

SUPPLEMENT TO OFFERING MEMORANDUM

Dated July 31, 2017

RELATING TO  
TEXAS PUBLIC FINANCE AUTHORITY  
STATE OF TEXAS  
GENERAL OBLIGATION COMMERCIAL PAPER NOTES  
(Cancer Prevention and Research Institute of Texas Project),  
SERIES A (Taxable)

All capitalized terms shall have the meaning set forth in the Offering Memorandum dated August 29, 2016, which is incorporated and attached hereto for all purposes.

With respect to the Notes issued by the Texas Public Finance Authority (the “Authority”), the Comptroller of Public Accounts of the State (in such capacity, the “Liquidity Provider”) has agreed to extend the liquidity agreement (the “Liquidity Agreement”) between the Authority and the Liquidity Provider to August 31, 2019. Additionally, the Commitment under the Liquidity Agreement is reduced from \$300,000,000 to \$285,000,000, plus 270 days of interest at the Maximum Interest Rate (10% per annum) on an actual/365 (or 366) day year basis.

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

**OFFERING MEMORANDUM**

**August 29, 2016**

Book-Entry-Only

Ratings:

Moody ' s: P-1

Standard & Poor's: A-1+

Fitch: F1+

**\$300,000,000**  
**TEXAS PUBLIC FINANCE AUTHORITY**  
**STATE OF TEXAS**  
**GENERAL OBLIGATION COMMERCIAL PAPER NOTES**  
**(CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS PROJECT)**  
**SERIES A (TAXABLE)**

The Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) (the "Notes") are being issued by the Texas Public Finance Authority (the "Authority") pursuant to Article III, Section 67 of the Texas Constitution ("Constitutional Provision"), Chapters 1232 and 1371, Texas Government Code, as amended, and Chapter 102 of the Health and Safety Code (collectively, the "Authorizing Law"), and an amended and restated resolution adopted by the Board of Directors of the Authority on June 8, 2010, which resolution amended, restated and replaced the resolution adopted by the Board of the Authority on March 6, 2008, (together with any amendments or supplements thereto, referred to herein as the "Resolution"). The Notes are authorized by the Resolution in the aggregate principal amount of \$450,000,000 at any one time outstanding, provided that the Notes shall not be outstanding in an amount greater than the commitment under the Amended and Restated Liquidity Agreement (as defined herein) which is currently \$300,000,000 at any time outstanding. See "OFFERING." The Notes are direct and general obligations of the State of Texas (the "State"). See "THE NOTES - Payment and Security."

The Comptroller of Public Accounts of the State of Texas has agreed, pursuant to an Amended and Restated Liquidity Agreement dated as of August 29, 2016, as may be amended from time to time in the future (the "Liquidity Agreement"), to purchase any Notes that are not otherwise refunded or paid by the State upon their maturity. The commitment under the Liquidity Agreement is currently equal to \$300,000,000 plus 270 days of interest at the Maximum Interest Rate, which is currently 10%. See "THE NOTES - Liquidity Facility."

The Co-Bond Counsel opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, and Adorno, Yoss, White & Wiggins, L.L.P., Dallas, Texas ("Prior Co-Bond Counsel"), delivered to the Authority in connection with the original delivery of the Commercial Paper Notes, Series A (Taxable) is set forth as Appendix B.

**BARCLAYS CAPITAL**

**JEFFERIES**

**INFORMATION CONCERNING THE OFFER**

Barclays Capital and Jefferies LLC serve as the exclusive dealers for the Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) (the "Notes") offered or to be offered hereby.

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

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

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

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

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**\$300,000,000**  
**TEXAS PUBLIC FINANCE AUTHORITY**  
**STATE OF TEXAS**  
**GENERAL OBLIGATION COMMERCIAL PAPER NOTES**  
**(CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS PROJECT)**  
**SERIES A (TAXABLE)**

**OFFERING**

The Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A (Taxable) (the "Notes") are being issued by the Authority in the aggregate principal amount not exceed \$300,000,000. This commercial paper program may be increased in size by the Authority, without the consent of the Note owners, in accordance with State law and provided that the Notes shall not be outstanding in an amount greater than the commitment under the Liquidity Agreement. This offering does not constitute a re-issuance of Notes pursuant to the Constitutional Provision and the Acts. The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. The Note proceeds may be used to make grants and provide funds to implement the Texas Cancer Plan. See "THE NOTES - Use of Proceeds."

**THE TEXAS PUBLIC FINANCE AUTHORITY**

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

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

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

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), 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, 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, the Texas Department of Transportation, the Texas Military Preparedness Commission, and the Cancer Prevention and Research Institute of Texas ("CPRIT").

The Authority currently administers four commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a general obligation commercial paper program for certain State government construction projects; a general obligation commercial paper program for CPRIT; and a revenue commercial paper program for the Texas Facilities Commission. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code.

***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 88<sup>th</sup> Texas legislative session in 2023. Chapter 1232, Texas Government Code, as amended by the 82nd Legislature (the Authority "Enabling Act"), 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 (September 1, 2024) in order to conclude its business. Pursuant to the Sunset Act, the Texas Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by various State agencies, including the Authority. Accordingly, in the event that a future sunset review were to result in the Authority being abolished, the Governor would be required by law to designate an appropriate State agency that would continue to carry out all covenants contained in the Bonds and in all other obligations, including lease, contract and other written obligations of the Authority. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from a State general obligation pledge, revenues or otherwise, until the principal of an interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Moreover, amounts sufficient to pay debt service on the Bonds would be automatically appropriated pursuant to the Texas Constitution and the general obligation pledge securing the payment of principal of an interest on the "Bonds would remain in full force and effect.

## **CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS**

In November 2007, the voters of the State approved Article III, Section 67 of the Texas Constitution (the "Constitutional Provision") that directs the State legislature to establish CPRIT. The purpose of CPRIT is to make grants and provide funds to implement the Texas Cancer Plan

in order to research the causes and cures for all forms of cancer in humans, provide facilities for such research and through such research develop cures for cancer. The Constitutional Provision further authorizes the Authority to issue on behalf of CPRIT up to \$3 billion (not more than \$300 million within a fiscal year) in general obligation bonds or obligations. The Texas Cancer Plan was developed and implemented by the Texas Cancer Council, a State agency created by the State legislature in 1985 and predecessor to CPRIT. Such plan provides a blueprint for cancer prevention and control in the State through a planned, evidence-based approach to reducing cancer in the State.

The enabling legislation to carry out the purpose of the Constitutional Provision, which was most recently amended by the 83rd Legislature in efforts to strengthen CPRIT's transparency and improve CPRIT's ability to meet its goal of cancer research and prevention, is Chapter 102 of the Texas Health and Safety Code (the "CPRIT Enabling Legislation").

Pursuant to the CPRIT Enabling Legislation, an oversight committee ("Oversight Committee") has been created as the governing body of CPRIT. The Oversight Committee is tasked with hiring the chief executive officer ("CEO") who in turn is responsible for hiring the chief scientific officer ("CSO"), chief operating officer ("COO"), chief product development officer ("CPDO") and chief prevention officer ("CPO"). The Oversight Committee consists of 9 appointed members, each holding a staggered six-year term. The Oversight Committee holds public meetings at least once each quarter in the calendar year to conduct the business of CPRIT, including, but not limited to establishing standards for grant awards, deciding grant awards and negotiating a written contract with each grant recipient. The Enabling Legislation also creates the Program Integration Committee (the "Program Committee") and the Scientific Research and Prevention Programs Committee (the "Scientific Committee").

The Program Committee is a 5 member committee comprised of the following individuals as delineated in the Enabling Legislation: the CEO (who serves as the presiding officer), CSO, CPDO, CPO and the commission of state health services. Members of the Program Committee are tasked with making funding recommendations to the Oversight Committee for the awarding of grants to applicants seeking funder through CPRIT.

The Scientific Committee, or committees (contingent on the Oversight Committee establishing multiple committees by a majority vote of the Oversight Committee), consists of experts in the field of cancer research and prevention and cancer patient advocates who meet the qualifications developed by the Oversight Committee. The CEO determines both the members of a Scientific Committee and the terms of those members' service. The Scientific Committee is tasked with scoring grant applications and making recommendations to the Program Committee and the Oversight Committee regarding the award of cancer research and prevention grants.

The Enabling Legislation requires two-thirds of the members of the oversight committee present and voting to approve funding recommendations of the Program Committee.

CPRIT will establish programs for the prevention and research grants which include accepting prevention program and research project grant applications. Grant awards will be made two times a year, and grant funds will be disbursed quarterly to successful applicants on a reimbursement basis.

Prior to awarding a grant to a recipient, the Oversight Committee will negotiate a written contract on behalf of the State with the grant recipient related to the award of the grant money. Such contract may specify that if any portion of the grant will be used to build a capital improvement that (i) the State retains a lien or other interest in the capital improvement in proportion to the percentage of the grant used for the capital improvement, and (ii) if the capital improvement is sold, the State will be repaid the grant money used for the capital improvement with interest at the rate provided in the contract and share with the State a proportionate amount of any profit realized from the sale. The contract with the grant recipient may also provide that if the grant money has not been used by a certain date, the recipient will repay the grant amount and any related interest at the rate and the terms agreed to in the contract.

The Oversight Committee will establish standards requiring all grant awards to be subject to an intellectual property agreement with such terms provided in the contract that allow the State to collect royalties, income and other benefits realized from the research project funded by the grant. Prior to any grant money from the proceeds of the Notes being distributed to the grant recipient, such recipient must have an amount of funds equal to fifty percent of the grant amount dedicated to the same research project as awarded by the grant.

## **THE NOTES**

The Notes are being issued pursuant to the Constitutional Provision, which designates the Authority as the issuer of the Notes on behalf of CPRIT. Chapters 1232 and 1371 of the Texas Government Code, as amended, enable the Authority to issue the Notes under its commercial paper program and Chapter 102 of the Texas Health and Safety Code provides the enabling legislation for the Authority to issue Notes on behalf of CPRIT. The Constitutional Provision, Chapters 1232 and 1371 of the Texas Government Code, as amended, and Chapter 102 of the Texas Health and Safety Code are collectively referred to as the "Authorizing Law."

The Notes are authorized pursuant to the Authorizing Law and an amended and restated resolution adopted by the Board of Directors of the Authority on June 8, 2010, which resolution restated and replaced the resolution adopted by the Board of the Authority on March 6, 2008, (the "Resolution"). The Notes are authorized to be issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof to mature and become due and payable on such dates as shall be determined by an Authority Representative (as defined in the Resolution) at the time of sale; provided, however that no Notes shall (i) mature after the Maximum Maturity Date (September 30, 2039) or (ii) have a term in excess of 270 days.

The Notes are not obligations described in Section 103(a) of the Internal Revenue Code of 1986 and thus, the interest on the Notes is not intended to be excludable from the gross income of the holders thereof for purposes of federal income taxation. See "TAX MATTERS."

The Notes shall be in fully registered form and will mature in not more than 270 days from the date of issue and will pay par plus interest at maturity. The Notes will be issued as fully registered securities registered in the name of Cede & Co. as described herein. The principal and interest on the Notes will be payable at the office of U.S. Bank National Association, as the Issuing and Paying Agent (the "Issuing and Paying Agent"). Interest on the Notes is payable on an actual/365/366-day basis. Pursuant to the Resolution, the interest rate borne by the Notes may not exceed 10% per

annum. By acceptance of a Note, the purchaser thereof agrees that any transfer of such Note may be made only to the Issuing and Paying Agent or through the Issuing and Paying Agent to a purchaser whose purchase is recorded by the Issuing and Paying Agent.

### **Use of Proceeds**

Proceeds of the sale of the Notes will be used for (i) grants for cancer research, research facilities and research opportunities in the State to develop therapies, protocols, medical pharmaceuticals, or procedures for the cure or substantial mitigation of all types of cancer in humans; (ii) grants for cancer prevention and control programs in the State to mitigate the incidence of all types of cancer in humans; (iii) the purchase, subject to approval by CPRIT, of laboratory facilities by or on behalf of a state agency or grant recipient; (iv) the operation of CPRIT; (v) paying, renewing, refinancing or refunding Notes, and (vi) paying the costs of issuance and any administrative expense related to the Notes.

### **Payment and Security**

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

While any of the bonds or interest on the bonds authorized by this section is outstanding and unpaid, from the first money coming into the state treasury in each fiscal year not otherwise appropriated by this constitution, an amount sufficient to pay the principal of and interest on bonds that mature or become due during the fiscal year and to make payments that become due under a related credit agreement during the fiscal year is appropriated, less the amount in the sinking fund at the close of the previous fiscal year.

### **Liquidity Facility**

The Comptroller of Public Accounts of the State of Texas (the "Comptroller") and the Authority entered into an Amended and Restated Liquidity Agreement dated as of August 29, 2016, under Section 404.027 of the Texas Government Code, as amended, pursuant to which the Comptroller will purchase all maturing Notes, up to a maximum commitment of \$300,000,000 (the "Commitment") that are not otherwise refunded or paid by the State. The current liquidity agreement is effective until December 31, 2016; however, the current liquidity agreement will be replaced by the Liquidity Agreement on August 29, 2016. The Comptroller's Commitment to purchase maturing Notes as necessary under the Liquidity Agreement expires the earlier of (a) August 31, 2017, or (b) such earlier date upon which the whole of the Commitment is terminated pursuant to the terms of the Liquidity Agreement or (c) the Liquidity Agreement and the Liquidity Provider are replaced by an alternate liquidity agreement and an Alternate Liquidity Provider. The Liquidity Agreement may be renewed for additional terms of not more than two years each, coterminous with the State fiscal biennium, in the sole and exclusive discretion of the Comptroller and with ninety (90) days advanced written request by the Authority. The Authority reserves the right to substitute, terminate or amend the Liquidity Agreement pursuant to the terms of the



Liquidity Agreement. If, upon a substitution or termination, a replacement Liquidity Agreement will be entered into and delivered by the Authority pursuant to the provisions of the Resolution.

The Authority may, upon not less than three Business Days' prior notice to the Comptroller, reduce all or any portion of the unused Commitment, provided that: (a) any partial reduction of the Commitment must be in the minimum amount of \$1,000,000 and in integral multiples of \$1,000,000, and (b) no such reduction shall result in the Commitment being less than the sum of the maturity of all Notes outstanding at such time. The Authority shall promptly give the Dealer and the Issuing and Paying Agent notice of any such reduction of the Commitment.

### **Events of Default/Remedies**

The Liquidity Agreement provides that the following events constitute Events of Default thereunder: (i) the Authority fails to pay interest on any Note purchased by the Comptroller when due; (ii) the Authority fails to pay, within ninety (90) days after written notice from the Comptroller specifying the failure, any fees, expenses or other amounts payable by it to the Comptroller except as provided in (i) above; (iii) The Authority: (I) (a) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (b) admits in writing its inability to pay its debts as they become due or declares a moratorium for the repayment of its Debt, (c) makes a general assignment for the benefit of creditors, (d) commences a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (e) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts, or (f) takes any action for the purpose of effecting any of the acts set forth in clauses (a) through (e) or (II) the Authority has (a) a case or other proceeding commenced that remains undismissed for a period of sixty days seeking liquidation, conservation, dissolution, rehabilitation, conservatorship, reorganization or the winding up of its affairs or other relief with respect to the Authority's debt or the Authority's debts under any insolvency or other similar law in effect now or in the future seeking appointment of a trustee, receiver, assignee, liquidator, rehabilitator, conservator, custodian, sequestrator or other similar official seeking a substantial part of the Authority's property, or (b) an order entered in any such proceeding granting relief in such proceeding; (iv) the State or other governmental entity that has jurisdiction over the Authority puts a debt moratorium; debt restructuring, or other comparable extraordinary restriction that results in a restriction on repayment of principal and interest on Notes (v) the Authority fails to pay when due a final and nonappealable money judgment entered by a court or regulatory body of competent jurisdiction against the Authority in an amount in excess of \$5,000,000 and enforcement of such judgment continues unstayed and in effect for a period of 60 consecutive days after appropriated funds become available to the Authority; (vi) the Liquidity Agreement in its entirety ceases to be valid and binding on the Authority in accordance with its terms, or is declared pursuant to a final judgment by a governmental authority with jurisdiction to be null and void, or the validity or enforceability of the Liquidity Agreement or any of the transaction documents related to the payment on the Notes is repudiated, rejected or contested through legal procedures by the Authority or a proceeding is commenced by the Authority seeking to establish the invalidity or unenforceability of the Agreement; (vii) the Authority fails to pay when due and payable (whether at maturity), after giving effect to any applicable grace period, the principal of or interest on any of the Authority's debt on parity or senior to the Notes; (viii) a breach or failure of performance by the Authority of any covenant, condition or agreement on its part to be observed or performed contained in the Liquidity Agreement and such breach or failure remains uncured for 30 days

following notice of such breach, or if such breach cannot be cured in 30 days and the Authority has commenced curing such breach, then 60 days; (iv) any of the Authority's representations or warranties made or deemed made by the Authority in the Liquidity Agreement or in any other transaction document or in any statement or certificate at any time given pursuant thereto or in connection therewith proves at any time to have been false or misleading in any material respect when made, or any such warranty is breached and may have a material adverse effect on the Comptroller; or (x) there is an event of default under the Resolution.

Under the Liquidity Agreement, upon the occurrence and continuance of an Event of Default, the Comptroller may, by written notice to the Authority and the Issuing and Paying Agent, take one or more of the following actions: (i) give a No Issuance Notice, (ii) reduce the Commitment to the then outstanding amount of the Notes; (iii) declare all amounts payable by the Authority to the Comptroller under the Liquidity Agreement to be forthwith due and payable, whereupon such amounts shall immediately become due and payable, without presentment, demand, protest or any other notice of any kind and/or (iv) pursue any other remedy available to it at law or in equity. Any amount owing thereunder (whether of principal, interest, fees or otherwise) which is not paid when due shall, to the extent permitted by law, bear interest, payable on demand, at the Default Rate, which is the Treasury Rate plus 2.00% provided that such rate may not exceed the Maximum Interest Rate (currently 10%).

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

The Comptroller may instruct the Issuing and Paying Agent to cease issuing Notes by delivering a No Issuance Notice. A No Issuance Notice shall be effective when received by the Issuing and Paying Agent and shall be deemed to have been received by the Issuing and Paying Agent if the No Issuance Notice is sent by facsimile or electronic transmission or otherwise delivered and confirmed by telephone at the address and telephone and facsimile number set forth in the Liquidity Agreement. Such No Issuance Notice shall not affect the obligation of the Comptroller to honor a notice of draw with respect to Notes authenticated prior to the delivery to the Issuing and Paying Agent of such No Issuance Notice. The Comptroller is not required to provide liquidity for the purchase of Notes issued in violation of a No Issuance Notice.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York

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

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

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

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

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

All payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Issuing and Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

## **LITIGATION**

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

The State is a party to various legal proceedings relating to its operation and government functions, but unrelated to the Notes or the security for the Notes. *See* "APPENDIX A – State Information."

## **TAX MATTERS**

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE NOTES, IS NOT INTENDED OR

WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE NOTES UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

### **CERTAIN FEDERAL INCOME TAX CONSIDERATIONS**

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

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

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

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

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

### **Opinion**

On the date of initial delivery of the Notes, Prior Co-Bond Counsel to the Authority rendered an opinion that the Notes are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid or original issue discount, if any, accrued on the Notes is included in "gross income" within the meaning of section 61 of the Code of the Noteholders and is subject to Federal income taxation when received or accrued, depending upon the tax accounting method applicable to the holder thereof. *See* "APPENDIX B – Original Co-Bond Counsel Opinion for Commercial Paper Notes, Series A (Taxable)."

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

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

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

The Notes are not obligations described in Section 103(a) of the Code. The Authority will treat each Note as a "Short-Term Obligation" for Federal income tax purposes. As such, each Note is subject to special rules contained in sections 1281 through 1283 of the Code if such Note (a "Section 1281 Note") is (i) held by an accrual method taxpayer, bank, regulated investment company, common trust fund or certain types of pass-through entities, (ii) held primarily for sale to customers, (iii) identified under section 1256(e)(2) as part of a hedging transaction, or (iv) a stripped bond or coupon and held by the person responsible for the underlying stripping transaction. Interest on, and "acquisition discount" with respect to, a Section 1281 Note accrues on a ratable (straight-line) basis, unless elected by a U.S. Holder to be accrued on a constant yield basis. For purposes of the preceding sentence, the term "acquisition discount" means the excess of

the stated redemption price of a Section 1281 Note which is payable at maturity over the holder's tax basis therefor.

A U.S. Holder of a Note not described in the preceding paragraph, including a cash method taxpayer, must report interest income in accordance with its own regular method of tax accounting. In the absence of an irrevocable election to accrue discount income currently, no accrual of acquisition discount is required by such a holder.

## **FINANCIAL AND OTHER INFORMATION**

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

### **Opinion**

On the date of initial delivery of the Notes, McCall, Parkhurst & Horton L.L.P., Austin, Texas, and Adorno, Yoss, White & Wiggins, L.L.P., Dallas, Texas, as Co-Bond Counsel to the Authority, rendered an opinion that the Notes were authorized and issued and the Notes issued concurrently with its opinion were duly delivered and that, assuming due authentication, Notes issued in exchange therefore will have been duly delivered, in accordance with law, and that the Notes, except as may be limited by laws applicable to the Authority relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Authority, and a continuing appropriation is made pursuant to the Texas Constitution out of the first moneys coming into the Treasury in each fiscal year, not otherwise appropriated by the Constitution, an amount which is sufficient to pay the principal of and interest on the Notes that mature or become due during that fiscal year (less the amount of any sinking fund at the end of the preceding fiscal year that is pledged to the payment of Notes or the interest thereon). See "APPENDIX B – Original Co-Bond Counsel Opinion for Commercial Paper Notes, Series A (Taxable)."

### **Continuing Disclosure Exemption**

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

### **Ratings**

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

	<u>Commercial Paper Notes</u>	<u>General Obligation Bonds</u>
Moody ' s Investors Service	P-1	Aaa
Standard & Poor ' s Ratings Service	A-1+	AAA
Fitch Ratings	F1+	AAA

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

**For Further Information Contact:**

Texas Public Finance Authority, Lee Deviney, (512) 463-5544; Barclays Capital, John Daniel, Managing Director, (212) 526-3808 and Jefferies LLC, Tilghman Naylor, Managing Director, (972) 701-3038.

The foregoing information has been obtained from published sources or has been furnished by the Authority. Barclays Capital and Jefferies LLC do not warrant the accuracy or completeness of this information. This memorandum should be considered in conjunction with "APPENDIX A – State Information" and further financial information concerning the Authority and the State is available on request.



## **APPENDIX A – State Information**

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

**APPENDIX B  
ORIGINAL CO-BOND COUNSEL OPINION FOR  
COMMERCIAL PAPER NOTES, SERIES A  
(TAXABLE)**

***McCall, Parkhurst & Horton L.L.P.***  
600 Congress Avenue, Suite 1800  
Austin, Texas 78701  
Telephone: (512) 478-3805  
Telecopier: (512) 472-0871

***Adorno, Yoss, White & Wiggins, L.L.P.***  
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**\$225,000,000  
TEXAS PUBLIC FINANCE AUTHORITY GENERAL OBLIGATION  
COMMERCIAL PAPER NOTES  
(CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS  
PROJECT) SERIES A (TAXABLE)**

**WE HAVE ACTED AS BOND COUNSEL** for the Texas Public Finance Authority (the "Authority"), in connection with the issuance from time to time of up to an aggregate principal amount at any one time outstanding of not to exceed \$225,000,000 of its obligations evidenced by the notes (the "Taxable Notes") designated as taxable notes pursuant to the Resolution (as hereinafter defined). The proceeds of the Taxable Notes are to be used, pursuant to the terms and provisions of the resolution adopted by the Authority on August 3, 2009 (the "Resolution") to fund (i) grants authorized by Article III, Section 67, Texas Constitution for the Cancer Prevention and Research Institute of Texas (the "Institute"), (ii) laboratory facilities approved by the Institute, (iii) costs of operating the Institute and (iv) the costs of issuing the bonds and related bond administration costs of the Authority pursuant to Article III, Section 67 of the Texas Constitution, Chapters 1232 and 1371, Texas Government Code, as amended, Chapter 102 Texas Health and Safety Code, as amended, and Part X, Title 34, Texas Administrative Code, as amended. Terms used herein and not otherwise defined in this opinion shall have the meanings assigned to them in the Resolution.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Authority pertaining to the Taxable Notes, and other pertinent instruments authorizing and relating to the issuance of the Taxable Notes. We have also examined the opinion of the Attorney General of the State of Texas approving the Resolution.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that, under the Constitution and laws of the State of Texas as they exist on the date of this opinion, such transcript of proceedings evidences lawful authority for the issuance, reissuance, and sale of the Taxable Notes from time to time by the Authority pursuant and subject to the provisions, terms, and conditions of the Resolution. We are also of the opinion that the Resolution has been duly and lawfully adopted by the Authority and that, except as the enforceability thereof may be limited by laws applicable to the Authority relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, or by general principles of equity which permit the exercise of judicial discretion, the covenants and provisions in the Resolution constitute valid and binding obligations of the Authority.

**WE ARE FURTHER OF THE OPINION THAT**, under the Constitution and laws of the State of Texas as they exist on the date of this opinion, upon due execution, authentication, and payment and upon compliance by the Authority with the conditions and covenants of the Resolution, and except as the enforceability thereof may be limited by laws applicable to the Authority relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, or by general principles of equity which permit the exercise of judicial discretion, the Taxable Notes will constitute valid and binding obligations of the Authority and a continuing appropriation is made pursuant to the Texas Constitution out of the first moneys coming into the Treasury in each fiscal year, not otherwise appropriated by the Constitution, an amount which is sufficient to pay the principal of and interest on the Taxable Notes that mature or become due during that fiscal year (less the amount of any sinking fund at the end of the proceeding fiscal year that is pledged to the payment of Taxable Notes or the interest thereon).

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

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Taxable Notes is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Taxable Notes under the Constitution and laws of the State of Texas, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority, or the disclosure thereof in connection with the sale of the Taxable Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Taxable Notes.

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

Respectfully,