNDING BONDS,
SERIES 2014B



Interest Accrues from Delivery Date

Due: As shown on the inside cover

The Texas Public Finance Authority (the "Authority" or the "Issuer") is issuing its Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014A (the "Series 2014A Bonds") and its Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014B (the "Series 2014B Bonds") on behalf of the Texas Workforce Commission (the "Commission") for the purposes described below. The Series 2014A Bonds and the Series 2014B Bonds are collectively referred to herein as the "2014 Bonds." The 2014 Bonds, together with certain outstanding Series 2010A and Series 2010B Bonds (as hereinafter defined), are parity bonds payable from and secured solely by a lien on the "Pledged Revenues" (as defined herein). The 2014 Bonds are issued pursuant to the resolution adopted by the Board of Directors of the Authority (the "Board") on April 3, 2014 (the "Bond Resolution"), in which the Board delegated to certain designated officials (the "Pricing Committee") the authority to establish and approve the final terms of sale of the 2014 Bonds through the execution of a Pricing Certificate (the Bond Resolution and the Pricing Certificate are collectively referred to herein as the "Resolution"). **NEITHER THE STATE OF TEXAS NOR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2014 BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2014 BONDS.** See "SECURITY FOR THE 2014 BONDS."

The proceeds from the sale of the 2014 Bonds will be used for the purpose of (i) providing funds to refund and defease the Refunded Bonds (as defined herein) in order to achieve present value debt service savings (see Schedule I – Schedule of Refunded Bonds) and (ii) paying costs of issuance. See "PLAN OF FINANCING – Purpose."

Interest on the 2014 Bonds will accrue from the Delivery Date (defined below), will be payable on January 1, 2015, and on each July 1 and January 1 thereafter until maturity or prior redemption (each an "Interest Payment Date"), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2014 Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The 2014 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 2014 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the 2014 Bonds will be made to the initial purchasers named below (the "Underwriters") or the beneficial owners of the 2014 Bonds. Principal of and interest on the 2014 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 2014 Bonds. See "DESCRIPTION OF THE 2014 BONDS – Book-Entry-Only System."

The 2014A Bonds are not subject to optional redemption prior to maturity. The 2014B Bonds are subject to optional redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2014 BONDS – Optional Redemption of the 2014 Bonds."

MATURITY SCHEDULES

(See inside cover page)
CUSIP Prefix: 882756

The 2014 Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters, and subject to approval of legality by the Attorney General of the State of Texas and approval of certain legal matters by Bracewell & Giuliani LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP. The 2014 Bonds are expected to be available for delivery through the facilities of DTC on or about May 15, 2014 (the "Delivery Date").

BOFA MERRILL LYNCH

ESTRADA HINOJOSA & COMPANY, INC.

CITIGROUP

GOLDMAN, SACHS & Co.

LOOP CAPITAL MARKETS

MORGAN STANLEY

RAYMOND JAMES

RBC CAPITAL MARKETS

SIEBERT BRANDFORD SHANK &
Co., L.L.C.

WELLS FARGO
SECURITIES

MATURITY SCHEDULES

\$212,145,000
TEXAS PUBLIC FINANCE AUTHORITY
UNEMPLOYMENT COMPENSATION OBLIGATION ASSESSMENT
REVENUE REFUNDING BONDS, SERIES 2014A

| <u>Maturity Date</u> | <u>Principal Amount (\$)</u> | <u>Interest Rate (%)</u> | <u>Initial Yield (%)</u> | <u>CUSIP No.⁽¹⁾</u> |
|----------------------|------------------------------|--------------------------|--------------------------|--------------------------------|
| 01/01/15 | 960,000 | 5.00 | 0.10 | 8827562A6 |
| 07/01/15 | 5,255,000 | 5.00 | 0.13 | 8827562B4 |
| 01/01/16 | 3,505,000 | 3.00 | 0.31 | 8827562C2 |
| 07/01/16 | 2,635,000 | 3.00 | 0.43 | 8827562D0 |
| 07/01/16 | 145,505,000 | 5.00 | 0.43 | 8827562F5 |
| 01/01/17 | 890,000 | 3.00 | 0.60 | 8827562E8 |
| 01/01/17 | 53,395,000 | 5.00 | 0.60 | 8827562G3 |

(Interest to accrue from the Delivery Date)

\$497,640,000
TEXAS PUBLIC FINANCE AUTHORITY
UNEMPLOYMENT COMPENSATION OBLIGATION ASSESSMENT
REVENUE REFUNDING BONDS, SERIES 2014B

| <u>Maturity Date</u> | <u>Principal Amount (\$)</u> | <u>Interest Rate (%)</u> | <u>Initial Yield (%)⁽²⁾</u> | <u>CUSIP No.⁽¹⁾</u> |
|----------------------|------------------------------|--------------------------|--|--------------------------------|
| 07/01/17 | 155,405,000 | 4.00 | 0.72 | 8827562H1 |
| 01/01/18 | 166,100,000 | 4.00 | 0.48 | 8827562L2 |
| 07/01/18 | 57,130,000 | 4.00 | 0.55 | 8827562J7 |
| 01/01/19 | 54,760,000 | 4.00 | 0.41 | 8827562K4 |
| 01/01/19 | 64,245,000 | 3.50 | 0.34 | 8827562M0 |

(Interest to accrue from the Delivery Date)

Optional Redemption. The Series 2014A Bonds are not subject to redemption prior to maturity.

The Series 2014B Bonds maturing on the dates set forth below are subject to redemption prior to maturity at the option of the Authority, in whole or in part in Authorized Denominations, on the respective dates set forth in the following table, or on any date thereafter, at a price equal to the par amount thereof plus accrued interest to but not including the date fixed for redemption:

| <u>Maturity Date</u> | <u>Interest Rate (%)</u> | <u>Redemption Date (on or after)</u> |
|----------------------|--------------------------|--------------------------------------|
| 07/01/17 | 4.00 | 01/01/17 |
| 01/01/18 | 4.00 | 07/01/16 |
| 07/01/18 | 4.00 | 01/01/16 |
| 01/01/19 | 4.00 | 07/01/15 |
| 01/01/19 | 3.50 | 01/01/15 |

To the extent that the Authority exercises its option to redeem Series 2014B Bonds, the Series 2014B Bonds will be redeemed in the inverse order of maturity, with the latest maturity being redeemed first; provided that, with respect to Series 2014B Bonds with the same maturity and different call dates, the maturity of Series 2014B Bonds with the earliest call date will be redeemed first. See "DESCRIPTION OF THE 2014 BONDS – Optional Redemption of the 2014 Bonds."

(1) 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 CUSIP services. None of the Authority, the Commission, the Financial Advisor nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(2) Yield shown is the yield to the first optional call date for each respective maturity of the Series 2014B Bonds as set forth above under "Optional Redemption."

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Commission, the Authority, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission or the Authority. All other information contained herein has been obtained from the Authority, the Commission, DTC and other sources which are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon as, or construed as a promise or representation by, the Commission, the Authority, or the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of, any 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Commission or the Authority or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and the Commission's respective undertakings to provide certain information on a continuing basis.

Marketability

THE 2014 BONDS ARE BEING OFFERED FOR SALE TO THE PUBLIC AT THE PRICES SHOWN ON THE INSIDE COVER PAGE HEREOF. THE UNDERWRITERS RESERVE THE RIGHT TO LOWER SUCH INITIAL OFFERING PRICES AS THEY DEEM NECESSARY IN CONNECTION WITH THE MARKETING OF THE 2014 BONDS. THE UNDERWRITERS RESERVE THE RIGHT TO JOIN WITH BROKER/DEALERS AND OTHER UNDERWRITERS IN OFFERING THE 2014 BONDS TO THE PUBLIC. THE OBLIGATION OF THE UNDERWRITERS TO ACCEPT DELIVERY OF THE 2014 BONDS IS SUBJECT TO THEIR TERMS AND CONDITIONS SET FORTH IN THE BOND PURCHASE AGREEMENT FOR THE 2014 BONDS, THE APPROVAL OF LEGAL MATTERS BY BOND COUNSEL, AND OTHER CONDITIONS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2014 BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2014 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

Securities Laws

No registration statement relating to the 2014 Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The 2014 Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the 2014 Bonds been registered or qualified under the securities laws of any other jurisdiction. The Commission and the Authority assume no responsibility for registration or qualification for sale or other disposition of the 2014 Bonds under the securities laws of any jurisdiction in which the 2014 Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the 2014 Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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 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.”

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TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

| <u>Name</u> | <u>Term Expiration (February 1)</u> |
|----------------------------------|---|
| 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 |

Certain Appointed Officials

| <u>Name</u> | <u>Title</u> |
|----------------|---|
| John Hernandez | Interim Executive Director ¹ |

TEXAS WORKFORCE COMMISSION

Commissioners

| <u>Name</u> | <u>Representing</u> | <u>Term Expiration (February 1)</u> |
|---------------------------|---------------------|---|
| Andres Alcantar, Chairman | The Public | 2019 |
| Ronald G. Congleton | Labor | 2017 |
| Hope Andrade | Employers | 2015 |

Certain Appointed Officials

| <u>Name</u> | <u>Title</u> |
|-----------------|-------------------------|
| Larry E. Temple | Executive Director |
| Randy Townsend | Chief Financial Officer |
| Paul N. Jones | General Counsel |

Consultants and Advisors

| | |
|--------------------------|--------------------------|
| Financial Advisor..... | First Southwest Company |
| Bond Counsel..... | Bracewell & Giuliani LLP |
| Disclosure Counsel | Fulbright & Jaworski LLP |

¹ At its regular meeting on January 16, 2014, the Board appointed Mr. John Hernandez to serve as Interim Executive Director until such time as the Board names a permanent Executive Director.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement, reference to which is made for all purposes. No person is authorized to detach this Official Statement Summary from this Official Statement or to otherwise use it without this entire Official Statement (including the appendices).

| | |
|--|--|
| The Issuer | The Texas Public Finance Authority (the “Authority” or the “Issuer”) is authorized to issue bonds on behalf of the Texas Workforce Commission (the “Commission”) pursuant to Chapter 203, Subchapters C and F, Texas Labor Code, as amended, in accordance with Chapters 1207, 1232, and 1371, and other applicable provisions of Title 9 of the Texas Government Code, as amended. <i>See</i> “THE AUTHORITY.” |
| The Commission | The Commission is an agency of the State of Texas (the “State”) which administers the State’s unemployment insurance program. <i>See</i> “THE COMMISSION.” |
| The Series 2014A Bonds | The Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014A (the “Series 2014A Bonds”) mature in the years and in the principal amounts set forth on page i hereof. Interest on the Series 2014A Bonds accrues from the Delivery Date and is payable initially on January 1, 2015 and on each July 1 and January 1 thereafter until maturity. |
| The Series 2014B Bonds | The Texas Public Finance Authority Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014B (the “Series 2014B Bonds”) mature in the years and in the principal amounts set forth on page i hereof. Interest on the Series 2014B Bonds accrues from the Delivery Date and is payable initially on January 1, 2015 and on each July 1 and January 1 thereafter until the earlier of maturity or prior redemption. The Series 2014A Bonds and the Series 2014B Bonds are collectively referred to herein as the “2014 Bonds.” |
| Authority for Issuance | Pursuant to a request by the Commission, the 2014 Bonds are issued pursuant to the laws of the State of Texas, including particularly Chapter 203, Subchapters C and F, Texas Labor Code, as amended, the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended, and any regulations promulgated by the Authority thereunder, the Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended, and a resolution adopted by the Board of Directors of the Authority (the “Board”) on April 3, 2014 (the “Bond Resolution”), in which the Board delegated to certain designated officials (the “Pricing Committee”) the authority to establish and approve the final terms of sale of the 2014 Bonds through the execution of a Pricing Certificate (the Bond Resolution and the Pricing Certificate are collectively referred to herein as the “Resolution”). The Pricing Committee approved the sale of the 2014 Bonds through the execution and delivery of the Pricing Certificate and a Bond Purchase Contract with the Underwriters. In addition, the Texas Bond Review Board has approved the issuance of the 2014 Bonds as required by law. |
| Source of Payment | The 2014 Bonds, together with certain Outstanding Series 2010A Bonds and Series 2010B Bonds (as hereinafter defined), constitute special obligations of the Authority and the Commission payable solely from the Pledged Revenue (as defined herein) pledged thereto pursuant to the Bond Resolution. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2014 BONDS. |
| Optional Redemption of the 2014 Bonds | The 2014A Bonds are not subject to optional redemption prior to maturity. The 2014B Bonds are subject to optional redemption prior to maturity as described herein. <i>See</i> “DESCRIPTION OF THE 2014 BONDS – Optional Redemption of 2014 Bonds.” |
| Use of Proceeds | Proceeds from the sale of the 2014 Bonds will be used for the purpose of (i) providing funds to refund and defease the Refunded Bonds (as defined herein) in order to achieve present value debt service savings (see Schedule I – Schedule of Refunded Bonds) and (ii) paying costs of issuance. <i>See</i> “PLAN OF FINANCING – Purpose.” |
| Ratings | Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, Fitch Ratings and Moody’s Investors Service, Inc. have assigned ratings of “AAA”, “AAA” and “Aaa”, respectively, to the 2014 Bonds. <i>See</i> “RATINGS.” |

Legality

The issuance of the 2014 Bonds is subject to the approval of the Attorney General of the State and the opinion of Bracewell & Giuliani LLP, Bond Counsel, as to the validity of the issuance of the 2014 Bonds under the Constitution and laws of the State. *See* “LEGAL MATTERS” and “Appendix D – Form of Bond Counsel Opinion.”

Book-Entry-Only System

The 2014 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 2014 Bonds will be made to the beneficial owners of the 2014 Bonds. Interest on and principal of the 2014 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 2014 Bonds. *See* “DESCRIPTION OF THE 2014 BONDS – Book-Entry-Only System.”

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OFFICIAL STATEMENT

relating to

\$212,145,000

**TEXAS PUBLIC FINANCE AUTHORITY
UNEMPLOYMENT COMPENSATION OBLIGATION ASSESSMENT
REVENUE REFUNDING BONDS, SERIES 2014A**

and

\$497,640,000

**TEXAS PUBLIC FINANCE AUTHORITY
UNEMPLOYMENT COMPENSATION OBLIGATION ASSESSMENT
REVENUE REFUNDING BONDS, SERIES 2014B**

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, provides certain information regarding the issuance by the Texas Public Finance Authority (the “Authority” or the “Issuer”), on behalf of the Texas Workforce Commission (the “Commission” or the “TWC”), of its Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014A (the “Series 2014A Bonds”), and its Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014B (the “Series 2014B Bonds”). The Series 2014A Bonds and the Series 2014B Bonds are collectively referred to herein as the “2014 Bonds.” The 2014 Bonds, together with certain Outstanding Series 2010A Bonds and Series 2010B Bonds (as hereinafter defined), are parity bonds payable from and secured solely by a lien on the “Pledged Revenues” (as defined herein). See “SECURITY FOR THE 2014 BONDS.” The Authority is authorized to issue the 2014 Bonds on behalf of the Commission pursuant to the Authorizing Law (as defined below) and the terms of the prior resolution authorizing the Series 2010 Bonds (the “Prior Resolution”). Capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings assigned to such terms in the Resolution.

This Official Statement contains summaries and descriptions of the plan of financing, the Series 2014A Bonds and the Series 2014B Bonds, the Commission, 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 such documents may be obtained from the General Counsel, Texas Workforce Commission, 101 East 15th Street, Room 608, Austin, Texas 78778, (512) 463-7902. 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 Commission’s respective undertakings to provide certain information on a continuing basis.

PLAN OF FINANCING

Authority for Issuance

The 2014 Bonds are being issued in accordance with the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 203, Subchapters C and F, Texas Labor Code, as amended (the “Act”); the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended and any regulations promulgated by the Authority thereunder; the Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended; Chapter 1207, Texas Government Code, as amended and Chapter 1371, Texas Government Code, as amended (collectively the Act and such statutes and regulations are herein referred to as the “Authorizing Law”), and additionally pursuant to a resolution adopted by the Board of Directors of the Authority (the “Board”) on April 3, 2014 (the “Bond Resolution”), in which the Board delegated to certain designated officials (the “Pricing Committee”) the authority to establish and approve the final terms of sale of the 2014 Bonds through the execution of a Pricing Certificate (the Bond Resolution and the Pricing Certificate are collectively referred to herein as the “Resolution”). The Pricing Committee approved the sale of the 2014 Bonds through the execution and delivery of the Pricing Certificate and a Bond Purchase Contract with the Underwriters.

Pursuant to the Resolution and the Authorizing Law, the Authority has the exclusive authority to issue, on behalf of the Commission, one or more series of 2014 Bonds in an aggregate principal amount not to exceed \$832 million.

Purpose

The proceeds from the sale of the 2014 Bonds will be used for the purpose of (i) providing funds to refund and defease the Refunded Bonds (as defined herein) in order to achieve present value debt service savings (see Schedule I – Schedule of Refunded Bonds) and (ii) paying costs of issuance.

Outstanding Bonds

The Authority has previously issued its Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010A (the “Series 2010A Bonds”), its Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010B (the “Series 2010B Bonds”) and its Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010C (the “Series 2010C Bonds”, and, collectively with the Series 2010A Bonds and Series 2010B Bonds, the “Series 2010 Bonds”) for and on behalf of the Commission for the purpose of (i) repaying principal of, and interest, if any, on advances from the Federal Unemployment Trust Fund (as defined herein); (ii) paying unemployment benefits by depositing the proceeds in the UC Fund (as defined herein); and (iii) paying costs of issuance of such bonds. The Series 2010C Bonds have been paid in full in accordance with their terms and are no longer Outstanding. Proceeds of the 2014 Bonds will be used to refund and defease a portion of the Outstanding Series 2010A Bonds and Series 2010B Bonds as more specifically identified on the attached Schedule I – Refunded Bonds (the “Refunded Bonds”). After issuance of the 2014 Bonds, a portion of the Series 2010 Bonds will still be Outstanding. See “DEBT SERVICE AND COVERAGE SCHEDULES – Debt Service Schedule for Bonds, including 2014 Bonds”. The 2014 Bonds, the remaining Outstanding Series 2010 Bonds and any Additional Bonds are sometimes referred to herein as the “Bonds.” The Bonds are parity obligations and constitute special obligations of the Authority and the Commission payable solely from the Pledged Revenues.

Refunded Bonds

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the Authority and Texas Treasury Safekeeping Trust Company (the “Escrow Agent”). The Resolution provides that from a portion of the proceeds of the sale of the 2014 Bonds received from the Underwriters, the Authority will deposit with the Escrow Agent an amount which, together with the interest earned on any Escrowed Securities (defined below) to be purchased with a portion of the 2014 Bond proceeds, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase the noncallable obligations of the United States identified in the Escrow Agreement as the “Escrowed Securities”. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

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Sources and Uses of Proceeds

The proceeds of the 2014 Bonds will be applied approximately as follows:

Sources:

| | |
|--|--------------------------|
| Principal Amount of Series 2014A Bonds | \$ 212,145,000.00 |
| Principal Amount of Series 2014B Bonds | 497,640,000.00 |
| Original Issue Premium on the Series 2014A Bonds | 20,852,373.90 |
| Original Issue Premium on the Series 2014B Bonds | <u>32,274,199.65</u> |
| Total Sources: | <u>\$ 762,911,573.55</u> |

Uses:

| | |
|---|--------------------------|
| Deposit to Escrow Fund for the Refunded Bonds | \$ 759,989,788.19 |
| Underwriters' Discount | 1,916,902.13 |
| Deposit to 2014 Cost of Issuance Account | <u>1,004,883.23</u> |
| Total Uses: | <u>\$ 762,911,573.55</u> |

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DEBT SERVICE AND COVERAGE SCHEDULES

Debt Service Schedule for Bonds, including 2014 Bonds

| Bond Year (Ending 1/1) | Series 2010A&B Bonds Debt Service (\$)¹ | Series 2014A Bonds Principal (\$) | Series 2014A Bonds Interest (\$) | Series 2014B Bonds Principal (\$) | Series 2014B Bonds Interest (\$) | Annual Debt Service (\$)¹ |
|---------------------------|--|---|--|---|--|------------------------------|
| 2015 | 182,956,375 | 960,000 | 6,570,730 | - | 12,294,635 | 202,781,740 |
| 2016 | 188,580,900 | 8,760,000 | 10,287,275 | - | 19,584,375 | 227,212,550 |
| 2017 | 3,384,250 | 202,425,000 | 6,373,600 | - | 19,584,375 | 231,767,225 |
| 2018 | 3,384,250 | - | - | 321,505,000 | 16,476,275 | 341,365,525 |
| 2019 | 3,384,250 | - | - | 176,135,000 | 5,581,575 | 185,100,825 |
| 2020 | 69,377,125 | - | - | - | - | 69,377,125 |
| Total | 451,067,150 | 212,145,000 | 23,231,605 | 497,640,000 | 73,521,235 | 1,257,604,990 |

Coverage Schedule

| Date | Series 2010A&B Bonds Debt Service (\$)¹ | Series 2014A&B Bonds Debt Service (\$) | Annual Total Debt Service (\$) ¹ | Projected Minimum Obligation Assessment Revenues (1.5x Coverage) (\$) ² | Projected Accelerated Retirement of Debt (\$) ^{3,4} | Projected Outstanding Principal Balance (\$) ³ |
|--------------|--|---|---|---|---|--|
| | | | | | | 1,123,305,000 |
| 7/1/2014 | 139,267,725 | - | - | - | 67,685,000 ⁵ | 926,435,000 |
| 1/1/2015 | 43,688,650 | 19,825,366 | 202,781,741 | 304,172,611 | 64,245,000 | 824,440,000 |
| 7/1/2015 | 142,078,650 | 20,256,513 | - | - | 54,760,000 | 628,355,000 |
| 1/1/2016 | 46,502,250 | 18,375,138 | 227,212,550 | 340,818,825 | 57,130,000 | 523,930,000 |
| 7/1/2016 | 1,692,125 | 162,957,563 | - | - | 54,800,000 | 320,990,000 |
| 1/1/2017 | 1,692,125 | 65,425,413 | 231,767,225 | 347,650,838 | 57,130,000 | 209,575,000 |
| 7/1/2017 | 1,692,125 | 165,197,188 | - | - | 54,170,000 | - |
| 1/1/2018 | 1,692,125 | 172,784,088 | 341,365,525 | 512,048,288 | - | - |
| 7/1/2018 | 1,692,125 | 60,492,088 | - | - | - | - |
| 1/1/2019 | 1,692,125 | 121,224,488 | 185,100,825 | 277,651,238 | - | - |
| 7/1/2019 | 69,377,125 | - | - | - | - | - |
| 1/1/2020 | - | - | 69,377,125 | 104,065,688 | - | - |
| Total | 451,067,150 | 806,537,841 | 1,257,604,991 | | 409,920,000 | |

¹ Includes approximately \$421,645,000 principal amount of Series 2010 Bonds that will be Outstanding after issuance of the 2014 Bonds.

² Such obligation assessment revenues are projected based on 1.5 times (1.5x) debt service coverage and subject to change. See "Security for the 2014 Bonds".

³ All such numbers are projections and only intended for illustrative purposes. Actual numbers may vary.

⁴ Projected accelerated retirement of debt reflects the expected reduction in debt service from redemptions of debt and the corresponding change in the minimum annual Unemployment Obligation Assessment from lower debt service.

⁵ Certain Excess Pledged Revenues shall be used to redeem certain Series 2010 Bonds on July 1, 2014. The actual amount of bonds to be redeemed shall be determined prior to June 1, 2014 in accordance with the Prior Resolution.

DESCRIPTION OF THE 2014 BONDS

General

The 2014 Bonds will be issued only as fully registered bonds, without coupons, and will accrue interest from the Delivery Date. Interest on the 2014 Bonds is payable on January 1, 2015 and on each July 1 and January 1 thereafter (each an “Interest Payment Date”), until maturity or prior redemption, and is calculated on the basis of a 360-day year composed of twelve 30-day months. The Series 2014A Bonds and the Series 2014B Bonds mature in the years and in the principal amounts set forth on page i hereof. The Record Date for the 2014 Bonds is December 15 and June 15 which is the fifteenth (15th) day of the month immediately preceding each Interest Payment Date or such other date(s) so designated in the Pricing Certificate. The 2014 Bonds will be issued in Authorized Denominations of \$5,000 and integral multiples thereof.

If the specified date for any payment of principal and/or interest on the 2014 Bonds is not a Business Day, such payment may be made on the next succeeding Business Day without additional interest and with the same force and effect as if made on the specified date for such payment. “Business Day” means any day other than a Saturday, Sunday, legal holiday or other day on which banking institutions in New York, New York or Austin, Texas are generally authorized or obligated by law or executive order to close or a day on which the New York Stock Exchange is closed or a day on which the Comptroller or Paying Agent/Registrar is closed.

Payment of Bond Obligations

The Paying Agent/Registrar will calculate the amount of Bond Obligations from time to time payable on the 2014 Bonds (other than a Book-Entry Bond) and make timely payment of the Bond Obligations thereon from the funds available therefor under the Bond Resolution. The payment of Bond Obligations with respect to Book-Entry Bonds will be made in accordance with the Blanket Issuer Letter of Representations or comparable instrument under any subsequent book-entry system and the Funds Management Agreement. Interest on the 2014 Bonds will be paid to the Person who is the Bond Owner at the close of business on the Record Date. The Paying Agent/Registrar will maintain proper records of all payments of Bond Obligations.

Optional Redemption of the 2014 Bonds

The 2014A Bonds are not subject to optional redemption prior to maturity.

The Series 2014B Bonds have been designated by the Authority as “Callable Bonds”. The Series 2014B Bonds maturing on the dates set forth below are subject to redemption prior to maturity at the option of the Authority, in whole or in part in Authorized Denominations, in such manner as the Authority may select, on the respective dates set forth in the following table, or on any date thereafter, at a price equal to the par amount thereof plus accrued interest to but not including the date fixed for redemption. To the extent that the Authority exercises its option to redeem Series 2014B Bonds, the Series 2014B Bonds will be redeemed in the inverse order of maturity, with the latest maturity being redeemed first; provided that, with respect to Series 2014B Bonds with the same maturity and different call dates, the maturity of Series 2014B Bonds with the earliest call date will be redeemed first.

| <u>Maturity Date</u> | <u>Interest Rate (%)</u> | <u>Redemption Date (on or after)</u> |
|----------------------|--------------------------|--------------------------------------|
| 07/01/17 | 4.00 | 01/01/17 |
| 01/01/18 | 4.00 | 07/01/16 |
| 07/01/18 | 4.00 | 01/01/16 |
| 01/01/19 | 4.00 | 07/01/15 |
| 01/01/19 | 3.50 | 01/01/15 |

None of the 2014 Bonds have been designated as “Super Sinker Bonds” and there are currently no Super Sinker Bonds Outstanding. The Authority may issue Super Sinker Bonds in the future, subject to the provisions of the Prior Resolution and the Resolution. See “DESCRIPTION OF THE 2014 BONDS – Additional Bonds” herein.

Determining Excess Pledged Revenues

June Determination of Excess Pledged Revenues. On each June 1 or such other date prior to the Super Sinker Redemption notice date (such date to be a “Projection Date”), the Commission shall provide a certified projection (hereinafter, the “Certified Commission Projection”) to the Authority determining whether Expected Pledged Assessments equal or exceed the Required Coverage Amount. If the Certified Commission Projection equals or exceeds the Required Coverage Amount and after all required transfers through the Projection Date have been made pursuant to the Resolution, the Authority shall

declare and determine (or, if no Super Sinker Bonds are Outstanding, may at its option declare and determine) that all money remaining on deposit in the Obligation Trust Fund in excess of Retained Pledged Revenues constitutes “Excess Pledged Revenues” and such Excess Pledged Revenues shall be transferred to the Redemption Account as set forth below. If the Certified Commission Projection is less than the Required Coverage Amount, the Commission may prepare an alternate projection (hereinafter, the “Alternate Certified Commission Projection”) determining whether Expected Pledged Assessments together with Additional Retained Pledged Assessments equal or exceed the Required Coverage Amount. If the Alternate Certified Commission Projection equals or exceeds the Required Coverage Amount and after all required transfers through the Projection Date have been made pursuant to the Bond Resolution, the Authority shall declare and determine (or, if no Super Sinker Bonds are Outstanding, may at its option declare and determine) that all money remaining on deposit in the Obligation Trust Fund in excess of Retained Pledged Revenues and Additional Retained Pledged Assessments constitutes Excess Pledged Revenues and such Excess Pledged Revenues shall be transferred to the Redemption Account as set forth below.

December Determination of Excess Pledged Revenues. On each December 1 or such other date prior to a Super Sinker Redemption notice date, after all required transfers have been made as described above pursuant to the Resolution, the Authority shall declare and determine (or, if no Super Sinker Bonds are Outstanding, may at its option declare and determine) that all money remaining on deposit in the Obligation Trust Fund which has not been allocated to any of the accounts established therein shall constitute Excess Pledged Revenues, and the Authority shall direct (or, if no Super Sinker Bonds are Outstanding, the Authority may at its option direct) that such Excess Pledged Revenues be transferred and deposited to the Redemption Account on the Transfer Date to be applied solely for the redemption of Bonds in the priority set forth below.

Transfer of Excess Pledged Revenues to Redemption Account. Upon a determination of Excess Pledged Revenues under the Resolution as described in the two paragraphs above, so long as any Super Sinker Bonds remain Outstanding, the Authority shall direct that such Excess Pledged Revenues to be transferred and deposited to the Redemption Account on the Transfer Date to be applied solely for the redemption of certain of the Bonds in the priority set forth below under “Priority of Redemption.” To the extent that no Super Sinker Bonds are Outstanding, the Authority may either (i) direct that such Excess Pledged Revenues be transferred and deposited to the Redemption Account on the Transfer Date solely for the redemption of Callable Bonds as set forth in the following paragraph or (ii) deposit such Excess Pledged Revenues in a separate account created under the Obligation Trust Fund and invest all monies declared to be Excess Pledged Revenues in tax-exempt obligations that are not subject to the alternative minimum tax.

Priority of Redemption. Upon deposit of Excess Pledged Revenues to the Redemption Account, the Authority will, in consultation with the Commission, take all necessary steps, including providing notice of redemption to the appropriate parties as provided in the Resolution, to apply Excess Pledged Revenues first to redeem the Super Sinker Bonds so long as such bonds are Outstanding. Until any Outstanding Super Sinker Bonds have been paid or otherwise deemed to be paid with amounts on deposit in the Redemption Account, Excess Pledged Revenues may not be used to redeem other Bonds except with respect to the redemption of certain of the Series 2010 Bonds on July 1, 2014. See “DEBT SERVICE AND COVERAGE SCHEDULES” herein. When all of the Super Sinker Bonds have been paid or otherwise deemed to be paid with amounts on deposit in the Redemption Account, the Authority may, in consultation with the Commission, apply Excess Pledged Revenues to redeem or defease the Bonds subject to optional redemption (the “Callable Bonds”), if any, or any other Bonds then Outstanding or deposit such Excess Pledged Revenues in a separate account created under the Obligation Trust Fund and invest all monies declared to be Excess Pledged Revenues in tax-exempt obligations that are not subject to the alternative minimum tax.

Selection of Bonds for Redemption

Callable Bonds. With respect to the Series 2014B Bonds (which have been designated as Callable Bonds), to the extent that the Authority exercises its option to redeem any Series 2014B Bonds, the Series 2014B Bonds will be redeemed in the inverse order of maturity, with the latest maturity being redeemed first; provided that, with respect to Series 2014B Bonds with the same maturity and different call dates, the maturity of Series 2014B Bonds with the earliest call date will be redeemed first.

With respect to any Series 2010 Bonds that were designated as Callable Bonds and are still Outstanding after the issuance of the 2014 Bonds, to the extent that the Authority exercises its option to redeem any Series 2010 Bonds, the Authority may select the maturities of such Series 2010 Bonds to be redeemed.

If less than all of the Callable Bonds of any single maturity are to be redeemed, the Authority shall determine the portion of the principal amount of such maturity to be redeemed and the Paying Agent/Registrar (or DTC while the Callable Bonds are in book-entry-only form) shall determine by lot or other customary method the Callable Bonds within such maturity to be redeemed. If a Callable Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice

of such redemption shall have been given, then, subject to the occurrence of any condition to such redemption specified in the redemption notice, such Callable Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Super Sinker Bonds. None of the 2014 Bonds have been designated as “Super Sinker Bonds” and there are currently no Super Sinker Bonds Outstanding. Subject to the provisions of the Prior Resolution and the Resolution, the Authority may issue Super Sinker Bonds in the future while the 2014 Bonds or other Bonds are outstanding. See “DESCRIPTION OF THE 2014 BONDS – Additional Bonds” herein.

Notice of Redemption

Unless waived by the Bond Owner, notice of any redemption will be given at least thirty (30) days (or, in the event of a special mandatory redemption of Super Sinker Bonds, at least 15 days) prior to the date fixed for redemption by first class mail, addressed to the Bond Owners of each 2014 Bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Paying Agent/Registrar at the close of business on the Business Day next preceding the date of mailing. Such notice will state the redemption date, the redemption price, the place at which such 2014 Bonds are to be surrendered for payment and, if less than all of the 2014 Bonds Outstanding are to be redeemed, the numbers of the 2014 Bonds or portions thereof to be redeemed and may state any condition to the redemption. If a conditional redemption notice is given to Bondholders, the Authority has reserved the right to rescind the redemption notice on or prior to the redemption date if such condition does not occur. So long as the 2014 Bonds remain Book-Entry Bonds, the Authority shall only be required to mail such notice of redemption to the DTC (or its nominee). See “DESCRIPTION OF THE 2014 BONDS – Book-Entry-Only System.”

Selected Definitions from Bond Resolution

“Additional Retained Pledged Assessments” means, solely for the purpose of determining Excess Pledged Revenues, an amount of Pledged Assessments designated in the Alternate Certified Commission Projection (as defined in Section 4.04(b) of the Bond Resolution) that allows the Commission to certify that Expected Pledged Assessments plus such designated amount equals or exceeds the Required Coverage Amount.

“Bond Administration Expenses” means the expenses incurred to administer the Bonds, including fees for paying agents, tender agents, remarketing agents, authentication agents, financial advisors and attorneys, and for other professional services necessary to ensure compliance with applicable State or federal law.

“Bond Year” means January 2, 2011 through and including January 1, 2012, and every January 2 through January 1 of each succeeding year thereafter.

“Commission Program” means the funding of any or all of the purposes authorized to be funded under Section 203.255, Texas Labor Code, as amended, with any Bonds, including: (i) repayment of the principal and interest of previous advances from the federal trust fund; (ii) payment of unemployment benefits by depositing the proceeds in the UC Fund (as defined herein); (iii) payment of costs of issuance; (iv) providing a debt service reserve fund or account, if any; and (v) paying capitalized interest, if any, on the bonds for a period not to exceed two years.

“Costs of the Commission Program” means all amounts required to fund and implement the Commission Program.

“Credit Agreement” means a loan agreement, a revolving credit agreement, an agreement establishing a line of credit, a letter of credit, an interest rate swap agreement, municipal bond insurance policy, an interest rate lock agreement, a currency swap agreement, a forward payment conversion agreement, an agreement to provide payments based on levels of or changes in interest rates or currency exchange rates, an agreement to exchange cash flows or a series of payments, an option, put, or call to hedge payment, currency, interest rate, or other exposure, or another agreement that enhances the marketability, security, or creditworthiness of any bond.

“Event of Taxability” means any act or omission that would cause any payment with respect to any of the Bonds that is treated as interest under the Code to be includable in gross income for federal income tax purposes.

“Expected Pledged Assessments” means those Pledged Assessments that are, as of the Projection Date and as determined in the Certified Commission Projection, expected to be collected during the period between the June Date of Calculation and the December Date of Calculation relating to a determination of Excess Pledged Revenues as set forth in Section 4.04(b) of the Bond Resolution.

“Required Coverage Amount” means an amount not less than (a) 1.50 times the amount of the January Required Semiannual Debt Service Deposit required within the then current Bond Year, plus (b) the amount necessary to make an interest payment on a current advance from the federal trust fund due within the then current Bond Year; plus (c) the estimated amount of Bond Administration Expenses due within the next 12 months.

“Retained Pledged Revenues” means, solely for the purpose of determining Excess Pledged Revenues, Pledged Revenues in the amount \$25,000,000 to be retained in the Obligation Trust Fund upon the determination of Excess Pledged Revenues pursuant to Section 4.04(b) of the Bond Resolution.

“Sufficient Assets” means any combination of the following:

- (a) an amount of money sufficient, without investment, to pay such Bond Obligations when due; or
- (b) Government Obligations that:
 - (i) are not redeemable prior to maturity;
 - (ii) mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay Bond Obligations when due; and
 - (iii) have been verified by an independent firm of nationally recognized certified public accountants or such other accountant verifying the sufficiency of the Government Obligations to pay the amounts set forth in (b)(ii) above.

“Super Sinker Bonds” means any Bonds designated in any pricing certificate of the Authority as being subject to special mandatory redemption with Excess Pledged Revenues.

“Super Sinker Redemption Notice Date” means the date which is at least 15 days prior to a redemption date for the Super Sinker Bonds, the deadline to provide notice of redemption of such to Bondholders (e.g. June 15, for a July 1 redemption date and December 15 for a January 1 redemption date).

“Transfer Date” means a date which is at least one (1) Business Day prior to the Super Sinker Redemption Notice Date.

Paying Agent/Registrar

The Authority will serve as the initial Paying Agent/Registrar for the 2014 Bonds and perform all duties and functions required to be performed by the Paying Agent/Registrar with respect to the 2014 Bonds under the Bond Resolution; provided, however, that the Authority must appoint a third-party Paying Agent/Registrar if any series of the 2014 Bonds cease to be Book-Entry Bonds.

The Authority may appoint or discharge a Paying Agent/Registrar at any time, and the appointment or discharge shall take effect on the date fixed by the Board. The Authority may enter into an agreement with any Paying Agent/Registrar governing the duties and functions to be performed by such Paying Agent/Registrar, compensation, termination and resignation, or such other matters as the Board determines appropriate. If the Authority appoints or discharges a Paying Agent/Registrar, it will give written notice thereof to the Bond Owners.

To be qualified to serve as Paying Agent/Registrar, a Person (other than the Authority, the Comptroller or the Texas Treasury Safekeeping Trust Company) must be a bank, trust company, or other entity that: (1) is authorized under law to exercise trust powers and perform the duties and functions of Paying Agent/Registrar prescribed by the Bond Resolution; and (2) is subject to supervision or examination by a federal or state governmental authority with jurisdiction over financial institutions.

While any 2014 Bonds are Outstanding, the Authority will either act as Paying Agent/Registrar or maintain a qualified Paying Agent/Registrar and will promptly appoint a replacement if the Paying Agent/Registrar resigns, is terminated, or otherwise ceases to serve.

The Authority reserves the right to terminate the appointment of the Paying Agent/Registrar at any time by causing written notice of such termination, stating the effective date thereof, to be given to the Paying Agent/Registrar, provided that such termination will not be effective until a successor Paying Agent/Registrar has been appointed and assumed its duties.

Transfer, Exchange, and Registration

The Paying Agent/Registrar will maintain a register for the 2014 Bonds (the “Register”) at its principal office. A transfer of a 2014 Bond is not effective until entered in the Register. The transfer of a 2014 Bond will be made by the Paying Agent/Registrar upon the surrender to the Paying Agent/Registrar of the 2014 Bond by the Bond Owner (or such owner’s duly authorized representative), together with such endorsement or other evidence of transfer as is satisfactory to the Authority and the Paying Agent/Registrar. To effect a transfer, the Authority will execute and the Paying Agent/Registrar will authenticate and deliver to the transferee a new 2014 Bond or Bonds (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate as the 2014 Bond or Bonds surrendered for transfer. A transfer of a 2014 Bond will be made without any charge to the Bond Owner, except that any tax or other governmental charge imposed with respect to the transfer will be paid by the Bond Owner requesting the transfer.

Any 2014 Bond(s) may be exchanged for a new 2014 Bond or Bonds (each in an authorized denomination) of the same tenor and aggregate principal amount and interest rate upon the surrender to the Paying Agent/Registrar by the Bond Owner (or such owner’s duly authorized representative) of the 2014 Bond(s) as to which the exchange is desired. To effect an exchange, the Authority will execute and the Paying Agent/Registrar will authenticate and deliver to the Bond Owner the new 2014 Bond or Bonds in exchange for the surrendered 2014 Bond(s). A Bond Owner exchanging any 2014 Bond(s) shall pay an amount sufficient to reimburse any out-of-pocket expenses incurred by the Authority or the Paying Agent/Registrar in connection with making the exchange, and any tax or other governmental charge imposed with respect to the exchange. The Paying Agent/Registrar is not required to transfer or exchange any 2014 Bond: (1) between a Record Date and the related Interest Payment Date; (2) during the 30-day period preceding the maturity date of such 2014 Bond; or (3) which has been selected for redemption in whole or in part.

Book-Entry-Only System

This section describes how ownership of the 2014 Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2014 Bonds are to be paid to and accredited by The Depository Trust Company, New York, New York (“DTC”), while the 2014 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 Commission and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority, the Commission and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2014 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 2014 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 each series of the 2014 Bonds. The 2014 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 2014 Bond will be issued for each maturity of the 2014 Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 and www.dtc.org.

To facilitate subsequent transfers, all 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 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.

Purchases of 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2014 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 2014 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 2014 Bonds, except in the event that use of the book-entry system for any series of the 2014 Bonds is discontinued.

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 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the 2014 Bonds or each series as the case may be. For example, Beneficial Owners of 2014 Bonds may wish to ascertain that the nominee holding the 2014 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 will be sent to DTC. If less than all of the 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2014 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the 2014 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 the payment 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, 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 Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any series of the 2014 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, the 2014 Bonds, or the respective series for which DTC services have been discontinued, 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) for any series of the 2014 Bonds. In that event, 2014 Bonds, or the respective series for which DTC services have been discontinued, will be printed and delivered as required by the Bond Resolution.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, but the Authority, the Commission and the Underwriters take no responsibility for the accuracy thereof.

THE COMMISSION AND THE AUTHORITY, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR ANY SERIES OF THE 2014 BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE BOND RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH 2014 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 COMMISSION NOR THE AUTHORITY 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 2014 BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

Definition of Bond Obligations

"Bond Obligations" means, with respect to any particular Bond Year and series of Bonds, an amount equal to the sum of: (a) all interest payable on the Bonds during such period, except to the extent that such interest is to be paid from amounts (including any investment earnings thereon) deposited in the Debt Service Account for the purpose of paying capitalized interest, plus (b) that portion of the principal amount of such Bonds which is due and payable during such period, plus (c) premium due, if any, and payable on such Bonds during such period, plus (d) the amount, if any, owed under a Credit Agreement relating to such Bonds; provided, however, for purposes of satisfying any requirement under the Financing and Pledge Agreement relating to (1) the calculation of Bond Obligations, or (2) the requirement in the Bond Resolution regarding the deposit of sufficient Pledged Assessments to the Debt Service Account to fund anticipated Bond Obligations during any such Bond Year, or (3) the determination of Excess Pledged Revenues, the following rules will apply:

(A) (i) Interest for any series of Bonds will be calculated on the assumption that no Bonds Outstanding on the date of calculation will cease to be Outstanding except due to (x) scheduled payment of principal on the due date thereof, (y) scheduled redemption from amounts set aside in the Redemption Account or (z) projected redemption (based on schedules provided by the Authority's financial advisor) from amounts on deposit in the Obligation Trust Fund during the six months following the date of calculation and (ii) principal for any series of Bonds shall be calculated on the assumption that no Bonds Outstanding on the date of calculation will cease to be Outstanding except due to scheduled payment of principal on the due date thereof; provided, however, during the final Bond Year interest and principal shall be calculated on the assumption that no Bonds Outstanding on the date of calculation will cease to be Outstanding except due to (x) scheduled payment of principal on the due date thereof or (y) projected redemption (based on schedules provided by the Authority's Financial Advisor) from amounts on deposit in the Obligation Trust Fund during the six months following the date of calculation.

(B) To the extent any Additional Bonds are issued as commercial paper, interest and principal for any commercial paper will be calculated on the assumption that all such commercial paper will be continuously refinanced with other Bonds, bearing interest as provided in (C) below, so as to permit approximately equal annual amortization of Bond Obligations on such commercial paper to be due and payable over a period of ten years following depletion of any amounts provided for capitalized interest on such commercial paper.

(C) Except as provided in (D) below, the Bond Obligation for any Bonds that bear interest at variable rates or that will at some future date bear interest at a rate or rates to be determined or that will be subject to conversion to an interest rate or interest rate mode such that rates cannot then be ascertained will be deemed to bear interest at the higher of (i) a long-term interest rate estimated by the Authority or the Authority's Financial Advisor to be the average rate of interest such bonds would bear if issued as long-term obligations bearing interest at fixed interest rates to be amortized over the remaining term of such bonds, (ii) a short-term interest rate equal to 150% of the average interest rate borne by such bonds during the twelve month period (or such lesser period if such bonds have not been Outstanding for 12 months) ending within 30 days prior to the date of calculation, or (iii) a rate to be determined by the Authority or the Authority's Financial Advisor.

(D) Amounts payable and/or receivable by the Authority under Credit Agreements (as defined in the Bond Resolution) may be combined with payments of Bond Obligations on any Series of Bonds to which the Credit Agreement relates. In such event, the Authority or the Financial Advisor to the Authority will prepare a combined calculation of Bond Obligations with respect to the amounts payable and/or receivable under the Credit Agreement and the amounts of interest payable under the Bonds to which it relates, and in such calculation may offset amounts

receivable by the Authority under the Credit Agreement against interest payable on related Bonds. Any remaining (i.e., not offset) payment obligations of the Authority under the Credit Agreement, excluding any termination payments arising under such Credit Agreement, will be treated as payments of interest for purposes of computing Bond Obligations and will be calculated at the rate provided in such Credit Agreement the same as if it were an interest rate on Bonds, and if such rate is variable or otherwise not ascertainable at the time of calculation, will be estimated by the Authority or the Financial Advisor to the Authority in the same manner as herein described for the estimation of Bond Obligations on Bonds bearing interest at variable rates or rates not ascertainable at the time of calculation. If not combined with payments of Bond Obligations on Bonds as set forth above, amounts payable and/or receivable by the Authority under Credit Agreements will include only the net amount payable and/or receivable for purposes of computing Bond Obligations.

(E) Interest accruing on Bonds issued as capital appreciation bonds will be treated as principal payable at maturity of such Bonds.

(F) Interest (other than on capital appreciation bonds) will be deemed to accrue monthly and principal also will be deemed to accrue monthly but only during the twelve months immediately preceding any scheduled principal payment (or during such shorter periods as may be appropriate if principal payments are more frequent than every twelve months).

(G) Amounts derived from the investment of money in the Debt Service Account, Redemption Account, or any debt service reserve fund or account during the Bond Year or other period of calculation will reduce Bond Obligations on Bonds during such Bond Year or other period of calculation.

Defeasance

The lien on Pledged Revenues will be of no further force and effect when the Bond Obligations on all 2014 Bonds have been discharged and all other amounts payable under the Bond Resolution have been paid, or arrangements satisfactory to the Person to whom such payment is due for making such payment have been made. The Bond Obligations on any 2014 Bonds will be deemed discharged when (1) such Bond Obligations have: (A) been paid in accordance with the terms of such Bonds; or (B) become due (whether at stated maturity or otherwise) and an amount of money sufficient for the payment thereof has been deposited in the Debt Service Account, with the Paying Agent/Registrar; (2) such 2014 Bonds have been canceled or surrendered to the Paying Agent/Registrar for cancellation; or (3) such Bond Obligations have been discharged by a deposit of Sufficient Assets pursuant to the Resolution.

The benefits of the Resolution, and the covenants of the Authority contained therein in support of any 2014 Bonds, shall be deemed redeemed and discharged with respect to such 2014 Bonds when the following requirements have been satisfied: (1) the payment of Bond Obligations has been provided for by irrevocably depositing Sufficient Assets into the Debt Service Account or with the Paying Agent/Registrar or a financial institution or trust company designated by the Authority, which deposit will be held in trust in a separate escrow account and will be 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 constitute an Event of Taxability and complies with State law, and (B) all conditions precedent to such Bond Obligations being deemed discharged have been satisfied; (3) all other payments due, or reasonably estimated by the Paying Agent/Registrar to become due, under the Bond Resolution, have been made or provided for, and (4) the Paying Agent/Registrar has received all documentation and assurance regarding such discharge as it may reasonably require.

Additional Bonds

So long as the Financing and Pledge Agreement is in effect, one or more series of Additional Bonds may be issued for the purpose of financing, in whole or in part, the Commission Program as authorized by the Act, or for the purpose of refunding any Outstanding Bonds. Such Additional Bonds, when issued, and the interest thereon will be equally and ratably secured by and payable from a first and prior lien on and pledge of Pledged Revenues, in the same manner and to the same extent as the Bonds at the time Outstanding, and the Additional Bonds, when issued, and the interest thereon, will be on a parity and in all respects of equal dignity with each other Bond. Notwithstanding the foregoing, no installment, series, or issue of Additional Bonds may be issued and delivered unless: (1) the Chair of the Board of the Authority signs a written certificate to the effect that the Authority is not in default, or as of the date of issuance and delivery of the Additional Bonds then being issued will not be in default, as to any of its covenants, conditions, or obligations set forth in the Financing and Pledge Agreement, the Funds Management Agreement, any other Related Document, the Bond Resolution, or any resolution authorizing Outstanding Bonds; (2) an appropriate officer of the Commission signs a certificate to the effect that the Commission is not in default as to any of its covenants, conditions, or obligations set forth in the Financing and Pledge Agreement; (3) the

Comptroller signs a certificate to the effect that the Comptroller is not in default as to any covenants, conditions, or obligations set forth in the Funds Management Agreement; and (4) the Executive Director of the Authority signs a written certificate to the effect that the Financing and Pledge Agreement (as the same may be amended) will provide Pledged Revenues which will be sufficient to pay Bond Obligations on all then Outstanding Bonds, including the Additional Bonds then proposed to be issued, and sufficient to pay all other Bond Administration Expenses of the Authority related to the Outstanding Bonds and the Additional Bonds then being issued. Each series of Additional Bonds issued will be equally and ratably secured under the Bond Resolution with the Bonds and all other series of Additional Bonds, if any, issued, without preference, priority, or distinction of any Bonds over any other thereof.

Amendments

Except as otherwise provided therein, the Resolution may not be amended without the consent of the Bond Owners of at least a majority in aggregate principal amount of the Outstanding 2014 Bonds affected by such amendment. The Bond Resolution may be amended without consent of or notice to the Bond Owners of Outstanding 2014 Bonds if the Authority's Executive Director first receives (1) Bond Counsel's opinion to the effect that such amendment will not constitute an Event of Taxability and (2) Bond Counsel's opinion or written advice of the Attorney General of Texas to the effect that such amendment will not violate the terms of the Authorizing Law or other applicable State or federal law or adversely affect the rights of the Bond Owners of the Outstanding 2014 Bonds under the Transaction Documents (as defined in the Bond Resolution).

Notwithstanding the foregoing, nothing contained in the Resolution or any Transaction Document permits or is to be construed to permit, without the approval of the Bond Owners of all of the Outstanding 2014 Bonds, the amendment of the terms and conditions of any Transaction Document or in any 2014 Bond so as to: (1) make any change in the maturity of the Outstanding 2014 Bonds; (2) reduce the rate of interest borne by any of the Outstanding 2014 Bonds; (3) reduce the amount of the principal payable on the Outstanding 2014 Bonds; (4) modify terms of payment of principal, premium (if any), or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; (5) affect the rights of the Bond Owners of less than all of the 2014 Bonds then Outstanding; (6) change the minimum percentage of the principal amount of the 2014 Bonds necessary for consent to such amendment; or (7) change the Pledged Revenues (other than to designate additional revenues as Pledged Revenues as permitted under the Resolution).

No amendment to the Resolution will take effect until the Executive Director of the Authority (1) obtains an opinion of Bond Counsel or the written advice of the Attorney General of Texas to the effect that such amendment will not violate the Resolution, the Authorizing Law or other applicable law and, upon obtaining the required Bond Owner consent (if any), will otherwise comply with the requirements of the Bond Resolution for such amendment; and (2) obtains an opinion of Bond Counsel to the effect that such amendment will not adversely affect the excludability of interest on any 2014 Bond, unless such Bond was issued as a taxable Bond, from the gross income of the Bond Owner thereof for federal income tax purposes.

The Financing and Pledge Agreement and the Funds Management Agreement will not be amended unless (1) the Executive Director of the Authority receives an opinion of Bond Counsel to the effect that such amendment will not violate the Resolution, the Authorizing Law or other applicable law; and (2) either of the following requirements is satisfied: (a) the Executive Director of the Authority receives an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability and an opinion of Bond Counsel to the effect that such amendment will not adversely affect the rights of the Bond Owners under the Resolution; or (b) the Bond Owners of at least a majority in aggregate principal amount of the Outstanding 2014 Bonds affected by such amendment consent thereto, except that the consent of the Bond Owner of each Outstanding 2014 Bond affected by such amendment is required if such amendment would decrease the minimum percentage of Bond Owners required for effective consent to such amendment.

SECURITY FOR THE 2014 BONDS

Pledge Under the Bond Resolution and Financing and Pledge Agreement

The Bonds are special obligations of the Authority and the Commission equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of (1) all revenues derived from the levy of the Unemployment Obligation Assessment to pay Bond Obligations and Bond Administration Expenses or for any other purpose specified under the Act (the "Pledged Assessments"); (2) all monies on deposit in the Obligation Trust Fund and accounts created therein and in the Program Fund (hereinafter defined), including all investment income derived

therefrom (the “Pledged Funds”); and (3) any additional revenues deposited into the Obligation Trust Fund which are lawfully available to pay Bond Obligations or Bond Administration Expenses.

In the Financing and Pledge Agreement, as amended, restated and dated as of May 1, 2014 (the “Financing & Pledge Agreement”) the Commission covenants that:

(1) so long as any of the Bonds are Outstanding, it will annually impose the Unemployment Obligation Assessment according to the requirements of the Authorizing Law at a rate that will provide assessments in the Bond Year, as applicable, in an amount not less than:

(A) 1.50 times the amount of Bond Obligations due in the next Bond Year;

(B) the amount needed to make an interest payment on an advance from the federal trust fund due in the next calendar year (provided such portion of the rate may not exceed 0.2%); and

(C) the estimated amount of Bond Administration Expenses due in the next calendar year; and

(2) it will collect and deposit all Pledged Assessments into the Obligation Trust Fund.

In addition, the Authority covenants to transfer, semiannually, on each June 1 and December 1, Pledged Revenues from the Obligation Trust Fund as follows:

(A) to the Debt Service Account, an amount, which, when added to other amounts in the Debt Service Account, equals the amount required to pay any interest to become due and payable on Outstanding Bonds on any Interest Payment Date occurring within six (6) months of the Date of Calculation; and any principal scheduled to become due and payable on Outstanding Bonds occurring within six (6) months of the Date of Calculation; and

(B) any amounts due on Credit Agreements and other amounts due as Bond Obligations occurring within six (6) months of the Date of Calculation.

To the extent sufficient Pledged Revenues are not available on June 1 or December 1, as applicable, to fund the amounts required above, the Authority will transfer, upon deposit of such Pledged Revenues in the Obligation Trust Fund, additional Pledged Revenues to the Debt Service Account and other accounts until such accounts attain the balance required above. After the transfers described above have been made, the Authority may transfer from the Obligation Trust Fund to the Commission, Pledged Revenues in amounts needed to make payments of interest due on advances from the federal trust fund.

After Pledged Revenues have been transferred as described above, Excess Pledged Revenues will be used for the purposes and in the priorities described in the Bond Resolution, including: (i) redemption of Super Sinker Bonds so long as such bonds are Outstanding; and (ii) the redemption or defeasance of any Callable Bonds. No Bonds will be redeemed prior to their final maturity (other than mandatory sinking fund redemptions and other than optional redemptions effected with proceeds from the issuance of refunding bonds) unless there are Excess Pledged Revenues available for such purpose. See “DESCRIPTION OF THE 2014 BONDS—Determining Excess Pledged Revenues.” If there are no Bonds Outstanding and all Bond Administration Expenses have been paid, the Commission will transfer the balance of the Obligation Trust Fund to the UC Fund.

So long as any Bonds are outstanding, the Commission has irrevocably pledged and assigned to the Authority the Pledged Assessments to be deposited into the Obligation Trust Fund, and the Authority has pledged and assigned all of its right, title, and interest in the Financing and Pledge Agreement and the Pledged Revenues for the sole benefit of the Bond Owners as security for payment of the Bond Obligations and Bond Administration Expenses. See “THE FINANCING AND PLEDGE AGREEMENT” herein. Said pledge constitutes a first and exclusive lien on such Pledged Revenues for the payment of the Bonds in accordance with the Resolution.

THE 2014 BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE OF TEXAS, OR ANY AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE. NEITHER THE COMMISSION NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER AGENCY, POLITICAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE 2014 BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE STATE, THE AUTHORITY, OR THE COMMISSION. THE OWNERS OF THE 2014 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE 2014 BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES.

Funds Created Under the Bond Resolution; Flow of Funds

Obligation Trust Fund

The Obligation Trust Fund is created under the Act and confirmed pursuant to the Resolution. The Obligation Trust Fund is maintained as a dedicated trust fund outside of the State Treasury, in the custody of the Comptroller, and shall be held in trust for the sole benefit of the Bond Owners. Within the Obligation Trust Fund, the Obligation Trust Fund Debt Service Account (the “Debt Service Account”) has been created for the deposit of Pledged Assessments received by the Commission for the payment of Bond Obligations for each Bond Year; the Obligation Trust Fund Bond Administration Expenses Account (the “Bond Administration Account”) has been created for the deposit of Pledged Assessments received by the Commission for the payment of Bond Administration Expenses associated with the 2014 Bonds; and the Obligation Trust Fund Redemption Account (the “Redemption Account”) has been created for the deposit of Excess Pledged Revenues (hereinafter defined) to be used for the redemption of Bonds. In the Bond Resolution, the Authority reserves the right to create such additional accounts or subaccounts or take other actions as may be necessary for the receipt and application of Pledged Assessments; provided such creation of accounts or other actions in no way alter the pledge of Pledged Revenues.

Pursuant to the Financing and Pledge Agreement, Pledged Assessments are to be deposited by the Commission, upon receipt, into the Obligation Trust Fund. On June 1 and December 1 of any given year (each, a “Date of Calculation”), and at such other times as set forth in the Financing and Pledge Agreement, the Authority will deposit into the Debt Service Account, Pledged Revenues in an amount which, when added to other amounts in the Debt Service Account, equals the amount required to pay Bond Obligations on all Bonds (the “Required Semiannual Debt Service Deposit”), as follows: (i) any interest to become due and payable on Outstanding Bonds on any Interest Payment Dates occurring within six months of the Date of Calculation; and, (ii) any principal scheduled to become due and payable on Outstanding Bonds occurring within six months of the Date of Calculation; and (iii) any amounts due on Credit Agreements and any other amounts due as Bond Obligations occurring within six months of the Date of Calculation.

To the extent sufficient Pledged Revenues are not available on the Date of Calculation to fund the Required Semiannual Debt Service Deposit as described above, the Authority covenants that, upon the deposit of additional Pledged Revenues to the Obligation Trust Fund, it will transfer such additional Pledged Revenues to the Debt Service Account until the Debt Service Account attains the balance equal to the Required Semiannual Debt Service Deposit for such Date of Calculation.

On each Date of Calculation, after the payment and transfers described above, an amount of Pledged Revenues representing the amount needed to pay Bond Administration Expenses occurring within six months following the Date of Calculation will be paid into the Bond Administration Account.

On each Date of Calculation, or any date prior to the next Date of Calculation, but solely to the extent that any interest is due on any Federal Advances, and after payments and transfers described above have been fully funded, the Authority may transfer to the Commission such amounts needed to pay interest on such Federal Advances.

On each Date of Calculation or any date prior to the next Date of Calculation and provided that all Super Sinker Bonds are no longer Outstanding, and to the extent that any principal and interest are due on any Federal Advances, and after payments and transfers in the paragraphs above have been fully funded, the Authority may transfer to the Commission such amounts needed to pay principal and interest on such Federal Advances.

Excess Pledged Revenues. For a discussion of the determination of Excess Pledged Revenues, see “DESCRIPTION OF THE 2014 BONDS – Determining Excess Pledged Revenues.”

Debt Service Account. Unless provision for payment has been made with the Paying Agent/Registrar, there will be paid out of the Debt Service Account on or before each Interest Payment Date for any of the Bonds, the amount required to pay Bond Obligations on such date. On or before any redemption date for Bonds to be redeemed, if applicable, there will also be paid out of the Debt Service Account the amount required for the payment of the redemption price of and interest on such Bonds then to be redeemed; such amount will be transferred from the Redemption Account from funds determined to be Excess Pledged Revenues. On or before any other payment date set forth in any resolution, there will also be paid out of the Debt Service Account the amounts required to be paid on any Credit Agreements on such payment date. The Authority will apply amounts available in the Debt Service Account, or from other Pledged Revenues, for the payment of any scheduled mandatory or sinking fund redemptions on any Bonds issued as “term bonds” to pay the purchase price (including any brokerage and other charges) for any Bond subject to such mandatory or sinking fund redemption provided that such purchase price will not exceed the applicable mandatory redemption price of such Bond. Upon any such purchase, the purchased Bonds will be delivered to the Paying Agent/Registrar for cancellation and the principal amount of such Bonds purchased will be credited toward the next mandatory redemption or sinking fund installment.

Bond Administration Account. There will be paid out of the Bond Administration Account any amounts required to pay Bond Administration Expenses pertaining to the Bonds.

Redemption Account. To the extent that the Authority determines that Excess Pledged Revenues are available, the Authority will transfer Excess Pledged Revenues into the Redemption Account to be used to redeem Bonds eligible for redemption in the manner set forth in the Resolution. Prior to such redemption, the Authority will transfer the amount required to effect such redemption from the Redemption Account to the Debt Service Account.

Program Fund

The Bond Resolution confirms and describes the initial creation of the Program Fund as a dedicated trust fund outside the State Treasury in the custody of the Comptroller. The Bond Resolution provides that the Authority may create additional accounts within the Program Fund from time to time as may be necessary to implement the purposes under the Resolution.

The Program Fund and any accounts created therein are otherwise governed by the Funds Management Agreement. See “THE FUNDS MANAGEMENT AGREEMENT” herein.

Rebate Fund

A Rebate Fund is to be created when needed to make rebate payments to the United States of America when required by the Code. If created, an amount equal to any required rebate will be deposited into the Rebate Fund from the Obligation Trust Fund. The Authority will remit from the Rebate Fund to the Secretary of the Treasury of the United States (or such other payee as required by the Regulations) the amount of the most recently calculated rebate amount (if any) in accordance with the applicable regulations relating to the Code. The Rebate Fund will otherwise be governed by the Funds Management Agreement. See “THE FUNDS MANAGEMENT AGREEMENT” herein.

Money in the funds and accounts described above will be invested pursuant to the Funds Management Agreement. See “THE FUNDS MANAGEMENT AGREEMENT” herein.

THE FINANCING AND PLEDGE AGREEMENT

In connection with the issuance of the Series 2010 Bonds, the Authority and the Commission previously entered into that certain Financing and Pledge Agreement originally dated as of December 1, 2010, which, together with the Prior Resolution, governed the use of the Series 2010 Bond proceeds and imposed certain other obligations relating to the Series 2010 Bonds. In connection with the issuance of the 2014 Bonds, the Financing and Pledge Agreement, has been amended, restated and dated as of May 1, 2014 and entered into by the Authority and the Commission. The Financing and Pledge Agreement (as so amended and restated) will continue to govern the Series 2010 Bonds and will also govern, together with the Bond Resolution, the use of 2014 Bond proceeds by the Commission; the assessment, pledge, deposit, and use of the Unemployment Obligation Assessment by the Commission and the Authority, and the responsibilities of the Commission and the Authority with respect to federal tax and securities law compliance relating to the 2014 Bonds. *The following is a summary of certain provisions of the Financing and Pledge Agreement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Financing and Pledge Agreement. Copies of the Financing and Pledge Agreement are available for examination at the offices of the Authority.*

For a discussion and description of the arrangements between the Authority and the Comptroller relating to funds and accounts described herein, see “THE FUNDS MANAGEMENT AGREEMENT.”

The Financing and Pledge Agreement provides that the net proceeds of the 2014 Bonds are to be deposited into the Escrow Fund and the Cost of Issuance Account of the Program Fund pursuant to the Resolution in order to provide for the redemption and/or defeasance of the Refunded Bonds and pay costs of issuance. Any excess proceeds remaining after the specified purposes have been satisfied shall be transferred to the UC Fund.

Pursuant to the Financing and Pledge Agreement, the Commission has irrevocably pledged and assigned to the Authority for the benefit of Bond Owners, the Pledged Assessments as may be assessed and collected while there are any Outstanding Bonds. The Commission also acknowledges, agrees and authorizes the Authority to pledge and assign the Pledged Revenues, which include Pledged Assessments, to secure the payment of Bond Obligations and Bond Administration Expenses relating to the Bonds. The Authority is also required to notify the Commission of the amount of Bond Obligations and the estimated amount of Bond Administration Expenses each year, in sufficient time to allow the Commission to calculate and impose the Unemployment Obligation Assessment for the upcoming calendar year.

In the Financing and Pledge Agreement, the Commission and the Authority enter into the following covenants with respect to the Unemployment Obligation Assessment:

(a) The Commission covenants that:

(1) so long as any of the Bonds are Outstanding, it will annually impose the Unemployment Obligation Assessment according to the requirements of the Authorizing Law at a rate that will provide assessments in the Bond Year, as applicable, in an amount not less than:

(A) 1.50 times the amount of Bond Obligations due in the next Bond Year;

(B) the amount needed to make an interest payment on a Federal Advance due in the next calendar year (provided such portion of the rate may not exceed 0.2%); and

(C) the estimated amount of Bond Administration Expenses due in the next calendar year; and

(2) it will collect and deposit all Pledged Assessments into the Obligation Trust Fund.

(b) The Authority covenants to transfer, semiannually, on each June 1 and December 1, Pledged Revenues from the Obligation Trust Fund as follows:

(A) to the Debt Service Account, an amount, which, when added to other amounts in the Debt Service Account, equals the amount required to pay Bond Obligations on the Bonds as follows: any interest to become due and payable on Outstanding Bonds on any Interest Payment Date occurring within six (6) months of the Date of Calculation; and any principal scheduled to become due and payable on Outstanding Bonds occurring within six (6) months of the Date of Calculation; and

(B) any amounts due on Credit Agreements and other amounts due as Bond Obligations occurring within six (6) months of the Date of Calculation.

To the extent sufficient Pledged Revenues are not available on June 1 or December 1, as applicable, to fund the amounts required above, the Authority will transfer, upon deposit of such Pledged Revenues in the Obligation Trust Fund, additional Pledged Revenues to the Debt Service Account and other accounts until such accounts attain the balance required above. After the transfers described above have been made, the Authority may transfer from the Obligation Trust Fund to the Commission Pledged Revenues in amounts needed to make payments of interest due on Federal Advances.

After Pledged Revenues have been transferred as described above, Excess Pledged Revenues will be used for the purposes and in the priorities described in the Bond Resolution, including: (i) redemption of Super Sinker Bonds so long as such bonds are Outstanding; and (ii) the redemption or defeasance of any Callable Bonds. No Bonds will be redeemed prior to their final maturity (other than mandatory sinking fund redemptions or optional redemptions effected with proceeds from the issuance of refunding bonds) unless there are Excess Pledged Revenues available for such purpose. If there are no Bonds Outstanding and all Bond Administration Expenses have been paid, the Commission will transfer the balance of the Obligation Trust Fund to the UC Fund. To the extent Excess Pledged Revenues are not used to redeem Bonds within 90 days of the applicable determination date set forth in the Resolution, such amount will be invested in tax-exempt obligations that are not subject to the alternative minimum tax. For a discussion of the determination of Excess Pledged Revenues, see "DESCRIPTION OF THE 2014 BONDS – Determining Excess Pledged Revenues."

The Commission also agrees to comply with federal tax law provisions governing the tax-exemption of the interest due on any of the 2014 Bonds which are issued as tax-exempt bonds. In addition, the Commission and the Authority agree to provide certain financial information and notice of certain events with respect to the 2014 Bonds for so long as such 2014 Bonds are Outstanding, and the Authority agrees to file such information and provide material event disclosure as required by SEC Rule 15c2-12 on behalf of the Commission. See "CONTINUING DISCLOSURE OF INFORMATION."

STATE UNEMPLOYMENT COMPENSATION PROGRAM

This following is a summary of certain relevant historical events and certain provisions of the State Unemployment Compensation Program (the "State UC Program"). This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the statutes, rules, and regulations governing the State UC Program, including, but not limited to, Title 4, Subtitle A of the Texas Labor Code, as amended (the "Texas Unemployment Compensation Act" or "TUCA"). Additional information on the State UC Program may be obtained from the Commission's website at <http://www.twc.state.tx.us/>.

Federal Unemployment Tax Act

Title III of the Social Security Act established the Unemployment Compensation Program (“UC Program”) as a joint federal-state program to provide benefits for workers who have lost their jobs through no fault of their own. Federal laws and regulations provide the framework for state UC Programs, but each state is accorded the discretion to set benefit levels, establish eligibility rules and employer contribution rates, and to determine other issues relevant to unemployment compensation. Pursuant to the Federal Unemployment Tax Act (“FUTA”), employers must pay federal unemployment taxes to the Internal Revenue Service. Effective July 1, 2011, Congress determined not to extend the 0.2% FUTA surcharge which had been originally enacted in 1976, thereby reducing the FUTA tax rate to 6.0% of the first \$7,000 of wages (the federal taxable wage base) paid to an employee. FUTA tax proceeds, which are deposited into an account of the federal unemployment trust fund (the “Federal Unemployment Trust Fund”) held in the Treasury of the United States of America (the “United States Treasury”), are available to pay administrative costs of state UC Programs and half of extended unemployment benefits and are used to maintain a loan fund from which Federal Advances (hereinafter defined) may be made. The United States Department of Labor reviews state unemployment compensation laws annually to determine whether such laws meet all federal law requirements. Generally, if the United States Secretary of Labor (the “Secretary of Labor”) certifies that a state UC Program meets certain criteria, contributing employers of that state are eligible to receive a tax credit of 5.4% (the “FUTA Tax Credit”) against the FUTA tax rate, reducing the FUTA tax rate to 0.6% of the first \$7,000 of wages paid to an employee. If a state’s unemployment compensation laws fail to conform to federal law requirements, employers in that state could lose the tax credit described above, and the state could lose federal grants that provide funds to cover costs of administering its UC Program. According to the United States Department of Labor, the State and the State UC Program have never been decertified.

Title XII of the Social Security Act provides that Unemployment Trust Fund advances (“Federal Advances”) may be made to a state when the state’s unemployment trust account has insufficient funds to meet its Benefit Obligations (defined below). If a state has outstanding Federal Advances on January 1 of two consecutive years that remain unpaid as of the November 10 following the second consecutive January 1, the FUTA Tax Credit to employers within such state may be reduced by 0.3% each year until such state’s Federal Advances are repaid. For the third and each succeeding year that Federal Advances remain unpaid, the FUTA Tax Credit to employers may be further reduced if the state’s unemployment compensation tax rate fails to meet certain federal criteria. Any revenue resulting from a reduction in the FUTA Tax Credit for employers is collected by the Internal Revenue Service and applied to repay the state’s outstanding Federal Advances. The date on which reductions in the FUTA Tax Credit begin can be deferred, provided that a state has demonstrated that amendments to its unemployment compensation law will increase estimated contributions to a mandated level.

Federal Advances bear interest at a rate equal to the rate paid by the federal government on the aggregate balances in the state unemployment trust accounts in the last quarter of the preceding calendar year, but not more than 10%. The annual interest rate charged for Federal Advances for 2014 is 2.3874%; however the State has not received any Federal Advances since April 28, 2011.

Federal law prohibits the use of funds in a state’s unemployment trust account to pay interest due on Federal Advances.

Texas Unemployment Compensation Act

The Commission administers the State UC Program in accordance with TUCA. TUCA sets out qualifying requirements, benefit levels, and disqualification provisions for unemployed workers, and the State’s financing structure for the State UC Program. For certain statistical information regarding the State’s UC Program, see “APPENDIX B – CERTAIN INFORMATION REGARDING THE STATE UNEMPLOYMENT COMPENSATION PROGRAM” herein.

Pursuant to TUCA, the State’s portion of the State UC Program is financed through an unemployment tax (“Contribution”) on the taxable wage base portion of an employer’s payroll. Contributions so collected are deposited into the State’s unemployment compensation fund maintained in the State Treasury (the “UC Fund”). Within the UC Fund, a clearing account, federal trust fund account, and a benefit account have been established. The receipt of contributions due to the UC Fund are initially deposited into the clearing account before these amounts are transferred and deposited with the United States Secretary of the Treasury in the State’s account in the Unemployment Trust Fund. The Commission requisitions amounts from the State’s federal trust fund account, as needed, for the payment of benefits. This money is deposited into the benefit account and paid out as benefits.

TUCA provides that the UC Fund should be kept within a designated range, and when the balance falls outside of this range, adjustments to tax rates may be triggered. If on October 1 of any year, the UC Fund balance falls below the “floor” (which is the greater of \$400 million or one percent of total taxable wages for the four calendar quarters ending the preceding June 30th), then the Deficit Assessment (hereinafter described) can be triggered to bring the balance of the UC Fund up to the

floor. The Commission has authority under Section 204.067 of TUCA to judiciously manage the Deficit Assessment. The “ceiling” of the UC Fund is two percent of total taxable wages for the four calendar quarters ending the preceding June 30th. If the UC Fund balance rises above the ceiling, then the Commission may use all or part of the surplus to pay Outstanding bond obligations, if any, by transferring all or part of the surplus to the Obligation Trust Fund as described below, or, if such surplus is not used to pay Outstanding bond obligations, the Commission may then use the surplus to provide qualifying Contributing Employers (as defined below) with either a tax credit (a “Surplus Credit”) or an annual surplus credit rate (a “Surplus Credit Rate”) to be applied against their required Contributions for the following year. See “STATE UNEMPLOYMENT COMPENSATION PROGRAM – Contributions; Unemployment Taxes” herein for descriptions of the Deficit Assessment, the Surplus Credit and the Surplus Credit Rate.

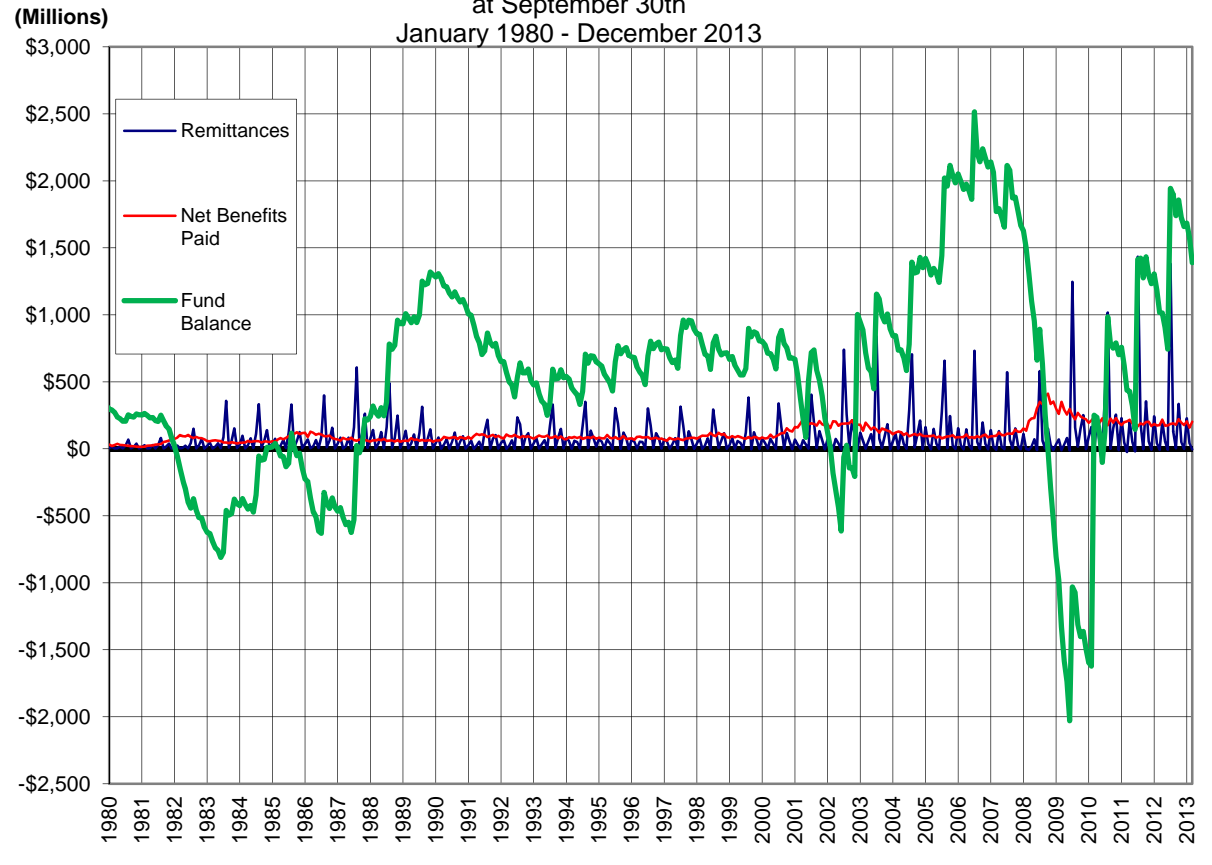
History of the State UC Program

The State UC Program has been in existence since 1936. During the recession of the early 1980’s, for the first time, funds on deposit in the UC Fund were insufficient to pay the State’s Benefit Obligations. From 1982 through 1988, the State borrowed and repaid a total of \$2.9 billion in Federal Advances, and paid \$182 million in interest on those Federal Advances. In 1982, the “Advance Interest Trust Fund” was established to address the depletion of the UC Fund by authorizing the Commission to charge an additional assessment to Contributing Employers to fund the Advance Interest Trust Fund. Money in the Advance Interest Trust Fund was used to pay interest due on Federal Advances. In 1983, the State again revised its unemployment tax structure, raising the floor and the ceiling of the UC Fund, creating a temporary solvency tax to address shortfalls in the short term, and creating a Deficit Tax (now the Deficit Assessment) to be assessed on Contributing Employers when the UC Fund balance is below its designated floor on October 1 of each year. The Texas Legislature also authorized a Surplus Credit for Contributing Employers when the UC Fund balance is above its designated ceiling. Further revisions to the unemployment tax structure were made in 1987 which broadened the application of the Deficit Assessment and increased the taxable wage base. In 2003, the 78th Legislature amended TUCA to authorize the issuance of revenue bonds to continue the UC Program at the lowest practicable cost to Texas employers (i.e., to continue to pay qualified unemployment claims while avoiding the higher costs associated with advances). See “STATE UNEMPLOYMENT COMPENSATION PROGRAM – The Authorizing Law.” Following a bond issuance in September 2003 and then again in December 2010, this strategy proved an effective response to economic downturns by better managing UC Fund balances, minimizing deficit assessments, and minimizing interest costs associated with higher than customary unemployment compensation benefit payouts.

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Texas Unemployment Compensation Fund History

at September 30th
January 1980 - December 2013



Series 2003 Bonds. In 2003, the UC Fund balance was estimated to be \$838.4 million below the floor on October 1, 2003, and there was a projected need of approximately \$251 million to keep the UC Fund balance at or above the floor on October 1, 2004. As a result, an amount of approximately \$1,382 million, in addition to estimated Contributions, was projected to be needed on September 30, 2003 to repay outstanding Federal Advances and avoid a Deficit Assessment for 2004 and 2005. Additionally, the Commission obtained approximately \$292.6 million in Federal Advances to pay Benefit Obligations which were scheduled to become due on September 25, 2003. On September 9, 2003, the Authority, on behalf of the Commission, issued \$776,720,000 in revenue bonds and \$600,000,000 in revenue variable rate demand bonds (collectively, the “2003 Bonds”) to pay the principal and interest on the Federal Advances and to fund the UC Fund in order to pay Benefit Obligations. See “STATE UNEMPLOYMENT COMPENSATION PROGRAM – The Authorizing Law” below for a description of changes to the TUCA which authorized the Authority to issue, at the request of the Commission, bonds and other obligations to correct the UC Fund balance deficit and to pay Federal Advances. Following the issuance of the 2003 Bonds, the Commission implemented the Unemployment Obligation Assessment as described below. In 2007, the Texas Legislature amended the Texas Labor Code to allow the Commission to use any surplus funds above the UC Fund ceiling to pay debt service. This additional statutory tool assisted in the early repayment of the 2003 Bonds in December of 2007. Because no interest was due on Federal Advances and there were no longer any outstanding bonds, there was not an Unemployment Obligation Assessment rate for calendar years 2008, 2009, and 2010. The Commission believes that the issuance of the 2003 Bonds was a successful undertaking resulting in the following: (1) repayment of Federal Advances with no interest charges; (2) avoidance of requiring additional Federal Advances with interest rates exceeding those of the 2003 Bonds; (3) avoidance of an automatic and significant deficit assessment tax to employers which, at the time, the Commission had no authority to moderate and the Commission believes the avoidance of such tax contributed positively to the economic recovery; and (4) expanded the number of years allowed for replenishment of the UC Fund and thereby reducing the overall annual burden on employers.

Effect of Economic Recession on UC Fund. During the 2007-2009 economic recession, the nation experienced significantly higher unemployment rates which peaked at 10.0 percent in October 2009. While remaining significantly lower than the national average, Texas unemployment rates rose from pre-recession levels in September 2008 of 5.2% to an unemployment rate that averaged 8.2% in 2010. The number of unemployed Texans averaged just over a million workers during that time period. Because of the severity of the economic downturn and the sharp rise in the number of unemployed Texans receiving unemployment benefits, the UC Fund, which contained \$1.8 billion as of October 1, 2008, became insolvent on July 22, 2009. The Commission began drawing Federal Advances on July 22, 2009 which totaled \$1,745.7 million as of December 16, 2010.

Series 2010 Bonds. In December 2010, the Authority issued the Series 2010A Bonds, the Series 2010B Bonds and the Series 2010C Bonds (collectively, the “Series 2010 Bonds”) on behalf of the Commission. The proceeds from the Series 2010 Bonds, including premium, totaled \$2,100.0 million and was used to pay the principal on the Federal Advances and to fund the UC Fund in order to pay Benefit Obligations. The Commission implemented the Unemployment Obligation Assessment for State tax year 2011, and will continue the annual Obligation Assessment until there are no Outstanding Bonds. As anticipated, the Series 2010 Bond proceeds and employer contributions funded Benefit Obligations through March 15, 2011. Federal Advances were needed in order to fund the UC Fund to pay Benefit Obligations through April 28, 2011 and such Federal Advances were repaid by June 30, 2011.

The \$300 million Series 2010C Bonds were structured as “super sinkers” and were repaid prior to maturity from Excess Pledged Revenues, beginning on July 1, 2011. Final redemption of the Series 2010C Bonds was made on January 1, 2013. In addition, on July 1, 2013 and January 1, 2014, Series 2010B Bonds in the par amounts of \$70,120,000 and \$49,125,000, respectively, were redeemed prior to maturity in accordance with their terms. The Commission has not needed Federal Advances since April 2011, and as of December 31, 2013, the UC Fund balance was \$1,389.7 million.

The Authorizing Law

In response to the 2003 UC Fund balance deficit and the costs of paying interest on the Federal Advances, the Texas Legislature, during its 78th Regular Session in 2003, passed Senate Bill 280 (“SB 280”) in order to (1) maintain a balance in the UC Fund which is sufficient to pay Benefit Obligations, (2) avoid paying interest on Federal Advances, and (3) avoid imposing the Deficit Assessment when possible. SB 280 also added Subchapter F to TUCA (codified at Sections 203.251-203.262) which authorizes the Authority, upon request by the Commission, to issue bonds or other obligations (pursuant to Chapter 1232, and applicable provisions of Title 9 of the Texas Government Code, as amended) if a borrowing is needed to pay Benefit Obligations or to repay Federal Advances. Borrowing proceeds may also be used to pay costs of issuance, administration expenses related to the borrowing, and capitalized interest relating to the obligations. SB 280 also abolished the Advance Interest Trust Fund and created the “Obligation Trust Fund” (codified at Section 203.102) as a dedicated trust fund outside of the State Treasury in the custody of the Comptroller. Additional SB 280

amendments to TUCA (codified at Section 203.105) grant the Commission the authority to impose the Unemployment Obligation Assessment on Contributing Employers, to be deposited into the Obligation Trust Fund for the payment of (1) bond obligations and bond administrative expenses and (2) interest on Federal Advances. SB 280 also provides the Commission with the authority, in its discretion, to use any Unemployment Obligation Assessment revenue collected each year that exceeds the amount of debt service on bond obligations or bond expenses payable in that year, along with interest earned on the Obligation Trust Fund, for (1) the payment of bond obligations due in the subsequent year to offset the amount of the Unemployment Obligation Assessment that would otherwise have to be levied for the subsequent year; (2) the redemption or purchase of Outstanding bonds payable from the Unemployment Obligation Assessment; (3) deposit to the UC Fund to pay Benefit Obligations; or (4) the payment of principal and interest on Federal Advances (codified at Section 203.258). For more information on the Unemployment Obligation Assessment, see “STATE UNEMPLOYMENT COMPENSATION PROGRAM – Contributions; Unemployment Taxes” below.

Benefit Obligations

An unemployed worker’s eligibility for unemployment benefits (collectively, “Benefit Obligations”) is based upon three general criteria: prior earnings, the reason for separation from employment, and the unemployed worker being “able, available, and looking for work.” An employee must have been paid at least 37 times his or her weekly benefit rate during the base period (the first four of the most recently completed five calendar quarters preceding the effective date of the unemployment insurance claim). An employee must be totally or partially unemployed through no fault of the employee, be able to work, be available for work, and be actively seeking employment to be eligible to receive benefits. For the 12 months ending September 30, 2014, the maximum weekly benefit amount (WBA) is \$454. TWC calculates the maximum weekly benefit amount at 47.6 percent of the Texas annual average weekly wage, using covered employment and wages data. TWC calculates the minimum WBA at 7.6 percent of the Texas annual average weekly wage, from the Covered Employment and Wages data. The increase in the maximum WBA may not exceed \$14 in any year.

In accordance with federal law, the TUCA allows for extended benefits during periods of high unemployment. The triggers set by federal law for this permanent program are such that Texas has not met them during the last 20 years. **All extended benefit programs in Texas during the last 24 years have been created through special federal legislation, and have been fully federally-funded.**

On June 30, 2008, the federal Supplemental Appropriations Act of 2008 was signed into law to provide “Emergency Unemployment Compensation” (EUC) benefits for eligible claimants in all states in response to the economic slowdown. EUC makes unemployment benefits available to workers experiencing long-term joblessness and was initially implemented without unemployment rate triggers; however, more recent extensions (Tiers II, III and IV) depend on a state’s unemployment rate. EUC benefits paid to claimants in fiscal year 2009 under the Supplemental Appropriations Act of 2008 was federally funded and does not affect the employer tax rates or Chargebacks discussed below. Provisions in ARRA also allowed for 100% federal funding of Extended Benefits normally funded by 50% federal and 50% state funds. The 81st Texas Legislature passed a provision allowing Texas to adopt an alternate, temporary trigger that enabled Texas to take advantage of 100% federal financing for Extended Benefits. Texas is no longer paying EUC and Extended Benefits (EB). The most recent Congressional amendments specified that EUC and EB funding expired on December 28, 2013. Claimants must have qualified to receive EUC by December 21, 2013, to establish a claim. Regardless of any balance on the EUC claim, claimants only had until December 28, 2013 to receive payment of those funds. All EB payments in Texas stopped on May 12, 2012, because Texas no longer met the requirements for receipt of such funds. According to federal law, TWC could only pay EB when the 3-month average total unemployment rate (TUR) was at least 6.5% and the current 3-month average TUR was at least 110% higher than the same period during one or more of the previous three years. Texas no longer qualified to pay EB after May 12, 2012 because the average TUR was no longer 110% higher than comparable periods during the previous three years. For statistical information regarding the payment of Benefit Obligations by the State, see “APPENDIX B – CERTAIN INFORMATION REGARDING THE STATE UNEMPLOYMENT COMPENSATION PROGRAM” herein.

Contributions; Unemployment Taxes

Benefit Obligations, which represent the aggregate benefits payable by the State, are financed from “Contributions” paid by employers (the “Contributing Employers”) or, in the case of nonprofit organizations and governmental employers who have so elected, reimbursement payments in lieu of Contributions. TUCA authorizes an unemployment tax that is levied on the first \$9,000 of taxable wages earned by each employee of a Contributing Employer (the “taxable wage base”). The State unemployment tax consists of the assessment of a General Tax, a Replenishment Tax, a Deficit Assessment, and an Employment and Training Investment Assessment (“ETIA”). Additionally, if on January 1 in any particular year, an interest payment on a Federal Advance will be due or principal and/or interest on bonds issued by the Authority for the UC Fund are

due, and the amount needed to make such payments is not available in the Obligation Trust Fund (described above), then the tax will also consist of an Unemployment Obligation Assessment. The unemployment tax may be reduced by a tax credit in certain circumstances. The tax rate for most employers is computed on October 1 each year to be effective for wages paid in the next calendar year. Each employer's total rate varies based on the employer's specific unemployment insurance claims experience. Annual recalculation also incorporates benefits paid that cannot be charged to a specific employer, any UC Fund deficit (if the balance is below the floor on October 1), and any debt service on obligations payable from the Unemployment Obligation Assessment anticipated for the next year. For statistical information regarding Contributions, see "APPENDIX B – CERTAIN INFORMATION REGARDING THE STATE UNEMPLOYMENT COMPENSATION PROGRAM" herein.

General Tax: Each employer whose account has been chargeable with benefits throughout four or more consecutive quarters becomes an "Experience Rated Employer". Contributing Employers with former employees who received unemployment insurance benefits are assessed a general tax (the "General Tax"). The General Tax rate is determined as of October 1 and assessed beginning January 1 of the following calendar year. The General Tax rate is the rate derived from multiplying the "Benefit Ratio" by the "Replenishment Ratio." The Benefit Ratio for any Contributing Employer is equal to the amount of benefits paid to the particular Contributing Employer's former employees ("Chargebacks") during the previous three years divided by the total amount of taxable wages paid by that particular Contributing Employer during the same previous three years. The Replenishment Ratio is the result obtained by dividing the total effectively charged benefits paid during the 12 month period preceding the October 1 rate computation date plus one-half of the ineffectively charged benefits (benefits attributable to employers no longer in existence) for the same period by the total amount of benefits paid for the same period that are effectively charged. Canceled benefit warrants, repaid benefits that were overpaid, and benefits paid that are repayable from reimbursing employers, the federal government, or any other governmental entity are excluded from this computation. By statute, the maximum General Tax rate is capped at 6%. If a Contributing Employer has no Chargebacks, the General Tax rate can be 0% for that Contributing Employer. As a point of reference, the computed average General Tax rate for calendar year 2014 is 1.53%.

Replenishment Tax: The Replenishment Tax is a flat tax imposed on all Experience Rated Employers and is used to replenish the UC Fund for half of all ineffectively-charged benefits. The Replenishment Tax rate is equal to one half of the ineffectively-charged benefits divided by one year of total taxable wages Statewide. In 2008, the Commission approved a one-year suspension of the Replenishment Tax for 2008 due to an estimated \$738 million dollar surplus in the UC Fund under authority provided by Section 204.067 of TUCA. The computed Replenishment Tax rate for calendar year 2009 was 0.16% and for calendar year 2014 is 0.35%.

Deficit Assessment. The Deficit Assessment may be imposed on all Experience Rated Employers if on October 1 of any year the balance of the UC Fund is below the floor (described above). The Commission has authority under Section 204.067 of TUCA to judiciously manage the Deficit Assessment. The Deficit Assessment rate is equal to the "Deficit Ratio" multiplied by the sum of the Contributing Employer's General Tax rate, Replenishment Tax rate, and Deficit Assessment rate for the preceding year. The Deficit Ratio is equal to the difference between the UC Fund balance, considering any Federal Advance, and the floor on October 1, divided by the revenue received from the General Tax and the Replenishment Tax in the previous year, rounded to the nearest hundredth. The Deficit Assessment rate may not exceed 2% for any particular Contributing Employer.

Employment and Training Investment Assessment. In 2005, the Texas Legislature passed HB 2421 which added Subchapter G to Chapter 204 of TUCA and created the ETIA as a means of providing financing for skills development programs and job creation initiatives through local economic development programs. The ETIA is imposed on all Contributing Employers and is imposed as a separate assessment equal to one-tenth of one percent (0.1%) of wages paid by the employer. The Replenishment Tax and the new employer initial tax rate are reduced by the 0.1% so there is no increase in the total effective rate to employers. The ETIA is due at the same time, collected in the same manner, and is subject to the same penalties and interest as the other state unemployment taxes. Revenue collected from the ETIA is deposited into the ETIA Holding Fund; and, if on September 1 of each year the Commission determines that the amount in the UC Fund exceeds 100% of the designated floor, then the ETIA revenue may be transferred from the ETIA Holding Fund by the Commission on October 1 of that year to certain designated funds for specified purposes in accordance with TUCA. However, if on September 1 of each year, the balance in the UC Fund is at or below 100% of its floor, then the Commission is required to transfer the ETIA revenue from the ETIA Holding Fund to the UC Fund as needed to raise the amount in the UC Fund to 100% of its floor, up to and including the entire amount held in the ETIA Holding Fund. As of September 30, 2013, the most recent annual transfer from the ETIA Holding Fund to the UC Fund was \$95.7 million.

Unemployment Obligation Assessment: The "Unemployment Obligation Assessment," which was authorized by the Texas Legislature in 2003 by SB 280 as described above, is imposed on Experience Rated Employers if, after January 1 in any particular year, an interest payment on a Federal Advance will be due or principal and/or interest is owed on bonds issued by

the Authority to fund the UC Fund, and the amount needed to make such payments is not available in the Obligation Trust Fund.

The portion of the Unemployment Obligation Assessment rate needed to pay interest on Federal Advances may not exceed 0.2% and will be calculated by dividing 200% of the additional amount estimated to be needed to pay interest due by the estimated total taxable wages for the first and second quarters of the year in which the interest is due. The portion of the Unemployment Obligation Assessment rate needed to pay principal and interest on the Authority's bonds issued for the UC Fund is a percentage (which percentage is set by Commission resolution and may not exceed 200%) of the product of the Unemployment Obligation Assessment Ratio and the sum of the employer's prior year's General Tax rate, the Replenishment Tax rate, and the Deficit Assessment rate. The Unemployment Obligation Assessment Ratio is equal to the total principal, interest, and administration expenses to be due during the next calendar year, divided by the amount of contributions due under the General Tax rate and the Replenishment Tax rate for the four calendar quarters ending the preceding June 30th from Contributing Employers. **Other than the portion of the Unemployment Obligation Assessment rate that will be needed to pay interest on Federal Advances, the Unemployment Obligation Assessment rate is not capped.** In 2007, the Texas Legislature amended the Texas Labor Code to allow the Commission to use any surplus funds above the UC Fund ceiling to pay debt service. This additional statutory tool assisted in the early repayment of the 2003 Bonds in December of 2007.

Because no interest was due on Federal Advances and there were no longer any Outstanding bonds, there was not an Unemployment Obligation Assessment rate for calendar years 2008, 2009, and 2010. The Unemployment Obligation Assessment collections for tax years 2011, 2012, and projected 2013 were \$417 million, \$356 million, and \$331 million, respectively. The Unemployment Obligation Assessment rate for 2014 was set by the Commission on November 12, 2013 at an amount intended to generate approximately \$331.2 million of Unemployment Obligation Assessment revenue. Such collected revenue should be sufficient to pay interest due on Federal Advances, if any; principal and interest due on the Bonds in 2014; Bond Administration Expenses relating to the Bonds expected to be incurred in 2014; and to provide an additional amount equal to 50% of the principal and interest due on the Bonds in 2014, all as required by the Financing and Pledge Agreement amended and restated as of May 1, 2014, between the Authority and the Commission (the "Financing and Pledge Agreement"). See "THE FINANCING AND PLEDGE AGREEMENT" herein. The majority of the revenues generated by the Unemployment Obligation Assessment in any given year are expected to be available on or before June 30 of each calendar year to pay the annual debt service due on all Outstanding Bonds. See "APPENDIX C –RULE REGARDING COMPUTATION OF UNEMPLOYMENT OBLIGATION ASSESSMENT RATE."

Surplus Credit: If the UC Fund balance rises above the ceiling (as described under "Texas Unemployment Compensation Act" above), then the Commission may use all or part of that surplus to pay Outstanding bond obligations; but, to the extent that any surplus is not used to pay Outstanding bond obligations, the Commission may use the surplus to provide a Surplus Credit or an annual Surplus Credit Rate to Contributing Employers to be applied the following year. Surplus Credits are based on the "surplus ratio" (which is determined by subtracting the ceiling of the UC Fund from the balance of the UC Fund and subtracting from that amount any amount used to pay bond obligations and dividing the difference by the amount of Contributions due from the four calendar quarters ending the preceding September 30 from Experience-Rated Employers) multiplied by the employer's Contributions due for the four calendar quarters ending the preceding September 30. The Surplus Credit may not be applied against delinquent taxes or applied in any manner until the Contributing Employer has paid any delinquent taxes it owes. Alternatively, if the Commission does not compute a Surplus Credit, then the Commission may use any of the surplus that is not used to pay bond obligations, if any, to compute an annual Surplus Credit Rate for Experience-Rated Contributing Employers. The Surplus Credit Rate is computed by multiplying the "surplus ratio" by the Contributing Employer's General Tax rate and Replenishment Tax rate for the preceding year and then subtracting the product from the Contributing Employer's General Tax and Replenishment Tax rates. The remainder may not be less than zero. If a Contributing Employer has any delinquent contributions, then the Contributing Employer is ineligible to receive a Surplus Credit Rate until any such delinquent contributions are paid, after which time the Contributing Employer will be eligible for a Surplus Credit rate beginning on the next calendar quarter.

Contributions in Lieu of Taxes: Contributing Employers may reduce their tax rate by voluntarily paying in all or part of their share of the benefits paid to former employees instead of repaying the benefits through an increase in their tax rate.

Governmental Entities: Tax rates for taxed governmental entities are computed as a group, and all governmental employers have the same tax rate which is determined by how much the group has cost the UC Fund in benefit payments to their ex-employees as compared to the amount of taxes that the group has paid. Political subdivisions, Indian tribes, and 501(c)(3) organizations may elect to pay reimbursements to the UC Fund in lieu of paying taxes.

New Contributing Employers: New Contributing Employers pay an initial unemployment tax rate of 2.6%. Because New Contributing Employers have no experience established regarding the payment of benefits, the General Tax rate is statutorily set for these Contributing Employers at 2.6% or the applicable industry average tax rate, whichever is higher. New Contributing Employers are not assessed a Replenishment Tax, a Deficit Assessment, or an Unemployment Obligation Assessment, and they continue to pay at the initial rate until eligible for a computed effective tax rate based on their experience regarding payment of benefits, which generally occurs six to eight calendar quarters after they first become Contributing Employers.

The Collection and Enforcement Process

The Commission has a strong track record for collecting unemployment insurance taxes. For employment taxes due in any calendar quarter, the process of collecting the taxes due in that particular quarter continues over time until the Commission collects as much of the tax due as possible. Therefore, collection rates will increase over time. For example, as of March 6, 2014, the Commission had collected 97.81% of taxes due in the fourth calendar quarter of 2013, and in the next calendar quarter expects to collect at least 98.5% of the taxes due during that calendar quarter. Based on Contributing Employer returns, audit procedures, and enforcement, the Commission estimates that it has collected in excess of 99.53% of Contributions due for the years 2005 through 2013.

The collection rate for the Unemployment Obligation Assessment should mirror that of the Contributions overall. Rate notices sent to Contributing Employers show a composite tax rate due, and Contributing Employers are required to pay the entire amount due. If Contributing Employers pay less than the full amount due, the amount paid is allocated among the composite tax and assessment rates in accordance with any one tax or assessment rate’s proportion to the composite tax rate. For statistical information regarding the collection of Contributions by the State, see “APPENDIX B – CERTAIN INFORMATION REGARDING THE STATE UNEMPLOYMENT COMPENSATION PROGRAM” herein.

| STATE OF TEXAS UNEMPLOYMENT TAXES: PERCENTAGE OF TAX COLLECTED | |
|---|---|
| <u>Period</u> | <u>% of Tax Collected⁽¹⁾</u> |
| First Quarter 2005 | 99.77% |
| Second Quarter 2005 | 99.54% |
| Third Quarter 2005 | 99.51% |
| Fourth Quarter 2005 | 99.57% |
| First Quarter 2006 | 99.87% |
| Second Quarter 2006 | 99.69% |
| Third Quarter 2006 | 99.71% |
| Fourth Quarter 2006 | 99.74% |
| First Quarter 2007 | 99.86% |
| Second Quarter 2007 | 99.64% |
| Third Quarter 2007 | 99.62% |
| Fourth Quarter 2007 | 99.61% |
| First Quarter 2008 | 99.77% |
| Second Quarter 2008 | 99.50% |
| Third Quarter 2008 | 99.44% |
| Fourth Quarter 2008 | 99.47% |
| First Quarter 2009 | 99.81% |
| Second Quarter 2009 | 99.56% |
| Third Quarter 2009 | 99.48% |
| Fourth Quarter 2009 | 99.44% |
| First Quarter 2010 | 99.81% |
| Second Quarter 2010 | 99.63% |
| Third Quarter 2010 | 99.61% |
| Fourth Quarter 2010 | 99.51% |
| First Quarter 2011 | 99.79% |
| Second Quarter 2011 | 99.54% |
| Third Quarter 2011 | 99.57% |
| Fourth Quarter 2011 | 99.50% |
| First Quarter 2012 | 99.76% |
| Second Quarter 2012 | 99.47% |

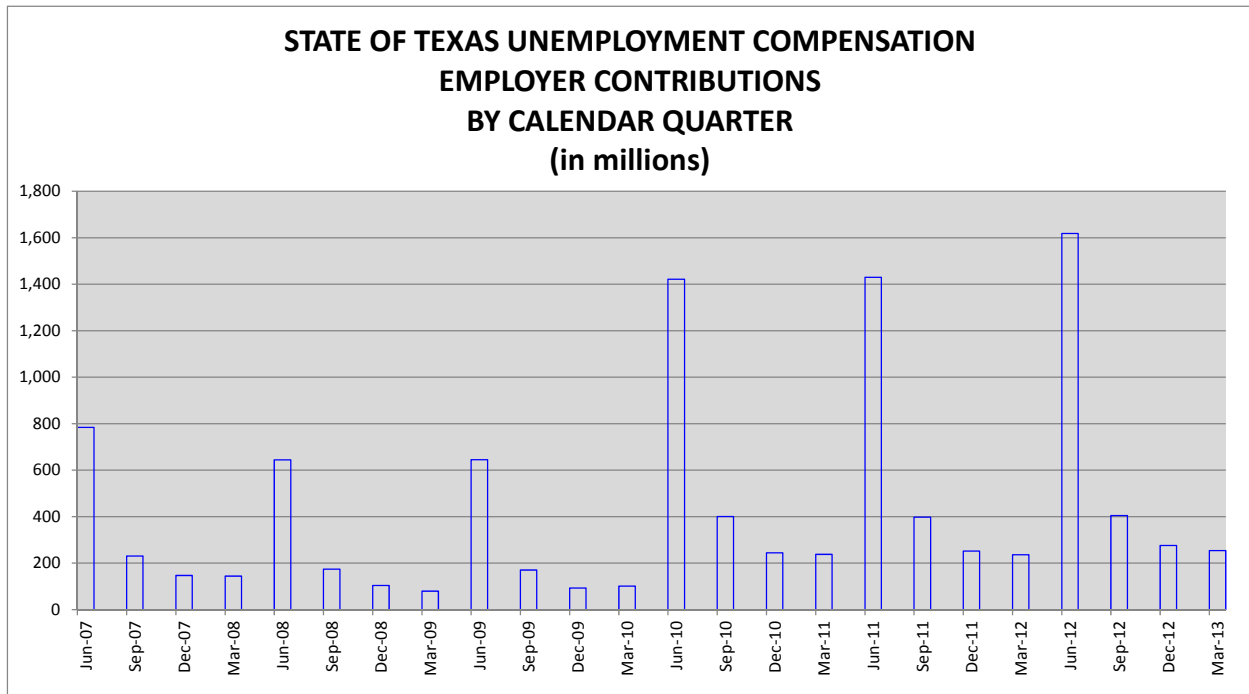
**STATE OF TEXAS
UNEMPLOYMENT TAXES:
PERCENTAGE OF TAX COLLECTED**

| <u>Period</u> | <u>% of Tax Collected⁽¹⁾</u> |
|---------------------|---|
| Third Quarter 2012 | 99.49% |
| Fourth Quarter 2012 | 99.43% |
| First Quarter 2013 | 99.66% |
| Second Quarter 2013 | 99.06% |
| Third Quarter 2013 | 98.92% |
| Fourth Quarter 2013 | 97.81% |

⁽¹⁾ As of March 2014, for calendar years 2011-2014, the Commission collected an Unemployment Obligation Assessment with respect to the 2010 Bonds at the same percentages.

Source: Texas Workforce Commission.

Most Contributing Employers pay Contributions to the State on a quarterly basis. Because Contributions are based only on the first \$9,000 of wages paid to employees, most employees will have received those wages in the first quarter of the calendar year, so the majority of Contributions received by the State are collected on or before June 30th of each calendar year. The following chart demonstrates the pronounced Contribution revenue peak in the second quarter of each calendar year. Contributions are due quarterly (on the last day of the month following the last month of the quarter).



Source: Texas Workforce Commission.

The Unemployment Insurance Tax Department, along with the Regulatory Integrity Division, within the Commission is responsible for assisting employers with compliance with TUCA provisions. The Commission's Collections Section maintains delinquent charges, verifies billing notices, reviews all collection activities, and takes enforcement action as required. The Collection Section uses collection statements and enforcement actions such as imposing and enforcing tax liens on property, freezing bank accounts, and placing holds on State warrants payable to delinquent businesses. Accounts examiners also review employer reports to locate underreported or over-reported wages or false information relating to ownership, partners, and corporate officers. The Status Section registers new employers, maintains files on employers, and makes determinations on tax liability issues. The Status Section also works with the Internal Revenue Service and the Comptroller of Public Accounts to determine if there are any new employers that may be liable for unemployment taxes but which have not registered with the Commission. Additionally, the Status Section computes employer tax rates. The Central

Tax Operations Section conducts Accounting Maintenance for the Tax Department. Accounting Maintenance includes processing the daily tax run, reviewing and processing refund requests, processing adjustments to taxes and wages reports, reviewing and processing abatement requests, analyzing accounts and making journal entries, resolving accounting discrepancies and processing certifications in coordination with the Internal Revenue Service.

The Commission will administer the same billing and collection processes for the collection of the Unemployment Obligation Assessment that it currently uses for the collection of all other Contributions, and late or delinquent payments will be subject to the same interest charges and penalties currently assessed on Contributing Employers with late or delinquent Contributions. Interest for late payment is assessed at a rate of one and one-half percent (1.5%) of the amount of the Unemployment Obligation Assessment for each month or part of a month elapsed after the final due date, with the maximum interest rate set at 37.5%. Only Contributing Employers that are deemed "active" (still in existence and not in liquidation or bankruptcy proceedings) by the Commission will be included in the calculation of the Unemployment Obligation Assessment. The rate of the Unemployment Obligation Assessment for any particular calendar year will be determined in November of the preceding year, and Contributing Employers will be mailed notification of their Unemployment Obligation Assessment rate in December of the preceding year. The Unemployment Obligation Assessment will be paid by Contributing Employers each calendar quarter. The Unemployment Obligation Assessment revenues will be collected each year while the 2014 Bonds are Outstanding in accordance with the Bond Resolution and the Financing and Pledge Agreement.

If payment of taxes due, including the Unemployment Obligation Assessment, is not received in the full amount due, the delinquent Contributing Employer will receive a debit statement for the remaining amount due. Default notices will be sent out to Contributing Employers that are delinquent three or more weeks. If delinquent Contributing Employers are non-responsive after receipt of the notice, tax liens will be placed on the delinquent Contributing Employer's property within six months from the due date of the delinquency. If a Contributing Employer remains delinquent, the Commission may seize the property subject to the tax lien. For amounts of the Unemployment Obligation Assessment due from Contributing Employers that go into receivership or bankruptcy, the Commission will proceed to collect those amounts from the trustee in bankruptcy or the receiver.

THE FUNDS MANAGEMENT AGREEMENT

The Authority and the Comptroller will enter into a Funds Management Agreement with respect to the 2014 Bonds. *The following is a summary of certain provisions of the Funds Management Agreement providing for the administration of the proceeds of the 2014 Bonds and availability of funds for the payment thereof. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Funds Management Agreement. Copies of the Funds Management Agreement are available for examination at the Authority's office.*

The Funds Management Agreement provides for the deposit and use of a portion of the 2014 Bond proceeds into the Escrow Fund and the Cost of Issuance Account of the Program Fund in the same manner as directed by the Resolution and the Financing and Pledge Agreement. Regarding the payment of Bond Obligations, at least two Business Days prior to the date on which Bond Obligations are due, the Authority is required to deposit, from money that is lawfully available for such purpose pursuant to the Act, immediately available money into the Debt Service Account in an amount that (taking into account other money, if any, on deposit in the Debt Service Account) is necessary to pay the Bond Obligations next coming due. On each day on which Bond Obligations come due on 2014 Bonds that are not book-entry-only Bonds, the Comptroller, upon receipt of instructions from the Authority and a warrant presented by or on behalf of the Authority drawn on the Debt Service Account, will transfer from the Debt Service Account immediately available money to the Paying Agent/Registrar for the timely payment of such Bond Obligations and otherwise in accordance with any instructions of the Paying Agent/Registrar or the Authority. The Comptroller, upon receipt of instructions from the Authority and a warrant drawn on the Debt Service Account, will transfer money from the Debt Service Account for the payment of Bond Obligations on Book-Entry Bonds.

If, on any date, the Authority determines that money in the Debt Service Account is required to be transmitted for the payment of Bond Obligations and the Debt Service Account does not contain sufficient money for such purpose, the Authority will transfer from money available pursuant to the Act an amount of immediately available money sufficient (together with the money then on deposit in the Debt Service Account) to pay such Bond Obligations, at such time as will permit such Bond Obligations to be timely paid.

The money held in the funds created pursuant to the Bond Resolution is to be invested (and reinvested) by the Comptroller in investments authorized by law to be used by the Comptroller as directed by the Authority for such purposes consistent with the Resolution. The investments of each such fund must be made under conditions that will provide money sufficient to

timely meet the Authority's and the Commission's obligations. The proceeds received from the disposition of any investment acquired with money from any fund, and any income from such investment, will be deposited into such fund. The Comptroller is required to maintain (or cause to be maintained) detailed records accurately reflecting all investment transactions and all fund activity, which records are subject to State audit. With respect to each purchase (except any direct purchase from the United States government) or sale of an investment of funds held in the Program Account, the Comptroller represents and warrants that the price for which the investment is purchased or sold will be the "market value" determined in accordance with Treasury regulations and that the Comptroller will maintain records that adequately support such determination. Any profits or losses from investment of any fund will be credited or charged, respectively, on a pro rata basis among the funds from which such investment was made. The Comptroller will not be held liable for any losses resulting from investments made in accordance with the Funds Management Agreement.

THE AUTHORITY

General

Under the Texas Public Finance Authority Act, Chapter 1232 of the Texas Government Code (the "TPFA 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 its authority to construct buildings. The TPFA 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 TPFA Act and Chapters 1401 and 1403, Texas Government Code, 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 the Cancer Prevention and Research Institute of Texas (the "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 the 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 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 TPFA 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:

| <u>Name</u> | <u>Position</u> | <u>Term Expires (February 1)</u> |
|------------------------|-----------------|--------------------------------------|
| 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 (presently vacant), 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.

John Hernandez, Interim Executive Director. The Board appointed Mr. Hernandez as Interim Executive Director on January 16, 2014. Prior to such appointment, Mr. Hernandez had served as Deputy Director of the Authority since 1999. 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.

The Board is currently accepting applications for the permanent positions of Executive Director and of General Counsel. At its regular meeting on January 16, 2014, the Board appointed Mr. John Hernandez to serve as Interim Executive Director until such time as the Board names a permanent Executive Director. The Board is currently evaluating the timeline and process to fill the Executive Director and General Counsel positions.

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 TPFA 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 2014 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 2014 Bonds in accordance with the terms of the 2014 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 2014 Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full.

Relationship with the Commission

The Authority's power is limited to financing the purposes permitted under the Authorizing Law and such power does not affect the power of the Commission to carry out its statutory authority regarding the UC Program. Accordingly, the Authority will not be responsible for supervising the on-going administration of the State's UC Program. The Authority will, however, pursuant to the Financing and Pledge Agreement, be responsible for making debt service payments due on the 2014 Bonds and for monitoring federal tax and securities law compliance.

Payments on the 2014 Bonds are expected to be made solely from the Pledged Revenues. See "SECURITY FOR THE 2014 BONDS." Any default in payments on the 2014 Bonds will not affect the payment of any other obligations of the Authority.

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 relating to the 2014 Bonds was submitted to the Bond Review Board and the Bond Review Board approved the 2014 Bonds at a special meeting held on April 3, 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 “RETIREMENT SYSTEMS” in Appendix A.

THE COMMISSION

General

The Commission was established in 1995 by the 74th Legislature to promote and support an effective state workforce system that offers employers, individuals, and communities the opportunity to achieve and sustain economic prosperity. The Commission was directed to operate an integrated workforce development system, in particular through the consolidation of job training, employment, and employment-related programs, and to direct the Executive Director to consolidate the administrative and programmatic functions under authority of the Commission to achieve efficient and effective delivery of services. For employers, the Commission offers recruiting, retention, training and retraining, and outplacement services as well as information on labor law and labor market statistics. For job seekers, the Commission offers career development information, job search resources, training programs, and when appropriate, unemployment benefits. The Commission is responsible for all United States Department of Labor activities and programs in the State and currently is authorized to have 3,153 full-time equivalent positions.

The Commission is part of a local/state network dedicated to developing the workforce of Texas. The network is comprised of the statewide efforts of the Commission coupled with planning and service provision on a regional level by 28 Local Workforce Development Boards (“Boards”) that operate approximately 200 one-stop workforce centers (“Texas Workforce Centers”). Texas Workforce Centers give customers access to local workforce solutions and statewide services in a single location. Through the Texas Workforce Centers, the Boards plan and administer various programs including the Workforce Investment Act (WIA) programs for adult and dislocated workers and out-of-school and in-school youth; Temporary Assistance for Needy Families (TANF) Choices employment program for cash assistance applicants, recipients, and non-recipient parents; Supplemental Nutrition Assistance Program (SNAP) Employment and Training; and subsidized child care services for low-income families, promoting long-term self-sufficiency by enabling parents to work or attend workforce training or education activities.

One of the primary functions of the Commission is administration of the collection of unemployment insurance taxes from employers and the payment of unemployment insurance benefits to qualified claimants. The Commission’s Unemployment Insurance and Regulation Division and the Regulatory Integrity Division are responsible for the administration of this program. The Unemployment Insurance and Regulation Division responds to questions about unemployment on-line, and by telephone through the Commission’s Unemployment Insurance Tele-Center network, which consists of five linked telephone call centers in Austin, El Paso, Fort Worth, McAllen, and San Antonio.

In addition, approximately 310 Unemployment Insurance Tax Department representatives are located in Austin and in 27 other tax offices throughout the State, plus there are approximately 50 Regulatory Integrity Division staff members located in Austin. The Unemployment Insurance Tax Department is responsible for assisting employers with compliance with TUCA provisions. The Unemployment Insurance Tax Department and Regulatory Integrity Division maintain delinquent charges, verify billing notices, review all collection activities, and take enforcement action as required. These entities use collection statements and enforcement actions, such as imposing and enforcing tax liens on property, freezing bank accounts, and placing holds on State warrants payable to the business. Accounts examiners also review employer reports to locate underreported or over-reported wages or false information relating to ownership, partners, and corporate officers. These entities also register new employers, maintain files on employers, and make determinations on tax liability issues. The Status Section also works with the Internal Revenue Service and the Comptroller of Public Accounts to determine if any new

employers have been created that may be liable for unemployment taxes but that have not registered with the Commission and computes employer tax rates. The Central Tax Operations section conducts Accounting Maintenance for the Tax Department. Accounting Maintenance includes processing the daily tax run, reviewing and processing refund requests, processing adjustments to taxes and wages reports, reviewing and processing abatement requests, analyzing accounts and making journal entries, resolving accounting discrepancies and processing certifications in coordination with the Internal Revenue Service.

The Commission also provides a formal appeals process to resolve claim disputes and issues arising around an employer's tax liability, contribution, or reimbursement. The Commission's Appeals Department hears and decides first-level appeals regarding claims and employer liability. Parties dissatisfied with decisions issued by the Appeals Department may file an appeal with the three-member Commission.

Commission Executives

Three Commissioners, each representing a different perspective of the workforce, make up the governing body of the Commission, and each is an officer of the State, appointed by the Governor with the advice and consent of the State Senate. These members serve in a full-time capacity and may not engage in any other business, vocation, or employment during their terms on the Commission. The Commission is directed to meet the needs of the businesses of the State for the development of a highly skilled and productive workforce and the workers of the State for education, skills training, and labor market information to enhance their employability, earnings, and standard of living. The Commission also has the responsibility for operating an efficient unemployment compensation system and to assist the people of the State who are making a transition into the workforce, particularly persons receiving public assistance, displaced homemakers, and students making the transition from education to employment. The Commission also responds to the communities of the State by supporting incentive programs for the creation, attraction, and expansion of jobs, and to the taxpayers of the State by ensuring that tax revenues for workforce development are spent efficiently and effectively. The Commission appoints the executive director to administer the daily operations of the Commission in compliance with applicable laws. The Commission is authorized to adopt rules necessary for the administration of Commission programs and activities.

The current members of the Commission and certain current appointed officials are as follows:

Andres Alcantar, Chairman. Andres Alcantar is Chairman and Commissioner Representing the Public of the Texas Workforce Commission (TWC). Governor Rick Perry appointed Alcantar in 2008 and designated him Chairman May 1, 2012. Alcantar was recently reappointed to the Commission for a term to expire on February 1, 2019.

Chairman Alcantar previously served as deputy director of the Governor's Budget, Planning, and Policy Division, advising the governor on federal, state, and local issues and providing executive oversight to state boards and commissions. His focus included workforce, economic development, and competitiveness issues. He also served as an advisor to former Governor George W. Bush in the Office of Budget and Planning and was a director for the Texas Health and Human Services Commission.

Chairman Alcantar received a bachelor's degree and a master's degree in public administration from Texas Tech University.

Ronald G. Congleton, Commissioner. Ronald G. Congleton is the Commissioner Representing Labor for the Texas Workforce Commission. Governor Rick Perry appointed him to the three-member Commission in October 2003. Governor Perry reappointed him in February 2011, and his appointment expires February 1, 2017.

Nearly 35 years of experience in negotiations and commitment to representing working Texans give Commissioner Congleton a strong background for his current role. Mr. Congleton joined the trucking industry as a driver in 1968 with Consolidated Forwarding and then transferred to McLean Trucking in 1970. While with McLean, he became head steward with Teamsters Local 745 in Dallas where he cultivated his leadership skills. Mr. Congleton remained head steward with Local 745 when he moved to Yellow Freight Systems in 1986, where he also was a registered hazardous material handler. He remained with Yellow Freight Systems until 1997. Mr. Congleton was chosen to be president of the 7,500-member Local 745 in 1997 and served in that capacity until his retirement in 2002. Prior to his retirement, he served as the chairman of the Southern Region Grievance Committee for nine southern states and was a member of the National Grievance Committee in Washington, D.C., from 2000 to 2002.

Before entering his career in trucking and serving Texas' workers, Commissioner Congleton served our nation in the U.S. Navy from 1963 to 1967. As a shipfitter, he served aboard the cruiser *U.S.S. Chicago* from 1963 to 1965. From 1965 until 1967, he served aboard the aircraft carrier *U.S.S. Enterprise* in Southeast Asia.

Hope Andrade, Commissioner. Hope Andrade is the Commissioner Representing Employers for the Texas Workforce Commission (TWC). Governor Rick Perry appointed her to the three-member Commission in March, 2013. Commissioner Andrade serves as the advocate for more than 460,000 Texas employers. In this role, she ensures employers' interests are considered in all Commission actions. Prior to her appointment to TWC, Andrade served as Texas' 107th Secretary of State from July 2008 to November 2012. As Secretary of State, Andrade was one of six state officials in the Executive Branch of Texas state government. Named by Governor Rick Perry on July 23, 2008, Andrade was Texas' first Latina Texas Secretary of State. Prior to her appointment as Secretary of State, Andrade served as a Commissioner on the Texas Transportation Commission from 2003 to 2008. Andrade was an entrepreneur and leader in the San Antonio business community for more than three decades. She has served in multiple leadership roles in San Antonio civic causes, including the Greater San Antonio Chamber of Commerce, the San Antonio Hispanic Chamber of Commerce, the Free Trade Alliance of San Antonio, United Way, the Board of Christus Santa Rosa, the San Antonio Symphony, and the Board of Trustees for Our Lady of the Lake University.

Larry E. Temple, Executive Director. Larry Temple is the Executive Director of the Commission. In addition, he serves as a member of the State's P-16 Council, which coordinates educational policy between Pre-k and 12 public education and higher education. He is Past-President for the National Association of State Workforce Agencies, currently serves as the Southwest regional representative to the American Public Human Services Association's Executive Policy Committee and Chair of the State Interagency Literacy Council. Mr. Temple brings to the job more than 20 years of private-sector management experience in energy, retail and real estate development. He holds a Bachelor of Arts degree in History from St. Edward's University, where he serves as a member of the Advisory Council.

Randy Townsend, Chief Financial Officer. Randy Townsend has served as the Chief Financial Officer for the Texas Workforce Commission since January 1997. Mr. Townsend oversees 70 staff in the Commission's Finance Division that ensures proper deposits, payments, and reports; provides timely and accurate financial information; and promotes efficient use of the Commission's resources. Mr. Townsend is responsible for general oversight of the Commission's \$1.2 billion budget in addition to ensuring the proper accounting and reporting of the Unemployment Trust Fund revenues and expenditures. Prior to joining TWC, Mr. Townsend worked at the Texas State Auditor's Office for over 14 years including 10 years as an audit manager directing and overseeing financial audits of various state agencies and universities. Mr. Townsend graduated from the University of Texas at Austin with a BBA in Accounting with honors. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Paul N. Jones, General Counsel. Paul N. Jones serves as General Counsel of the Commission. As the Commission's chief legal advisor, Mr. Jones directs, plans, develops, coordinates, and manages all of the Commission's legal activities. Prior to becoming the General Counsel of the Commission, he was a litigation attorney in the Dallas office of the U.S. Department of Homeland Security, Immigration and Customs Enforcement Division. Mr. Jones also served as a litigation attorney for the U.S. Department of Energy in both Albuquerque, New Mexico and Washington, D.C.

Mr. Jones received his bachelor's degree in English and U.S. History from Menlo College in Atherton, California. He then attended the University of New Mexico in Albuquerque earning his Juris Doctorate in May 1999 and his Masters in Public Administration in May 2000. Mr. Jones received his Master of Laws in Litigation and Alternative Dispute Resolutions with Highest Honors in May 2003 from George Washington University, Washington, D.C.

Financial Support of the Commission

Funding for the Commission's administration of the State's UC Program is primarily provided by the federal government from the Federal Unemployment Trust Fund. See "STATE UNEMPLOYMENT COMPENSATION PLAN – Federal Unemployment Tax Act." The base level amount of funding is determined by a number of productivity factors and the population of workers in the State who are covered by the UC Program. When federal funds are available, the federal government will also provide contingency appropriations for increases in claims activity, and "integrity supplements" for enhancements made by the State to the State UC Program. Approximately 85% of the \$1,171 million appropriated to the Commission by the 83rd Legislature for the 2014 Fiscal Year is funded through federal sources. The Commission provides block grants through allocation formulas of \$739 million (approximately 63% of the total appropriation) to local workforce development areas for Boards to deliver workforce and support services throughout the state.

Sunset Review

In 1977, the Texas Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended), which provides that virtually all agencies of the State, including the Commission, 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 Commission was reviewed during the 2011 regular legislative session under the Texas Sunset Act, and the next scheduled review of the Commission is during the legislative session in 2015. The State laws governing the Commission, as amended by the 82nd Legislature, provide that if the Commission is not continued in existence, the Commission will be abolished as of September 1, 2015; however, the Texas Sunset Act provides, unless otherwise provided by law, that the Commission will continue to exist until September 1 of the following year (September 1, 2016) 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 Commission. Accordingly, in the event that a future sunset review were to result in the Commission 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 2014 Bonds and in all other obligations, including lease, contract and other written obligations of the Commission. The designated State agency would provide payment from the sources of payment of the 2014 Bonds in accordance with the terms of the 2014 Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, until the principal of and interest on the 2014 Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, the revenue pledge securing the payment of principal of and interest on the 2014 Bonds would remain in full force and effect.

LEGAL MATTERS

General

The delivery of the 2014 Bonds is subject to the Authority furnishing the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the 2014 Bonds and the approving opinions of the Attorney General of Texas to the effect that the 2014 Bonds are valid and legally binding obligations of the Authority, and the approving legal opinion of Bracewell & Giuliani LLP, Bond Counsel, to the effect that the 2014 Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Authority, subject to applicable provisions of bankruptcy, reorganization and other similar matters affecting the rights of creditors or by general principles of equity that permit the exercise of judicial discretion, and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the 2014 Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as Appendix D. Bond Counsel was engaged by, and only represents, the Authority. Bond Counsel has reviewed the statements and information appearing under the captions and subcaptions "PLAN OF FINANCING – Authority for Issuance," "DESCRIPTION OF THE 2014 BONDS" (other than under the subheading "Book-Entry-Only System"), "SECURITY FOR THE 2014 BONDS," "THE FINANCING AND PLEDGE AGREEMENT," "THE FUNDS MANAGEMENT AGREEMENT," and "CONTINUING DISCLOSURE OF INFORMATION" (other than under the subheading "Compliance with Prior Agreements"), 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 2014 Bonds and the Resolution and that the statements made under the captions "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," and "LEGAL INVESTMENTS IN TEXAS" 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 2014 Bonds is contingent upon the sale and delivery of the 2014 Bonds.

Certain legal matters will be passed upon for the Authority by Fulbright & Jaworski LLP, Disclosure Counsel to the Authority, whose legal fees are contingent on the sale and delivery of the 2014 Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, whose legal fees are contingent on the sale and delivery of the 2014 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 2014 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.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided to the reader by the Commission or the Authority that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including

statements regarding the Commission's or the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Commission and/or the Authority on the date hereof, and the Commission and the Authority assume no obligation to update any such forward-looking statements. It is important to note that the Commission's and the Authority's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included 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 students, 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 many of which are beyond the control of the Commissioners and the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

TAX MATTERS

Tax Exemption

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the 2014 Bonds is excludable from gross income for federal income tax purposes and (ii) the 2014 Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the 2014 Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2014 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Issuer has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the 2014 Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the Issuer fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2014 Bonds could become includable in gross income from the date of delivery of the 2014 Bonds, regardless of the date on which the event causing such inclusion occurs.

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

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the 2014 Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement their opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of result and are not binding on the Service; rather, such opinion represent Bond Counsel's legal judgment based upon their review of existing law

and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the 2014 Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the 2014 Bonds could adversely affect the value and liquidity of the 2014 Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the 2014 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and low and middle income taxpayers otherwise eligible for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the 2014 Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the 2014 Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the 2014 Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all of the 2014 Bonds exceeds the stated redemption price payable at maturity of such 2014 Bonds. Such 2014 Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the 2014 Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the 2014 Bonds. Prospective purchasers of the 2014 Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the 2014 Bonds are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended), the 2014 Bonds may have to be assigned a rating of at least “A” or its equivalent as to the investment quality by a national rating agency before the 2014 Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

No representation is made that the 2014 Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Commission and the Authority have made no investigation of other laws, rules, regulations, or investment criteria that might apply to any such persons or entities or that might otherwise limit the suitability of the 2014 Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the 2014 Bonds for such purposes. Neither the Authority nor the Commission has made any review of laws in other states to determine whether the 2014 Bonds are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the 2014 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 2014 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 2014 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 2014 Bonds under the securities laws of any jurisdiction in which the 2014 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 2014 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.

RATINGS

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), Fitch Ratings (“Fitch”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned ratings of “AAA”, “AAA” and “Aaa”, respectively, to the 2014 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 and the Commission make 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 or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the 2014 Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Financing and Pledge Agreement, the Commission, as the obligated party on the 2014 Bonds, has agreed to provide certain updated financial information and operating data annually, and timely notice of specified events to the Authority, and pursuant to the Financing and Pledge Agreement and the Resolution, the Authority has agreed to make such information available as described herein. The Commission and the Authority have made the following agreement for the benefit of the Authority and the Bond Owners. The Commission and the Authority are required to observe their agreement for so long as each of the Commission and the Authority remains an “obligated person” with respect to the 2014 Bonds within the meaning of Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (“SEC”). Under the agreement, the Authority, on behalf of the Commission, will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system or such other location as may be designated by the MSRB or the SEC.

Annual Reports

Pursuant to the Financing and Pledge Agreement, the Commission will provide certain updated financial information and operating data to the Authority. The information to be updated includes all quantitative financial information and operating data with respect to the Commission of the general type included in this Official Statement in the table entitled "Coverage Schedule" under the caption "DEBT SERVICE AND COVERAGE SCHEDULES" herein and in APPENDIX B. Any financial information to be provided shall be (1) prepared in accordance with the accounting principles that the Commission may be required to employ from time to time pursuant to State law or regulation, and (2) audited, if the Commission commissions an audit of such statements. The Commission will update and provide this information to the Authority within five months after the end of each Fiscal Year ending in or after 2014 and the Authority will make this information available within six months after the end of each Fiscal Year ending in or after 2014. The Commission will provide the updated information to the Authority and the Authority will provide such information to the MSRB through its EMMA system or such other location as may be designated by the MSRB or the SEC. 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 (including an official statement or other offering document) available to the public on the MSRB's internet web site or filed with the SEC, as permitted by the Rule.

The Commission's current Fiscal Year end is August 31. If the Commission changes its Fiscal Year, the Commission will notify the Authority and the Authority will then notify the MSRB of the change.

Event Notices

The Authority, on behalf of the Commission (to the extent the Authority has received timely notice from the Commission), will also provide notices in a timely manner, not in excess of ten business days after the occurrence of the event relating to the 2014 Bonds, to the MSRB through its EMMA system. The Authority will provide notice of any of the following events with respect to the 2014 Bonds: (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB); (7) modifications to rights of holders of the 2014 Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2014 Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority or the Commission; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or Commission, or the sale of all, or substantially all, of the assets of the Authority or the Commission, 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) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. For these purposes, any event described in the immediately preceding item (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer 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 the Authority or the Commission, 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 the Authority or the Commission. In addition, the Authority, on behalf of the Commission, will provide timely notice of any failure by the Commission to provide the required annual financial information and notices of material events in accordance with the Commission's agreement described above.

Availability of Information

The Commission and the Authority have agreed to provide the foregoing financial and operating information only as described above and only for so long as the Authority or the Commission remain as an "obligated person" with respect to the 2014 Bonds. The Commission and the Authority 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.

Limitations and Amendments

The Commission and the Authority have agreed to update information and to provide notices of material events only as described above. The Commission and the Authority have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority and the Commission make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 2014 Bonds at any future date. The Commission and the Authority disclaim any contractual or tort liability of damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although holders of 2014 Bonds may seek a writ of mandamus to compel the Commission or the Authority to comply with this agreement. No default by the Commission or the Authority in observing or performing the obligation described in this section will constitute a breach of or a default under the Resolution or the Financing and Pledge Agreement.

The Authority and the Commission may amend their continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority or the Commission, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell 2014 Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Resolution that authorizes such an amendment) of the 2014 Bonds then Outstanding consent to the amendment or (b) any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners and beneficial owners of the 2014 Bonds. If the Commission and the Authority so amend the agreement, they have agreed to include with the next statistical information and operating data provided in accordance with the agreement described above under “Annual Reports” an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of statistical information and operating data so provided.

The Authority and the Commission may also amend or repeal the provisions of the continuing disclosure agreement 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, and the Authority may also amend the provisions in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the 2014 Bonds in the primary offering of the 2014 Bonds, giving effect to (1) such provisions as so amended and (2) any amendments or interpretations of the Rule. If the Authority and the Commission so amend the provisions of their continuing disclosure agreement, they shall include with any amended statistical information or operating data next provided in accordance with this continuing disclosure agreement an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of statistical information or operating data so provided.

Compliance with Prior Agreements

During the last five years, the Authority and the Commission have complied in all material respects with all continuing disclosure agreements made by them in accordance with the Rule, except as follows: (i) a notice of Partial Redemption for the Series 2010C Bonds was filed on September 23, 2011, which was more than ten business days after the actual redemption date of July 1, 2011; and (ii) a notice of a June 22, 2012 upgrade in the underlying rating assigned by Moody’s Investors Service to the then outstanding Series 2010 Bonds from “Aa1” to “Aaa” was filed on April 15, 2014, which was 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 whom 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 the client agency. The Authority has determined that, during the past five years, information was not provided in a timely manner by two client agencies which resulted in late filings by the Authority; however, neither of such late filings related to a continuing disclosure agreement entered into by the Commission. The Authority has since filed the required information and developed procedures to reduce the likelihood of such late filings in the future.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters, has agreed, on behalf of the Underwriters, subject to certain conditions, for the Underwriters to purchase the Series 2014A Bonds and Series 2014B Bonds from the Authority. The purchase price of the Series 2014A Bonds is \$232,433,358.68 (which represents the par amount of the Series 2014A Bonds, plus an original issue premium of \$20,852,373.90, and less an underwriting discount of

\$564,015.22). The purchase price of the Series 2014B Bonds is \$528,561,312.74 (which represents the par amount of the Series 2014B Bonds, plus an original issue premium of \$32,274,199.65, and less an underwriting discount of \$1,352,886.91). The Underwriters will be obligated to purchase all of the Series 2014A Bonds and Series 2014B Bonds if any Series 2014A Bonds and Series 2014B Bonds are purchased. The Series 2014A Bonds and Series 2014B Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2014A Bonds and Series 2014B Bonds into investment trusts) at prices lower than the public offering prices of the Series 2014A Bonds and Series 2014B 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 in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Goldman, Sachs & Co. (“Goldman Sachs”), one of the Underwriters of the 2014 Bonds, has entered into a master dealer agreement (the “Master Dealer Agreement”) with Incapital LLC (“Incapital”) for the distribution of certain municipal securities offerings, including the 2014 Bonds, to Incapital’s retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase 2014 Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any 2014 Bonds that Incapital sells.

Loop Capital Markets LLC (“LCM”), one of the Underwriters of the 2014 Bonds, has entered into a distribution agreement with Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable to this transaction), DBS will purchase 2014 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any 2014 Bonds that such firm sells.

Wells Fargo Bank, National Association (“WFBNA”), one of the Underwriters of the 2014 Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the 2014 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2014 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the 2014 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s

expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

First Southwest Company is acting as Financial Advisor to the Authority in connection with the issuance of the 2014 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2014 Bonds is contingent upon the issuance and delivery of the 2014 Bonds. First Southwest Company, 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 2014 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Authority 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.

LITIGATION

The Authority

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 Series 2014A Bonds and Series 2014B Bonds or the validity of the Series 2014A Bonds and Series 2014B Bonds.

The Commission

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 Commission, threatened) that would materially adversely affect (1) the existence of the Commission, or the right of the present Commissioners and officers of the Commission to hold their offices or (2) the power of the Commission: (i) to request issuance of the Series 2014A Bonds and Series 2014B Bonds by the Authority, (ii) to levy or collect the Unemployment Obligation Assessment or use the Unemployment Obligation Assessment to pay debt service due on the Series 2014A Bonds and Series 2014B Bonds, or (iii) to meet its other obligations as described in the Financing and Pledge Agreement.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Commission's records and other sources which 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. 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.

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SCHEDULE I

REFUNDED BONDS

| <u>Series</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount to be Refunded (\$)</u> | <u>Redemption Date</u> |
|---|-----------------------|--------------------------|---|----------------------------|
| Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010A | 12/15/10 | 07/01/16 | 143,200,000 | 01/01/16 |
| | | 01/01/17 | 49,470,000 | 01/01/16 |
| | | 01/01/17 | 1,735,000 | 01/01/16 |
| | | 07/01/17 | 150,865,000 | 01/01/16 |
| Unemployment Compensation Obligation Assessment Revenue Bonds, Series 2010B | 12/16/10 | 01/01/18 | 59,480,000 | 07/01/15 |
| | | 07/01/18 | 150,000,000 | 07/01/15 |
| | | 01/01/19 | 39,985,000 | 07/01/14 |
| | | 07/01/19 | 82,315,000 | 07/01/14 |
| | | 01/01/20 | 30,755,000 | 06/16/14 |

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APPENDIX A

STATE OF TEXAS

The Bond Appendix dated February 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, 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.

THIS APPENDIX IS BEING PROVIDED FOR THE SOLE PURPOSE OF PROVIDING ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE STATE OF TEXAS. NEITHER THE STATE OF TEXAS, NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2014 BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2014 BONDS.

THE LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT STATISTICS IN TABLES A-16, A-17, AND A-18 AS PROVIDED BY THE STATE COMPTROLLER IN THE BOND APPENDIX MAY VARY IN METHOD OF CALCULATION AND TIMING FROM SIMILAR STATISTICS PRESENTED IN APPENDIX B HEREOF AS CALCULATED BY THE COMMISSION. FOR PURPOSES OF THIS OFFICIAL STATEMENT, INVESTORS SHOULD RELY ON THE LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT STATISTICS AS PRESENTED BY THE COMMISSION IN APPENDIX B HEREOF.

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APPENDIX B

CERTAIN INFORMATION REGARDING THE STATE UNEMPLOYMENT COMPENSATION PROGRAM

THE CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT STATISTICS SET FORTH IN THIS APPENDIX REPRESENT THE ENTIRE CIVILIAN LABOR FORCE AND THE TOTAL NUMBER OF EMPLOYED AND UNEMPLOYED PERSONS IN THE STATE, AND DO NOT REPRESENT, WITH THE EXCEPTION OF TABLE 6 HEREIN, THE NUMBER OF EMPLOYERS THAT ARE REQUIRED TO PAY UNEMPLOYMENT TAXES OR, WITH THE EXCEPTION OF TABLE 2 HEREIN, THE NUMBER OF EMPLOYEES THAT ARE ELIGIBLE TO RECEIVE UNEMPLOYMENT BENEFITS.

I. INTRODUCTION

The statistics set forth herein have been prepared and calculated by the Texas Workforce Commission (the "Commission") and the data reflected in the following tables is based on a calendar year unless stated otherwise. The statistics set forth herein have not been independently verified by the Underwriters and no representation or warranty is made as to the accuracy, completeness, or adequacy of such information by the Underwriters. There follows in this Appendix B certain information regarding the historic and projected labor force, unemployment and employment statistics; taxable wage statistics and projections; wage and employment data; and historic contribution collections, benefit payments, and UC Fund balances. Certain information may require economic analysis in order to assess the import of the facts and statistics presented. The projections contained in this Appendix B were prepared by the Commission based in part on economic assumptions developed for the State by the Comptroller of Public Accounts of the State of Texas. Future economic events are inherently uncertain, and no set of economic assumptions (including the assumptions used to prepare the projections contained in this Appendix B) are completely reliable.

II. EMPLOYMENT STATISTICS

Set forth below is a brief description of certain categories of information presented in Tables A and B and Tables 1 through 5 in this section:

"Average Number of Benefit Recipients" represents the annual average number of individuals receiving benefits.

"Civilian Labor Force" represents the estimated number of persons 16 and older who are employed or actively seeking employment, excluding persons in the military.

"Employment" represents the estimated number of persons in the Total Civilian Labor Force who employed.

"Gross State Product" is the value added in production by the labor and property located in a state.

"Personal Income" is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

"Seasonally adjusted" data is data that has been modified to eliminate seasonal fluctuations.

"Taxable Wages" represents the aggregate amount of wages paid which is subject to Contributions.

"Taxable Wage Base" represents, for each employee, the amount of wages that are subject to Contributions.

"Unemployment" represents the estimated number of persons in the Total Civilian Labor Force who not employed. Not all of those unemployed are eligible to receive benefits.

"Wage and Salary Disbursements" consists of the monetary remuneration of employees, including corporate officer salaries and bonuses, commissions, pay-in-kind, incentive payments, and tips. It reflects the amount of payments disbursed, but not necessarily earned, during the year.

Set forth below is a brief description of the current status of Texas employment

The Texas annual Gross State Product (GSP) was \$1,397.3 billion in 2012, an amount that expanded by 69.5% in the past decade. The Texas Comptroller's Office projects Texas GSP to grow by 23.6% percent through 2017 to \$1,808.7 billion. GSP is a measure of the total output or the value added in production by labor and property within the State. Personal Income, a measure of the income received by Texas residents from all sources, was estimated to total \$1,083.4 billion for 2012, and is projected to grow by 24.9% to \$1,353.4 billion by 2017. With this growth, Wage and Salary Disbursements to workers in Texas rose from a 2001 level of \$ 352.2 billion to \$567.2 billion in 2012. Disbursements are expected to reach \$716.1 billion in 2017. On an annual average basis, there were 10,876,500 payroll workers receiving wage and salary disbursements in the State during 2012, an increase of 15.5% from a level of 9,416,800 in 2002. By 2017, payroll employment is expected to increase to 12,160,800 workers.

The unemployment tax is levied on the taxable wage base of the first \$9,000 of taxable wages earned by each employee, and in 2012 taxable wages were approximately \$93.0 billion resulting in \$2,689.4 million in employer unemployment tax contributions. Taxable wages are expected to rise to approximately \$109.2 billion by 2017.

During the 2008 – 2011 economic downturn, the nation experienced steeply increasing unemployment rates which peaked nationally at 10.0% in October 2009. By December 2013, the national unemployment rate had declined to 6.7%. The Texas unemployment rate, which peaked at 8.2% in March 2010, had declined to 6.0% in December 2013. The preliminary average number of unemployed Texans was 807,629 during calendar year 2013. The average number unemployment compensation benefit recipients for the calendar year 2013 was 138,522. These recipients received an aggregate of Regular benefit payments equal to \$2,276.6 million. Several consecutive quarters of national Gross Domestic Product growth led the National Bureau of Economic Research to declare the recession officially ended in the second quarter of 2009.

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TABLE 1
STATE OF TEXAS
CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT STATISTICS: 1994-2013
(Actual Series)

| <u>Year</u> | <u>Civilian Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Rate</u> |
|-------------|-----------------------------|-------------------|---------------------|-------------|
| 1994 | 9,395,679 | 8,778,660 | 617,019 | 6.6% |
| 1995 | 9,572,436 | 8,985,635 | 586,801 | 6.1% |
| 1996 | 9,736,646 | 9,175,983 | 560,663 | 5.8% |
| 1997 | 9,926,594 | 9,395,279 | 531,315 | 5.4% |
| 1998 | 10,097,882 | 9,600,982 | 496,900 | 4.9% |
| 1999 | 10,250,025 | 9,766,299 | 483,726 | 4.7% |
| 2000 | 10,347,847 | 9,896,002 | 451,845 | 4.4% |
| 2001 | 10,519,335 | 9,991,920 | 527,415 | 5.0% |
| 2002 | 10,803,187 | 10,115,299 | 687,888 | 6.4% |
| 2003 | 10,964,756 | 10,228,640 | 736,116 | 6.7% |
| 2004 | 11,051,912 | 10,385,318 | 666,594 | 6.0% |
| 2005 | 11,150,684 | 10,551,547 | 599,137 | 5.4% |
| 2006 | 11,314,341 | 10,757,510 | 556,831 | 4.9% |
| 2007 | 11,411,891 | 10,914,098 | 497,793 | 4.4% |
| 2008 | 11,650,935 | 11,076,376 | 574,559 | 4.9% |
| 2009 | 11,971,771 | 11,073,510 | 898,261 | 7.5% |
| 2010 | 12,287,566 | 11,280,558 | 1,007,008 | 8.2% |
| 2011 | 12,496,287 | 11,506,025 | 990,262 | 7.9% |
| 2012 | 12,626,593 | 11,762,217 | 864,376 | 6.8% |
| 2013 | 12,819,871 | 12,007,330 | 812,541 | 6.3% |

Sources: Labor Market and Career Information Department, Texas Workforce Commission (03/14)

*Annual averages are estimated. All estimates are subject to revision.

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TABLE 2
STATE OF TEXAS
AVERAGE NUMBER OF BENEFIT RECIPIENTS
1996-2013

| <u>Year</u> | <u>Number</u> |
|-------------|---------------|
| 1996 | 106,616 |
| 1997 | 100,284 |
| 1998 | 93,678 |
| 1999 | 109,439 |
| 2000 | 90,122 |
| 2001 | 130,824 |
| 2002 | 175,777 |
| 2003 | 172,600 |
| 2004 | 131,357 |
| 2005 | 97,774 |
| 2006 | 81,155 |
| 2007 | 79,728 |
| 2008 | 104,332 |
| 2009 | 238,804 |
| 2010 | 189,137 |
| 2011 | 157,275 |
| 2012 | 143,009 |
| 2013 | 138,522 |

Source: Texas Workforce Commission

TABLE 3
STATE OF TEXAS
PROJECTED ANNUAL CIVILIAN LABOR FORCE, EMPLOYMENT,
AND UNEMPLOYMENT STATISTICS
(2014-2021)

| <u>Year</u> | <u>Civilian Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate</u> |
|-------------|-----------------------------|-------------------|---------------------|--------------------------|
| 2014 | 12,964,272 | 12,176,121 | 788,151 | 6.1% |
| 2015 | 13,151,930 | 12,364,567 | 787,363 | 6.0% |
| 2016 | 13,347,236 | 12,563,419 | 783,816 | 5.9% |
| 2017 | 13,538,101 | 12,773,199 | 764,903 | 5.7% |
| 2018 | 13,711,727 | 12,961,010 | 750,717 | 5.5% |
| 2019 | 13,880,039 | 13,130,517 | 749,522 | 5.4% |
| 2020 | 14,055,621 | 13,296,618 | 759,004 | 5.4% |
| 2021 | 14,252,400 | 13,482,770 | 769,630 | 5.4% |

Source: Texas Comptroller of Public Accounts, January 2014 Economic Forecast

TABLE 4

**STATE OF TEXAS
ANNUAL TAXABLE WAGES
2000-2013 (Actual); 2014 – 2020 (Projected)⁽¹⁾**

| <u>Year</u> | <u>Taxable Wage Base</u> | <u>Taxable Wages (in billions)</u> | <u>Total Wages (in billions)</u> |
|-------------|--------------------------|--|--------------------------------------|
| 1990 | \$9,000 | \$ 50.7 | \$130.6 |
| 1991 | 9,000 | 51.7 | 138.2 |
| 1992 | 9,000 | 52.7 | 147.5 |
| 1993 | 9,000 | 54.4 | 154.4 |
| 1994 | 9,000 | 57.0 | 163.0 |
| 1995 | 9,000 | 59.4 | 175.8 |
| 1996 | 9,000 | 62.7 | 190.2 |
| 1997 | 9,000 | 66.8 | 211.5 |
| 1998 | 9,000 | 70.5 | 235.4 |
| 1999 | 9,000 | 72.6 | 251.6 |
| 2000 | 9,000 | 76.7 | 276.2 |
| 2001 | 9,000 | 77.0 | 286.6 |
| 2002 | 9,000 | 75.3 | 281.7 |
| 2003 | 9,000 | 74.5 | 284.0 |
| 2004 | 9,000 | 76.0 | 301.0 |
| 2005 | 9,000 | 79.3 | 324.0 |
| 2006 | 9,000 | 84.2 | 356.5 |
| 2007 | 9,000 | 88.0 | 388.5 |
| 2008 | 9,000 | 89.7 | 407.1 |
| 2009 | 9,000 | 84.0 | 386.5 |
| 2010 | 9,000 | 84.6 | 398.2 |
| 2011 | 9,000 | 88.4 | 427.7 |
| 2012 | 9,000 | 93.0 | 462.5 |
| 2013 | 9,000 | 96.8 | 482.2 |
| 2014 | 9,000 | 100.1 | N/A |
| 2015 | 9,000 | 102.8 | N/A |
| 2016 | 9,000 | 106.4 | N/A |
| 2017 | 9,000 | 109.2 | N/A |
| 2018 | 9,000 | 111.6 | N/A |
| 2019 | 9,000 | 113.6 | N/A |
| 2020 | 9,000 | 116.2 | N/A |

(1) Subject to change; projections are calculated based in part on the Texas Comptroller of Public Account's unemployment and civilian labor force predictions which are subject to semiannual revision.

Source: Texas Workforce Commission

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TABLE 5
STATE OF TEXAS
UNEMPLOYMENT INSURANCE TAX RATES⁽¹⁾
2001-2014

| <u>Year</u> | <u>Minimum Tax Rate</u> | <u>Maximum Tax Rate</u> | <u>Average Tax Rate</u> | <u>Average Experience Tax Rate⁽²⁾</u> |
|-------------|-------------------------|-------------------------|-------------------------|--|
| 2001 | 0.24% | 6.24% | 0.94% | 0.75% |
| 2002 | 0.30% | 6.54% | 1.03% | 0.85% |
| 2003 | 0.67% | 8.47% | 1.68% | 1.56% |
| 2004 | 0.67% | 8.26% | 1.74% | 1.64% |
| 2005 | 0.58% | 8.02% | 1.74% | 1.63% |
| 2006 | 0.40% | 7.64% | 1.51% | 1.37% |
| 2007 | 0.29% | 7.70% | 1.30% | 1.13% |
| 2008 | 0.10% | 6.10% | 0.92% | 0.65% |
| 2009 | 0.26% | 6.26% | 0.99% | 0.78% |
| 2010 | 0.72% | 8.60% | 1.83% | 1.74% |
| 2011 | 0.78% | 8.25% | 2.03% | 1.96% |
| 2012 | 0.61% | 7.58% | 1.96% | 1.87% |
| 2013 | 0.54% | 7.35% | 1.82% | 1.71% |
| 2014 | 0.51% | 7.41% | 1.66% | 1.54% |

⁽¹⁾ The tax rates included in this table are composites of the General Tax Rate, the Replenishment Rate, the Obligation Assessment Rate, the Employment and Training Investment Assessment, and the Deficit Tax Rate.

⁽²⁾ The average experience tax rate excludes the tax rate of employers which do not have experience with the unemployment compensation system.

Source: Texas Workforce Commission.

III. STATISTICS BY INDUSTRY SECTOR AND BUSINESS SIZE

Set forth below is a brief description of certain categories of information presented in Tables 6 through 9 hereunder:

“Quarterly Employment” is the average monthly number of employees for that particular calendar quarter.

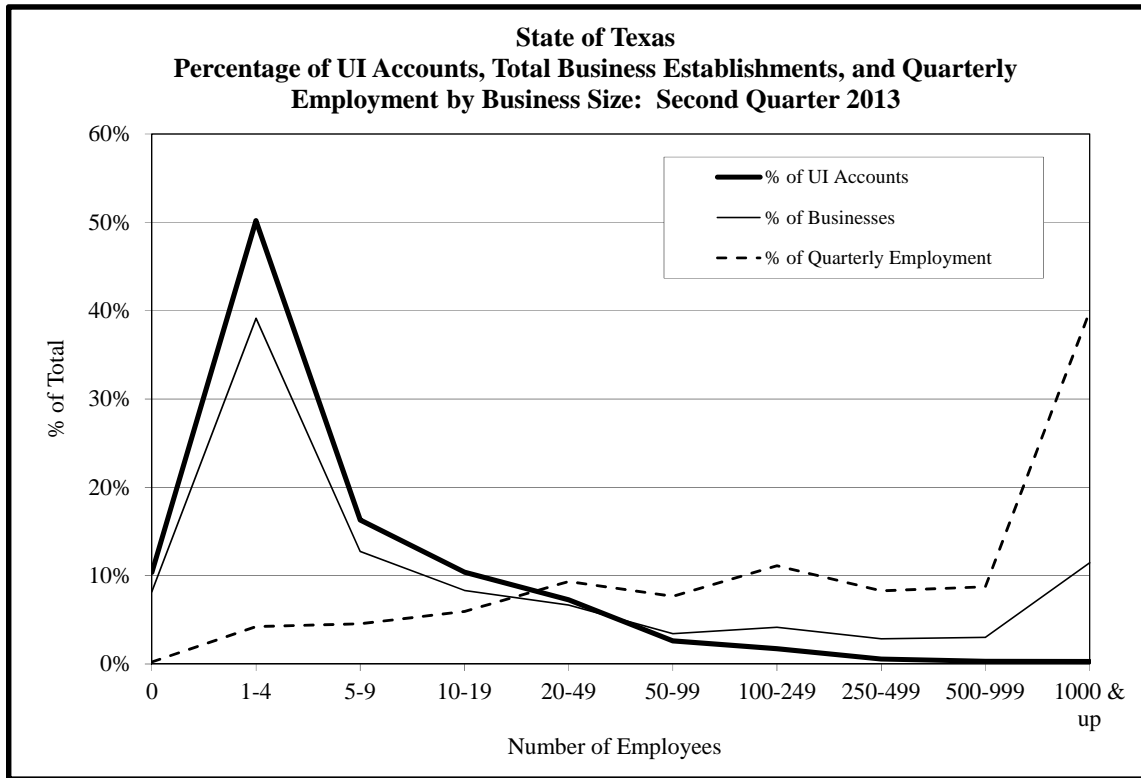
For Table 6, “Employment” refers to jobs located in a given geographic area irrespective of where the job holder lives. This employment is the number of workers employed by employers subject to the Texas Unemployment Compensation Act.

“UI Accounts” represents the quarterly average number of Unemployment Insurance accounts that are covered under the Texas Unemployment Compensation Act

For Table 9, “Total Wages” represents all wages payable to employees within a particular NAIC category.

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TABLE 6



State of Texas
Percentage of Total UI Accounts, Business Establishments, and Quarterly Employment by Business Size
Second Quarter 2013

| <u>Number of Employees</u> ⁽¹⁾ | <u>UI Accounts</u> ⁽³⁾ | <u>% of UI Accounts</u> | <u>Establishments</u> | <u>% of Establishments</u> | <u>Quarterly Employment</u> | <u>% of Quarterly Employment</u> |
|---|-----------------------------------|-------------------------|-----------------------|----------------------------|-----------------------------|----------------------------------|
| 0 ⁽²⁾ | 48,975 | 49,526 | 49,526 | 8.2% | 24,243 | 0.2% |
| 1-4 | 237,142 | 237,240 | 237,240 | 39.1% | 467,182 | 4.2% |
| 5-9 | 76,989 | 77,267 | 77,267 | 12.7% | 501,475 | 4.5% |
| 10-19 | 49,109 | 50,485 | 50,485 | 8.3% | 654,766 | 5.9% |
| 20-49 | 34,261 | 40,462 | 40,462 | 6.7% | 1,029,110 | 9.3% |
| 50-99 | 12,374 | 20,781 | 20,781 | 3.4% | 846,315 | 7.7% |
| 100-249 | 8,165 | 25,237 | 25,237 | 4.2% | 1,227,263 | 11.1% |
| 250-499 | 2,664 | 17,318 | 17,318 | 2.9% | 913,488 | 8.3% |
| 500-999 | 1,397 | 18,294 | 18,294 | 3.0% | 964,820 | 8.7% |
| 1000 & up | 1,296 | 69,469 | 69,469 | 11.5% | 4,404,016 | 39.9% |
| Total | 472,372 | 100.0% | 606,079 | 100.0% | 11,032,678 | 100.0% |

⁽¹⁾ As measured at the end of the quarter.

⁽²⁾ Represents employers that had employees earlier in the quarter, but did not have any employees at the end of the quarter.

⁽³⁾ Unemployment Insurance accounts.

Source: Labor Market and Career Information Department, Texas Workforce Commission (01/14)

TABLE 7
STATE OF TEXAS
TOTAL NONAGRICULTURAL WAGE AND SALARY
AVERAGE ANNUAL EMPLOYMENT BY INDUSTRY SECTOR
(Not Seasonally Adjusted)
(2003-2012)

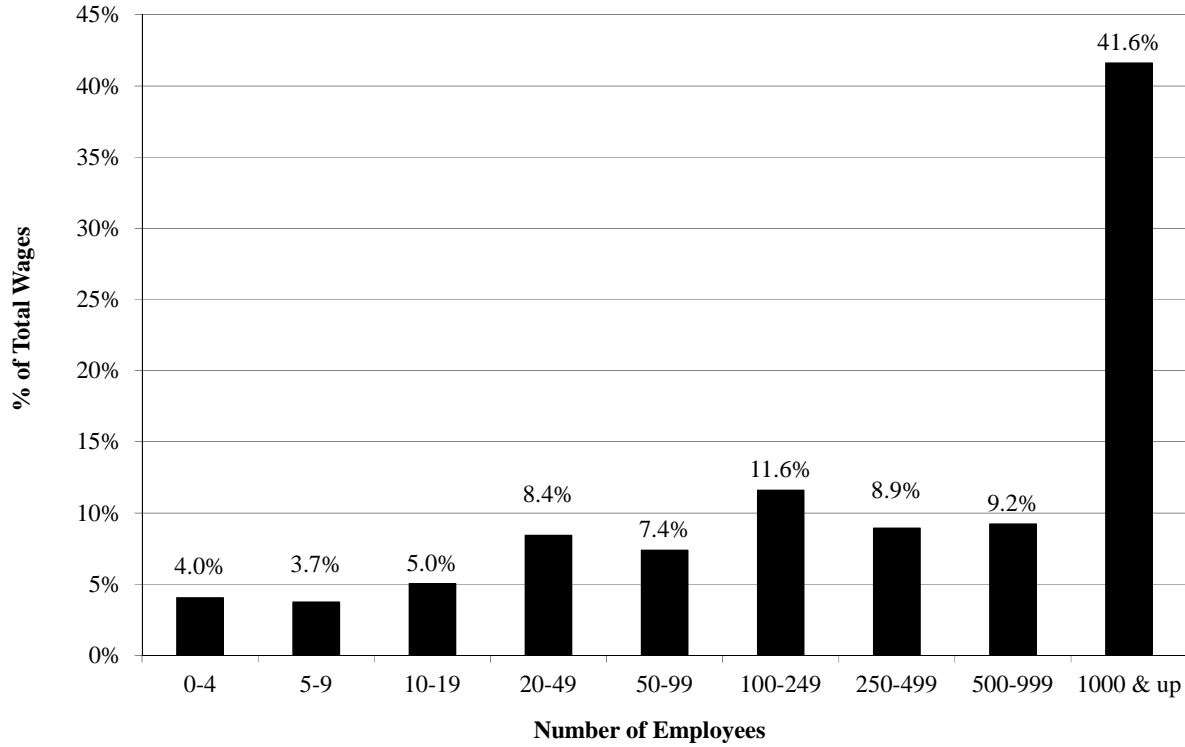
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Nonfarm | 9,366,600 | 9,493,600 | 9,736,900 | 10,062,600 | 10,391,300 | 10,604,100 | 10,304,400 | 10,340,800 | 10,575,500 | 10,879,800 |
| Total Private | 7,723,800 | 7,841,400 | 8,056,200 | 8,359,200 | 8,660,000 | 8,828,400 | 8,486,600 | 8,484,200 | 8,754,800 | 9,084,900 |
| Goods Producing | 1,597,600 | 1,587,900 | 1,629,900 | 1,715,400 | 1,789,900 | 1,828,100 | 1,638,400 | 1,582,800 | 1,637,200 | 1,718,500 |
| ...Mining And Logging | 146,600 | 153,000 | 166,000 | 185,900 | 207,600 | 230,200 | 202,100 | 206,200 | 237,500 | 270,300 |
| ...Construction | 551,600 | 544,500 | 567,100 | 605,600 | 648,100 | 673,300 | 597,900 | 564,400 | 563,900 | 585,200 |
| ...Manufacturing | 899,300 | 890,400 | 896,800 | 924,000 | 934,100 | 924,600 | 838,500 | 812,200 | 835,800 | 863,100 |
| Service-Providing | 7,769,000 | 7,905,700 | 8,107,000 | 8,347,200 | 8,601,400 | 8,776,000 | 8,666,000 | 8,758,000 | 8,938,300 | 9,161,300 |
| ...Trade, Transportation, and Utilities | 1,915,600 | 1,945,100 | 1,993,700 | 2,049,000 | 2,113,400 | 2,143,100 | 2,060,600 | 2,052,000 | 2,110,200 | 2,174,200 |
| ...Information | 233,700 | 224,900 | 223,100 | 221,700 | 221,000 | 217,200 | 204,200 | 195,700 | 195,700 | 197,000 |
| ...Financial Activities | 585,500 | 595,400 | 609,500 | 628,200 | 643,900 | 647,000 | 627,900 | 625,400 | 640,800 | 659,500 |
| ...Professional and Business Services | 1,058,700 | 1,100,700 | 1,161,700 | 1,241,100 | 1,302,400 | 1,336,300 | 1,252,400 | 1,275,200 | 1,340,300 | 1,405,800 |
| ...Educational and Health Services | 1,118,900 | 1,149,600 | 1,183,800 | 1,215,700 | 1,253,900 | 1,287,200 | 1,336,600 | 1,384,800 | 1,421,600 | 1,461,500 |
| ...Leisure and Hospitality | 858,700 | 884,600 | 906,600 | 940,300 | 980,200 | 1,006,300 | 1,005,500 | 1,007,800 | 1,041,400 | 1,087,300 |
| Other Services | 355,300 | 353,300 | 347,900 | 347,900 | 355,300 | 363,100 | 360,900 | 360,400 | 367,500 | 381,200 |
| ...Government | 1,642,800 | 1,652,200 | 1,680,600 | 1,703,400 | 1,731,300 | 1,775,700 | 1,817,900 | 1,856,600 | 1,820,700 | 1,794,900 |

Source: Labor Market and Career Information Department, Texas Workforce Commission (01/14)

* All estimates are subject to revision.

TABLE 8

**State of Texas
Percent of Total Wages by Firm Size (Number of Employees)
Second Quarter 2013**



Source: Texas Workforce Commission

TABLE 9
STATE OF TEXAS
TOTAL WAGES BY NAICS CATEGORY
(PRIVATE SECTOR ONLY)
SECOND QUARTER 2013

| NAICS Code | Industry Name | Percent of Total Private Wages |
|-----------------------|--|---|
| 11 | Agriculture, Forestry, Fishing and Hunting | 0.4% |
| 21 | Mining, Quarrying, and Oil and Gas Extraction | 7.2% |
| 22 | Utilities | 1.0% |
| 23 | Construction | 7.1% |
| 31-33 | Manufacturing | 12.5% |
| 42 | Wholesale Trade | 8.5% |
| 44-45 | Retail Trade | 7.5% |
| 48-49 | Transportation and Warehousing | 4.7% |
| 51 | Information | 3.1% |
| 52 | Finance and Insurance | 7.1% |
| 53 | Real Estate and Rental and Leasing | 2.1% |
| 54 | Professional, Scientific, and Technical Services | 11.1% |
| 55 | Management of Companies and Enterprises Administrative and Support and Waste Management and Remediation Services | 2.1% |
| 56 | Remediation Services | 6.0% |
| 61 | Educational Services | 1.3% |
| 62 | Health Care and Social Assistance | 11.5% |
| 71 | Arts, Entertainment, and Recreation | 0.7% |
| 72 | Accommodation and Food Services | 3.9% |
| 81 | Other Services (except Public Administration) | 2.2% |
| 99 | Unclassified | 0.0% |
| | Total Private Wages | 100.0% |

Source: Labor Market & Career Information Dept., Texas Workforce Commission (01/14)

IV. STATISTICS ON CONTRIBUTIONS, COLLECTION RATES, BENEFIT PAYMENTS, AND UC FUND BALANCES

Set forth below is a brief description of categories of information presented in Tables 10 and 11 hereunder.

“Contributions” demonstrates the Contributions received from Contributing Employers, net of any refunds sent to such employers.

“Regular Benefits” shows the aggregate amount of regular unemployment compensation paid each year to eligible unemployed workers formerly employed by Contributing Employers.

“UC Fund Balance” shows the balance in the UC Fund as of the date shown. Negative balances indicate the extent to which Federal Advances were required to pay benefits.

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TABLE 10
STATE OF TEXAS
UNEMPLOYMENT TAXES:
PERCENTAGE OF TAX COLLECTED

| <u>Period</u> | <u>% of Tax Collected⁽¹⁾</u> |
|---------------------|---|
| First Quarter 2005 | 99.77% |
| Second Quarter 2005 | 99.54% |
| Third Quarter 2005 | 99.51% |
| Fourth Quarter 2005 | 99.57% |
| First Quarter 2006 | 99.87% |
| Second Quarter 2006 | 99.69% |
| Third Quarter 2006 | 99.71% |
| Fourth Quarter 2006 | 99.74% |
| First Quarter 2007 | 99.86% |
| Second Quarter 2007 | 99.64% |
| Third Quarter 2007 | 99.62% |
| Fourth Quarter 2007 | 99.61% |
| First Quarter 2008 | 99.77% |
| Second Quarter 2008 | 99.50% |
| Third Quarter 2008 | 99.44% |
| Fourth Quarter 2008 | 99.47% |
| First Quarter 2009 | 99.81% |
| Second Quarter 2009 | 99.56% |
| Third Quarter 2009 | 99.48% |
| Fourth Quarter 2009 | 99.44% |
| First Quarter 2010 | 99.81% |
| Second Quarter 2010 | 99.63% |
| Third Quarter 2010 | 99.61% |
| Fourth Quarter 2010 | 99.51% |
| First Quarter 2011 | 99.79% |
| Second Quarter 2011 | 99.54% |
| Third Quarter 2011 | 99.57% |
| Fourth Quarter 2011 | 99.50% |
| First Quarter 2012 | 99.76% |
| Second Quarter 2012 | 99.47% |
| Third Quarter 2012 | 99.49% |
| Fourth Quarter 2012 | 99.43% |
| First Quarter 2013 | 99.66% |
| Second Quarter 2013 | 99.06% |
| Third Quarter 2013 | 98.92% |
| Fourth Quarter 2013 | 97.81% |

⁽¹⁾ As of March 2014, for calendar years 2011-2014, the Commission collected an Unemployment Obligation Assessment with respect to the 2010 Bonds at the same percentages.

Source: Texas Workforce Commission.

For unemployment taxes due in any calendar quarter, the process of collecting the taxes due in that particular quarter continues over time until the Commission collects as much of the tax due as possible. Therefore, collection rates will increase over time.

The collection rate for the Unemployment Obligation Assessment is expected to approximate that of the aggregate taxes shown in this table. Rate notices sent to Contributing Employers show a composite tax rate due, and Contributing Employers are required to pay the entire amount due. If Contributing Employers pay less than the full amount due, the amount paid is allocated among the composite tax and assessment rates in accordance with any one tax or assessment rate's proportion to the composite tax rate.

TABLE 11
STATE OF TEXAS
CONTRIBUTIONS, BENEFIT PAYMENTS, AND TRUST FUND BALANCES
(1994-2013)⁽¹⁾

| Year | Contributions⁽²⁾ (\$Million) | Regular UI Benefits⁽³⁾ (\$Million) | Trust Fund Interest Earned (\$Million) | Distributions, Transfers, and Adjustments⁽⁴⁾ (\$Million) | End of Year Balance (\$Million) |
|-------------|--|--|---|--|--|
| 1994 | 1,036.9 | 1,025.6 | 33.0 | 0.6 | 454.2 |
| 1995 | 1,049.8 | 985.9 | 40.6 | -1.9 | 556.8 |
| 1996 | 989.4 | 976.6 | 45.1 | -4.6 | 610.1 |
| 1997 | 965.1 | 942.7 | 48.1 | 1.0 | 681.7 |
| 1998 | 969.8 | 932.2 | 56.4 | 0.6 | 776.2 |
| 1999 | 878.7 | 1,189.4 | 48.7 | 108.0 ⁽⁵⁾ | 622.3 |
| 2000 | 965.5 | 988.7 | 50.1 | 64.3 ⁽⁶⁾ | 713.4 |
| 2001 | 935.0 | 1,545.5 | 46.5 | 228.1 ⁽⁷⁾ | 377.5 |
| 2002 | 1,067.7 | 2,241.4 | 25.8 | 588.0 ⁽⁸⁾ | -182.3 |
| 2003 | 1,706.2 | 2,204.4 | 16.0 | 1,379.8 ⁽⁹⁾ | 715.4 |
| 2004 | 1,627.1 | 1,655.9 | 48.8 | 0.8 | 736.2 |
| 2005 | 1,742.4 | 1,241.1 | 58.3 | 0.9 | 1,296.7 |
| 2006 | 1,625.4 | 1,069.9 | 84.1 | -0.4 | 1,935.9 |
| 2007 | 1,373.2 | 1,110.2 | 100.2 | -527.6 ⁽¹⁰⁾ | 1,771.5 |
| 2008 | 1,124.4 | 1,552.6 | 83.5 | -117.0 ⁽¹¹⁾ | 1,309.7 |
| 2009 | 1,091.6 | 3,844.4 | 19.5 | 95.7 ⁽¹²⁾ | -1,327.8 |
| 2010 | 2,313.3 | 2,914.6 | 0.6 | 2,178.9 ⁽¹³⁾ | 250.4 |
| 2011 | 2,495.1 | 2,413.4 | 18.9 | 86.5 ⁽¹⁴⁾ | 437.4 |
| 2012 | 2,689.4 | 2,233.0 | 26.0 | 97.7 ⁽¹⁵⁾ | 1,017.6 |
| 2013 | 2,518.3 | 2,276.6 | 35.4 | 95.0 ⁽¹⁶⁾ | 1,389.7 |

- (1) Calendar years through 2013.
- (2) Includes reimbursements & payments for prior periods.
- (3) Regular Texas benefits only (no federal programs or extended benefits).
- (4) Reed Act distributions, FUTA tax credits, and other transfers.
- (5) Includes \$102.1 million Smart Jobs transfer.
- (6) Includes \$64 million Smart Jobs transfer.
- (7) Includes \$227.5 million Smart Jobs transfer.
- (8) Includes \$596.4 million Reed Act distribution.
- (9) 2003 Series bond proceeds, \$1.379 billion.
- (10) \$213.7 million early bond payoff, and Surplus credits as described in next footnote.
- (11) May '07 - Apr '09, \$467.3 million surplus credits due to the trust fund balance exceeding its ceiling.
- (12) Includes \$104.8 million ETIA transfer.
- (13) 2010 Series bond proceeds, \$2.1 billion.
- (14) Includes \$87.0 million ETIA transfer.
- (15) Includes \$92.7 million ETIA transfer.
- (16) Includes \$95.7 million ETIA transfer.

Source: Texas Workforce Commission

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APPENDIX C

RULE REGARDING COMPUTATION OF UNEMPLOYMENT OBLIGATION ASSESSMENT RATE

Section 815.132. Computation of Unemployment Obligation Assessment

(a) Texas Labor Code Section 203.105, V.T.C.A. provides that the Commission shall collect an unemployment obligation assessment, also referred to as an assessment, from each employer eligible for an experience tax rate if, after January 1 of a year, an interest payment on an advance from the federal trust fund will be due and the estimated amount necessary to make the interest payment is not available in the obligation trust fund or available otherwise; or bond obligations are due and the amount necessary to pay in full those obligations, including bond administration expenses, is not available in the obligation trust fund or available otherwise.

(b) When the Commission determines that an assessment as referred to in the paragraph above will be due after January 1 of a year, the Commission shall compute the assessment rate using the formulas set out below in this section, before November 20th of the year prior to the year of the assessment. This rate shall be published in the Texas Register.

(c) The calculation for the unemployment obligation assessment rate is the sum of subsection (d) and (e) of this section.

(d) The rate for the portion of the assessment that is to be used to pay an interest payment on federal loans shall not exceed two tenths of one percent. The rate shall be calculated by dividing two hundred percent (200%) of the additional amount estimated to be needed to pay interest due, as determined by the Agency, by the estimated total taxable wages for the 1st and 2nd quarters of the year in which the interest is due, and rounded up to the next hundredth.

(e) The rate for the portion of the assessment that is to be used to pay a bond obligation is a percentage of the product of the unemployment obligation assessment ratio and the sum of the employer's prior year general tax rate, the replenishment tax rate and the deficit tax rate. The percentage, to be determined by Commission resolution, shall not exceed 200%.

(1) The Unemployment Obligation Assessment Ratio is computed by:

(A) dividing the numerator computed under paragraph (2) of this subsection by the denominator described in paragraph (3) of this subsection; and

(B) rounding that result up to the next hundredth.

(2) The numerator is computed by adding the total principal, interest and administration expenses on all Outstanding bonds determined to be due during the next year. However, if the Commission determines that there will be excess funds available in the obligation trust fund that are not anticipated to be expended for the purposes set out in Texas Labor Code, Section 203.258 (2)-(4), the numerator may be reduced by the amount of that excess.

(3) The denominator is the amount of contributions due under the general tax rate and the replenishment tax rate for the four calendar quarters ending the preceding June 30 from employers entitled to an experience rate on the tax rate computation date.

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APPENDIX D
FORM OF BOND COUNSEL OPINION

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[CLOSING DATE]

WE HAVE ACTED as bond counsel to the Texas Public Finance Authority (the “Authority”) in connection with the issuance of bonds (the “Series 2014 Bonds”) on even date herewith described as follows:

TEXAS PUBLIC FINANCE AUTHORITY UNEMPLOYMENT
COMPENSATION OBLIGATION ASSESSMENT REVENUE
REFUNDING BONDS, SERIES 2014A, issued in the original
aggregate principal amount of \$212,145,000, and

TEXAS PUBLIC FINANCE AUTHORITY UNEMPLOYMENT
COMPENSATION OBLIGATION ASSESSMENT REVENUE
REFUNDING BONDS, SERIES 2014B, issued in the original
aggregate principal amount of \$497,640,000.

The Series 2014 Bonds mature, bear interest and may be transferred and exchanged as set forth in the Series 2014 Bonds, the resolution adopted by the Board of Directors of the Authority on April 3, 2014 authorizing their issuance and in the Pricing Certificate for the Series 2014 Bonds (collectively, the “Resolution”). Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2014 Bonds under the Constitution and laws of the State of Texas (the “State”) and with respect to the exclusion of interest on the Series 2014 Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described herein. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority or the Commission or the disclosure thereof in connection with the sale of the Series 2014 Bonds. Our role in connection with the Authority’s Official Statement prepared for use in connection with the offer and sale of the Series 2014 Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and

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issuance of the Series 2014 Bonds and the redemption, refunding and defeasance of the Refunded Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority and the Commission; the report (the "Report") of Grant Thornton LLP (the "Verification Agent") verifying the sufficiency of the deposits made with the Escrow Agent for the redemption and defeasance of the Refunded Bonds and the mathematical accuracy of certain computations of the yield on the Series 2014 Bonds and the obligations acquired with the proceeds of the Series 2014 Bonds; customary certificates of officers, agents and representatives of the Authority, the Commission and other public officials; and other certified showings relating to the authorization and issuance of the Series 2014 Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined the Initial Bond of each series of the Series 2014 Bonds.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

- (1) the transcript of certified proceedings referenced above evidences complete legal authority for the issuance of the Series 2014 Bonds in full compliance with the Constitution and laws of the State presently effective, and that therefore the Series 2014 Bonds constitute legal, valid and binding special obligations of the Authority payable solely from the sources provided therefor in the Resolution; and
- (2) the Series 2014 Bonds are payable from and secured solely by a lien on and pledge of the Pledged Revenues under the Resolution and the Prior Resolution, on parity with the outstanding Series 2010A Bonds and Series 2010B Bonds; and
- (3) firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement entered into between the Authority and the Escrow Agent on the date of delivery of the Series 2014 Bonds; and
- (4) all conditions precedent to the discharge of the Refunded Bonds have been satisfied, and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.

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THE RIGHTS OF THE OWNERS of the Series 2014 Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion. The Series 2014 Bonds are special limited obligations of the Authority secured solely by a lien on and pledge of the Pledged Revenues as described above and do not constitute an indebtedness or general obligation of the Authority or the State or any State agency or political corporation or political subdivision of the State. Owners of the Series 2014 Bonds shall never have the right to demand payment of principal and interest out of any funds raised or to be raised by taxation by the State or any State agency or political corporation or political subdivision of the State.

THE AUTHORITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL BONDS secured on parity with the Bonds, for the purpose of financing, in whole or in part, the Commission Program as authorized by the Act or for the purpose of refunding any outstanding Series 2014 Bonds, Series 2010A Bonds or Series 2010B Bonds. The Authority has also reserved the right to issue any bonds, notes, or other obligations (including Credit Agreements) that are secured with a pledge junior and subordinate to the pledge of Pledged Revenues pertaining to the Series 2014 Bonds.

IT IS OUR FURTHER OPINION that, based on the foregoing and subject to the matters set forth below:

- (1) interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes under existing law; and
- (2) the Series 2014 Bonds are not “private activity bonds” within the meaning of the Code and, as such, interest on the Series 2014 Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Series 2014 Bonds will be included in the “adjusted current earnings” of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Authority, the Commission, the Authority’s financial advisor, and the Underwriters, with respect to matters solely within the knowledge of the Authority, the Commission, the Authority’s financial advisor, and the Underwriters, respectively, which we have not independently verified, and we have assumed continuing compliance with the covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the

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Series 2014 Bonds for federal income tax purposes. We have further relied on the Report regarding the mathematical accuracy of certain computations. In the event that such representations or the Report are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing covenants of the Resolution, interest on the Series 2014 Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Series 2014 Bonds.

Owners of the Series 2014 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2014 Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Series 2014 Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series 2014 Bonds as includable in gross income for federal income tax purposes.

Very truly yours,