Texas Bond Review Board

2007 Annual Report

Texas Bond Review Board
Annual Report 2007

Fiscal Year Ended August 31, 2007

Rick Perry, Governor
Chairman

David Dewhurst, Lieutenant Governor

Tom Craddick, Speaker of the House of Representatives

Susan Combs, Comptroller of Public Accounts

Robert C. Kline
Executive Director

December 2007

Overview

The Texas Bond Review Board (BRB) is responsible for the approval of all state debt issues (excluding Permanent University Fund and TRAN financings) and lease purchases with an initial principal amount of greater than $250,000 or a term of longer than five years. The BRB is also responsible for the collection, analysis and reporting of information on the debt of the state and local political subdivisions in Texas. In addition, the BRB is charged with the responsibility of administering the state's Private Activity Bond Allocation Program. This report discusses the activities undertaken by the Board and related events of the past fiscal year.

After rebounding from the economic downturn of fiscal 2002-2003, the Texas economy started losing momentum in the second half of fiscal 2007. The Comptroller's 2008-2009 Certification Revenue Estimate states that this slowdown is largely in response to national events and is expected to continue into the 2008-2009 biennium. Growth in the Gross State Product is expected to average 3.0% in fiscal 2008-2009, down 19.0% from the 3.7% annual growth rate during fiscal 2006-2007. Personal income growth is expected to slow to an annual average rate of 5.9% during the 2008-2009 biennium as compared to 8.4% during the 2006-2007 biennium.

Texas ended fiscal year-end 2007 with a consolidated General Revenue Fund balance of $12.25 billion in cash, an increase of 33.5% from fiscal 2006's $9.18 billion. This was the largest closing balance in the past eleven years and continues an upward trend that began in fiscal year 2003. For fiscal 2007, Total Net Revenues and Other Sources increased by $8.08 billion or 9.0% from fiscal 2006 to $97.86 billion, and Total Expenditures and Other Uses increased by 11% or $9.39 billion to $94.79 billion. Total Tax Collections received in the General Revenue Fund increased by 7.6% to $36.04 billion.

Tax-supported debt ratios for Texas rank well below other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. U.S. Bureau of the Census figures rank Texas 2nd in population, but 3rd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita. Texas remains well below its constitutional debt limit of 5% with a ratio of 1.99% including authorized but unissued debt, an increase of 6.4% from the fiscal 2006 ratio of 1.87%.

State and Local Financings in FY 2007

Approximately $5.87 billion in new-money and refunding bonds were issued by state agencies and institutions of higher education in fiscal 2007 compared to $3.41 billion in fiscal 2006, an increase of 72.1%. In addition, approximately $1.33 billion in commercial paper and variable-rate notes were issued in fiscal year 2007 compared to slightly less than $1.30 billion issued in fiscal 2006. New-money bond issuances totaled $4.08 billion during fiscal 2007 compared to $2.79 billion in fiscal 2006, an increase of 46.2%. Continued lower interest rates resulted in the issuance of nearly $1.79 billion in refundings of state debt compared to slightly less than $622.4 million in refundings completed in fiscal 2006.

Projections for fiscal year 2008 indicate an increase of 33.8% in overall state debt issuance to approximately $9.63 billion including nearly $1.46 billion in commercial paper and variable-rate notes and up to $3.60 billion in refundings. Much of the anticipated increase is attributable to projected financings by the Texas Department of Transportation for the Texas Mobility Fund ($1.0 billion) and the State Highway Fund ($1.0 billion), and The University of Texas System – RFS ($1.43 billion). For the fiscal year ending August 31, 2007, Texas' total state debt outstanding increased by 13.1% to $26.37 billion compared to $23.32 billion at fiscal year-end 2006.

Local government debt issuance in Texas for fiscal 2007 experienced a resurgence with a 45.5% increase when compared to 2006 -- $29.07 billion versus $19.99 billion, respectively. New-money bond volume climbed by 44.1% over fiscal 2006 as did refunding bond volume by 47.7%. Data for fiscal 2007 indicate that of the $29.07 billion issued, approximately $18.03 billion was issued for new-money purposes while $11.04 billion was issued for refunding prior outstanding debt. For the fiscal year ending August 31, 2006, Texas' total local government debt outstanding increased by 6.7% to $127.42 billion compared to $119.44 billion at fiscal year-end 2005. Outstanding debt totals are not yet available for local governmental entities for fiscal 2007.

Issuance Costs

Issuance cost data for state debt transactions that closed in fiscal 2007 reveals that the total costs of issuance, including the underwriting spread, offering expenses and fees averaged $1,192,905 or $7.66 per $1,000 compared to $912,036 in total costs and $8.41 per $1,000, respectively, in fiscal 2006. The increase in average costs and the decrease in the costs per $1,000 are explained by the fact that fiscal 2007 saw more issuances over $500 million than fiscal 2006. In fiscal 2007, 17% of all issuances were over $500 million which have higher total costs but lower costs per $1,000, compared to only 12% in fiscal 2006.

Private Activity Bond Allocation Program

Texas experienced a 9.3% increase in volume cap for the calendar 2007 Private Activity Bond Allocation Program to finance "private activities" such as single family mortgages, multifamily housing, pollution control facilities and student loans. The 2007 volume cap was set at $1,998,161,555, an increase of almost $169.4 million from the 2006 cap of $1,828,797,440.

Despite Texas' increased volume cap in 2007, demand exceeded the funds available for the program. The state has been technically oversubscribed each year since 1989. Applications received for program year 2007 exceeded $4.34 billion, or 228.7% of the available volume cap. Unlike 2005 when all of the $4.57 billion was offered a reservation, demand in 2007 increased to levels more typical of past years, and a waiting list is now in place.

While the number of lottery applications for calendar 2006 was at a record low, by the end of the program year demand for tax-exempt bond financing had returned to normal levels for most of the subceilings. This trend continued in 2007. While only 140 applications were made for the 2007 lottery, a record 255 applications were reserved for the full year. With 40 initial applications submitted for the 2008 lottery and 53 submitted subsequently, the trend toward excess demand is apparently continuing in 2008.

80th Legislative Session

The passage of SB 1332 during the 80th Legislature modified the BRB's statute. Among its provisions the bill requires issuers to submit Requests for Proposals for third party services, final proposals for such services and executed contracts upon request. The bill also added a definition of interest rate management agreements and requires the Board to develop a related policy and expands the definition of state security to include obligations issued under the Texas Education Code, Chapter 53. In addition, the legislation requires the BRB to submit a Debt Affordability Study annually to state leadership.

The report concludes with four appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2007. Appendix B reports on commercial paper and variable-rate debt programs used by state agencies and universities. Appendix C provides a background discussion of Texas Swap Programs and reports on the state's swaps outstanding and their debt-service requirements. While not a debt

of the state, the aggregate notional amount of interest rate swaps outstanding at the state level was $2.89 billion at fiscal year-end 2007. Appendix D provides a brief description of each of the state's bond issuing entities.

Contents

Chapter 1: Texas Debt in Perspective....1

Chapter 2: State Debt Issued in Fiscal 2007 15

Chapter 3: State Debt Outstanding....23

Chapter 4: State Bond Issuance Costs 31

Chapter 5: Texas Private Activity Bond Allocation Program....37

Appendix A: Summary of Bonds Issued 43

Appendix B: State Commercial Paper and Variable-Rate Note Programs 87

Appendix C: State Issuers' Use of Swaps 91

Appendix D: Texas State Debt Programs 97

Figures

Figure 1: Ending Cash Balance in Texas' General Revenue Fund 1

Figure 2: Local Debt as a Percentage of Total State and Local Debt for Texas and the U.S. 8

Figure 3: Annual Debt Service as a Percentage of Unrestricted General Revenue...8

Figure 4: Unrestricted General Revenue 9

Figure 5: Growth in Texas Local Debt Outstanding.....13

Figure 6: Texas New Money and Refunding Bond Issues 1993 – 2007.....16

Figure 7: Texas State Debt Outstanding Backed Only by General Revenue.....25

Figure 8: Annual Debt Service Paid from General Revenue.....26

Figure 9: Gross Underwriting Spreads: 1997 – 2007 Texas State Bond Issues vs. All Municipal Bond Issues.....33

Figure 10: Average Issuance Costs for Texas Bonds by Size of Issue.....34

Figure 11: Gross Underwriting Spreads: 2000 – 2007 Negotiated vs. Competitive Municipal Issues.....35

Figure 12: State of Texas Private Activity Bond Allocation Program Available vs. Requested Allocation.....40

Tables

Table 1: Statement of Cash Condition – Consolidated General Revenue Fund 2

Table 2: State General Obligation Bond Ratings.....3

Table 3: Upgrades and Downgrades in State General Obligation Bond Ratings 5

Table 4: Selected Tax-Supported Debt Measures by State.....6

Table 5: Selected Debt Measures for Texas and States Rated AAA.....7

Table 6: Total State and Local Debt Outstanding: Ten Most Populous States 7

Table 7: Texas Local Governments – Debt Outstanding Summary 12

Table 8: Texas Bonds Issued During Fiscal 2007 – Summarized by Issuer 15

Table 9: Lease-Purchase Agreements Approved by the Bond Review Board Fiscal 2007.....18

Table 10: Texas State Debt Issues Expected During Fiscal 2008 19-20

Table 11: Texas Debt Outstanding.....24

Table 11A: Texas College and University Revenue Debt Outstanding.....25

Table 12: Debt-Service Requirements of Texas State Bonds by Fiscal Year.....27

Table 12A: Debt-Service Requirements of Texas College and University Revenue Bonds by Fiscal Year.....28

Table 13: Texas Bonds Authorized but Unissued 29

Table 14: Average Issuance Costs for Texas Bond Issues 33

Table 15: State of Texas PAB – 2007 Set-Aside vs. Issued Allocation Amounts.....39

Table 16: State of Texas PAB – 2007 Applications for Allocation.....41

Table 17: Bonds by Issuer - Reported for Fiscal Year 2007 43

Table 18: Texas Commercial Paper and Variable-Rate Note Programs.....87

Table 19: Texas Interest Rate Swaps as of August 31, 2007 (Unaudited) 94

Table 20: Estimated Debt-Service Requirements of Variable-Rate Debt Outstanding and Net Interest Rate Swap Payments (Excludes Pay-Variable, Receive-Variable (Basis) Swaps).....95

Table 21: Estimated Debt-Service Requirements of Variable-Rate Debt Outstanding and Net Interest Rate Swap Payments (Pay-Variable, Receive-Variable (Basis) Swaps Only) 96

Chapter 1
Texas Debt in Perspective

During fiscal 2007, Texas expended $415 in net tax-supported debt per capita, up from $307 in fiscal 2006, compared to a national median of $787 and an average of $1,101.

STATE DEBT

Texas' Financial Position Continues to Rebound

Texas ended the fiscal year with a General Revenue Fund cash balance of $12.25 billion, the largest closing balance in the past eleven years *(Figure 1)*. This balance represents a 33.5% increase from the fiscal 2006 year-end closing balance of $9.17 billion and continues an upward trend that began in fiscal 2003.

Year-end Total Net Revenues and Other Sources increased 9% to $97.86 billion while Total Expenditures and Other Uses increased by 11% to $94.79 billion *(Table 1)*. Total Tax Collections received in the General Revenue Fund increased by 7.6% to $36.04 billion.

The state's primary source of revenue is the Sales Tax which contributed 56% of the Total Tax Collections during fiscal 2007. Sales Tax collections rose to $20.18 billion, a 10.9% increase from the prior fiscal year. Natural Gas Production Tax collections ended the year at $1.89 billion, a decrease of 19% from fiscal 2006. Motor Fuels Taxes increased by 2.0% and the combined Motor Vehicle and Manufactured Housing Sales and Use Tax collections increased by 7.8% in fiscal 2007.

As provided in federal legislation enacted in fiscal year 2001, a four-year phase-out of the state inheritance tax was completed in fiscal year 2006. As a result, Inheritance Tax collections decreased 60.4% from $13.4 million in fiscal year 2006 to $5.3 million in fiscal year 2007. Cigarette and Tobacco Tax collections increased 13.2% in fiscal year 2007.

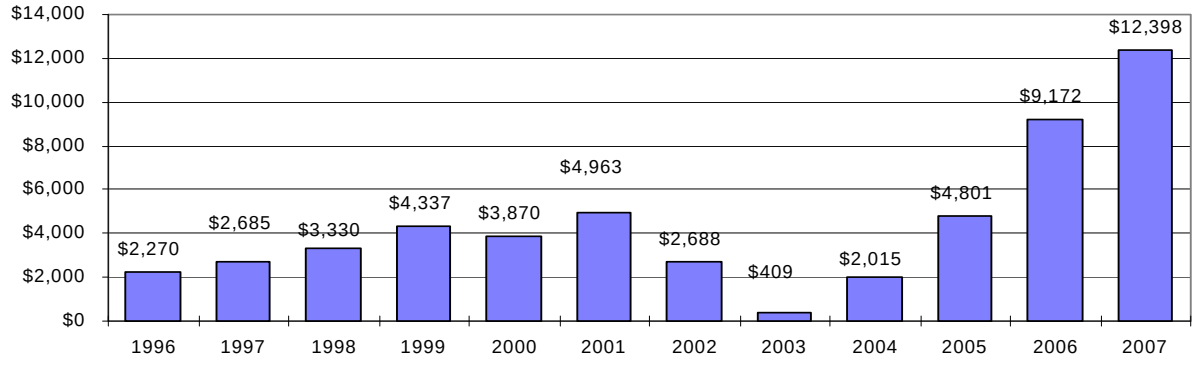
80th Legislative Session

The 80th Legislature authorized additional general obligation debt that was approved by the voters at the November 2007 general election. These include SJR 64 to finance $5 billion for transportation projects; HJR 90 for $3 billion to finance cancer research; SJR 65 for $1 billion to finance capital projects for certain state agencies; SJR 57 for $500 million to finance student loans; and SJR 20 for $250 million for water projects.

Figure 1

ENDING CASH BALANCE IN TEXAS' GENERAL REVENUE FUND

(millions of dollars)



Source: Texas Comptroller of Public Accounts, 2007 Annual Cash Report

Table 1

STATEMENT OF CASH CONDITION
CONSOLIDATED GENERAL REVENUE FUND
(amounts in thousands)

	Fiscal 2006	Fiscal 2007	Percent Change
Revenues and Beginning Balance			
Beginning Balance, September 1	$4,801,158	$9,179,681	91.2%
Tax Collections			
General Revenue Fund			
Sales Tax	18,200,845	20,183,344	10.9%
Oil Production Tax	862,361	835,025	-3.2%
Natural Gas Production Tax	2,339,147	1,895,488	-19.0%
Motor Fuels Taxes	2,993,570	3,053,812	2.0%
Cigarette and Tobacco Taxes	545,904	617,993	13.2%
Motor Vehicle Sale/Rental, Mfg. Housing Sale	3,060,542	3,300,759	7.8%
Franchise Tax	2,605,447	3,144,059	20.7%
Alcoholic Beverages Taxes	680,748	731,677	7.5%
Insurance Taxes	1,232,409	1,345,534	9.2%
Inheritance Tax	13,360	5,291	-60.4%
Hotel and Motel Tax	308,019	340,634	10.6%
Utilities Taxes	480,793	506,069	5.3%
Other Taxes	186,465	79,918	-57.1%
Total Tax Collections	$33,509,610	$36,039,603	7.6%
Federal Income	$21,562,906	$22,335,904	3.6%
Interest & Investment Income	184,738	374,975	103.0%
Licenses, Fees, Permits, Fines, & Penalties	4,861,231	5,493,499	13.0%
Contributions to Employee Benefits	220,924	237,887	7.7%
Sales of Goods and Services	159,798	156,504	-2.1%
Land Income	21,190	47,255	123.0%
Settlements of Claims	539,730	541,455	0.3%
Net Lottery Proceeds	1,585,181	1,551,976	-2.1%
Other Revenue Sources	2,077,058	2,582,599	24.3%
Interfund Transfers / Investment Transactions	25,059,608	28,502,242	13.7%
Total Net Revenue and Other Sources	$89,781,974	$97,863,899	9.0%
Expenditures and Ending Balance			
General Government	$2,323,926	$2,216,831	-4.6%
Health and Human Services	25,212,657	27,527,886	9.2%
Public Safety and Correction	3,771,614	3,320,712	-12.0%
Education	20,919,231	24,049,813	15.0%
Employee Benefits	2,361,660	2,470,239	4.6%
Lottery Winnings Paid	475,826	389,758	-18.1%
Other Expenditures*	1,244,766	1,471,242	18.2%
Interfund Transfers / Investment Transactions	29,093,776	33,345,106	14.6%
Total Expenditures and Other Uses	$85,403,456	$94,791,587	11.0%
Net decrease to Petty Cash Accounts	57	62	
Ending Balance, August 31	$9,179,733	$12,252,055	33.5%

Source: Texas Comptroller of Public Accounts, 2007 Cash Report, Tables 1 & 11.

* Includes Transportation, Natural Resources/Recreational Services, Regulatory Agencies, Payment of Interest and Capital Outlay.
Totals may not sum due to rounding.

The passage of SB 1332 modified the Bond Review Board statute. Among its provisions the bill requires issuers to submit Requests for Proposals, final proposals and executed contracts upon request. The bill added a definition of interest rate management agreements and requires the Board to develop a related policy. The definition of state security was expanded to include obligations issued under the Texas Education Code, Chapter 53. In addition, the Bond Review Board is required to submit a Debt Affordability Study annually to state leadership.

SB 968 expanded and clarified interest rate management agreements as defined in the Texas Government Code, Chapter 1371. This bill requires issuers to have appropriate policies and oversight unless they are considered experienced as defined within statute. SB 792 expanded authority for State Highway Fund Bonds from $3 billion to $6 billion, and HB 153 appropriated debt service for Tuition Revenue Bonds passed during the Third Special Session of the 79th Legislature.

79th Legislature Special Sessions

The 79th Legislature was called into three special sessions to address school finance. During the Third Special Session the legislature enacted a revised business franchise tax (HB 3); a motor vehicle standard presumptive value for sales tax purposes (HB 4) and an increase in the tax rate for cigarettes and other tobacco products (HB 5). All of the additional revenue generated by these new or revised taxes is to be dedicated to reducing school property taxes (HB 2).

Also during the Third Special Session the legislature passed HB 153 that authorized the issuance of, but did not appropriate debt-service for $1.86 billion in Tuition Revenue Bonds.

Texas GO Bond Ratings

Texas' general obligation debt is split-rated at Aa1/AA/AA+ by the three major credit rating agencies, Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), respectively *(Table 2)*.

Credit rating agencies consider four primary factors when rating a state's debt: economy, finances, debt

Table 2
STATE GENERAL OBLIGATION BOND RATINGS
August 2007

Tier Ranking	State	Moody's Investors Service	Standard & Poor's	Fitch Ratings
1	Delaware	Aaa	AAA	AAA
1	Georgia	Aaa	AAA	AAA
1	Maryland	Aaa	AAA	AAA
1	Missouri	Aaa	AAA	AAA
1	North Carolina	Aaa	AAA	AAA
1	Utah	Aaa	AAA	AAA
1	Virginia	Aaa	AAA	AAA
2	Minnesota	Aa1	AAA	AAA
2	South Carolina	Aaa	AA+	AAA
3	Florida	Aa1	AAA	AA+
3	Vermont	Aaa	AA+	AA+
4	Nevada	Aa1	AA+	AA+
4	New Mexico	Aa1	AA+	**
4	Ohio	Aa1	AA+	AA+
4	Tennessee	Aa1	AA+	AA+
5	**TEXAS**	**Aa1**	**AA**	**AA+**
6	Washington	Aa1	AA	AA
7	Alabama	Aa2	AA	AA
7	Alaska	Aa2	AA	AA
7	Arkansas	Aa2	AA	**
7	Hawaii	Aa2	AA	AA
7	Massachusetts	Aa2	AA	AA
7	New Hampshire	Aa2	AA	AA
7	Pennsylvania	Aa2	AA	AA
8	Connecticut	Aa3	AA	AA
8	Illinois	Aa3	AA	AA
8	Maine	Aa3	AA	AA
8	Mississippi	Aa3	AA	AA
8	Montana	Aa2	AA-	AA
8	Oklahoma	Aa3	AA	AA
8	Rhode Island	Aa3	AA	AA
9	New Jersey	Aa3	AA	AA-
9	New York	Aa3	AA	AA-
10	Michigan	Aa3	AA-	AA-
10	Oregon	Aa3	AA-	AA-
10	West Virginia	Aa3	AA-	AA-
10	Wisconsin	Aa3	AA-	AA-
11	California	A1	A+	A+
12	Louisiana	A2	A	A
*	Arizona	*	*	*
*	Colorado	*	*	*
*	Idaho	*	*	*
*	Indiana	*	*	*
*	Iowa	*	*	*
*	Kansas	*	*	*
*	Kentucky	*	*	*
*	Nebraska	*	*	*
*	North Dakota	*	*	*
*	South Dakota	*	*	*
*	Wyoming	**	*	*

* State does not carry a G O rating
** Not rated
Sources: Moody's Investors Service, Standard & Poor's, and Fitch Ratings

and management. Within economic factors, the agencies review the state's income, employment, economic diversity and demographics. Financial factors considered are the state's revenues, cost structure, balance sheet health and liquidity. Debt factors reviewed include debt ratios and debt security and structure. Management, a major factor for the rating agencies includes: budget development and management practices; constitutional constraints, initiatives and referenda; executive branch controls; mandates to maintain a balanced budget; rainy day funds; and political polarization.

Texas' AAA rating was downgraded in 1987 due to the state's economic recession during the 1980s. Since that time the state's economic base has shown considerable improvement and diversification. A steady transition from an oil and gas economy to one increasingly based on services, manufacturing and technology has broadened the state's sources of revenue.

In June 1999, Moody's upgraded the state's general obligation debt from Aa2 to Aa1. The core factors that led to the higher rating were: (1) the state's economic expansion, (2) reduced dependence on oil and gas, (3) low debt ratios, (4) balanced state finances, (5) increasing cash balances, and (6) tobacco settlement funds targeted for health and higher education. Moody's assessed the risks associated with its credit rating of Texas' general obligation debt to include: (1) the future of internet taxation, (2) the state's modest fiscal reserves and (3) population growth.

Although Moody's elected to upgrade the state's debt rating, S&P downgraded the state's rating outlook from "positive" to "stable." S&P cited a modest level of financial reserves ("Rainy Day Fund") as the primary reason for the downgrade and concluded that the state's financial flexibility could become impaired without adequate financial reserves supported by a financially sound budget.

Recent Credit Rating Agency Reports on Texas' General Obligation Debt

Moody's outlook for Texas' rating remains stable. According to a Moody's article published on January 24, 2007, the state's credit strengths include: "the state's longstanding history of appropriating for debt; an economy, aided by a growing population, which continues to diversify and expand, outpacing the nation; and conservative revenue forecasting that is an established part of the budgeting process, providing a buffer if revenues contract." Moody's major credit challenge is described as "tax changes that are part of school finance legislation enacted during the last legislative session may lead to significant budget imbalance in future years."

S&P's outlook for the state's rating also remains stable. The rationale for the state's outlook, as noted in an S&P research report published on June 5, 2007, is based upon the fact that "Long-term debt levels have historically been very low." S&P also notes that state agencies, including the Texas Veterans' Land Board has a long-established swap program to manage its interest rate exposure.

Fitch continues to give the state a stable credit rating. A report issued in April 2006 cited Texas' "low debt, conservative financial operations, and an economy that has expanded and diversified." The stability of the state's rating "reflects the state's strong economic and revenue growth as well as sizable balances." Obstacles to improving the state's credit rating is "impeded by the increasing demands that rapid growth places on the state's consumption-based tax system and lack of centralized debt issuance. Financial pressures include the unresolved court mandate for education funding reform and large transportation needs."

Twelve States Receive Rating Upgrades During fiscal 2007, twelve states received rating upgrades for their general obligation bonds while eight states have received downgrades. During fiscal 2007, Alabama, California, Montana, North Carolina, Tennessee and Vermont received upgrades from Moody's while Hawaii, Maine, Montana, Nevada, New Jersey, Rhode Island, South Carolina and Tennessee received rating upgrades from Standard & Poor's and/or Fitch Ratings for their general obligation bonds *(Table 3)*. Tennessee was the only state to receive upgrades from all three rating agencies.

Table 3
UPGRADES AND DOWNGRADES IN STATE GENERAL OBLIGATION BOND RATINGS
August 2006 to August 2007

State	Rating Change	Agency
	Upgrades	
Alabama	Aa3 to Aa2	Moody's
California	A2 to A1	Moody's
Hawaii	AA- to AA	Standard & Poor's
Hawaii	AA- to AA	Fitch Ratings
Maine	AA- to AA	Standard & Poor's
Maine	AA- to AA	Fitch Ratings
Montana	Aa3 to Aa2	Moody's
Montana	AA- to AA	Fitch Ratings
Nevada	AA to AA+	Standard & Poor's
New Jersey	AA- to AA	Standard & Poor's
North Carolina	Aa1 to Aaa	Moody's
Rhode Island	AA- to AA	Standard & Poor's
South Carolina	AA+ to AAA	Fitch Ratings
Tennessee	Aa2 to Aa1	Moody's
Tennessee	AA to AA+	Standard & Poor's
Tennessee	AA to AA+	Fitch Ratings
Vermont	Aa1 to Aaa	Moody's
	Downgrades	
Arkansas	AA to **	Fitch Ratings
Florida	AAA to AA+	Standard & Poor's
Louisiana	A+ to A	Standard & Poor's
Michigan	Aa2 to Aa3	Moody's
Michigan	AA to AA-	Standard & Poor's
Michigan	AA to AA-	Fitch Ratings
New Jersey	AA to AA-	Fitch Ratings
New York	AA to AA-	Fitch Ratings
South Carolina	AAA to AA+	Standard & Poor's
Wyoming	Aa3 to *	Moody's

Sources: Moody's Investors Service, Standard & Poor's, and Fitch Ratings
*Issuer Rating (No G O Debt)
**No general obligation debt

Arkansas, Florida, Louisiana, Michigan, New Jersey, New York, South Carolina and Wyoming were downgraded in fiscal 2007. Michigan received downgrades from all three ratings agencies while Fitch Ratings no longer carries a rating for the state of Arkansas. Similarly, Moody's no longer rates Wyoming.

Texas' Debt Ratios Compared to Triple A-Rated and Other States

According to Moody's 2007 State Debt Medians *(Table 4),* during fiscal year 2007 Texas ranked 41st among all states in net tax-supported debt per capita, up from 44th in fiscal year 2006. According to the Moody's report, during fiscal 2007 Texas expended $415 in net tax-supported debt per capita, up from $307 in fiscal year 2006. In fiscal year 2007 the national median and mean for such debt were $787 and $1,101, respectively.

Texas' net tax-supported debt as a percent of 2005 personal income is 1.3%, 41st among the 50 states and well below the national median and mean of 2.4% and 3.2%, respectively *(Table 4)*. Compared to the seven states rated AAA by all three major rating agencies, Texas' 1.3% ranks lowest while the median and mean of the seven states were 2.4% and 2.8%, respectively *(Table 5)*.

With net tax-supported debt per capita at $415, Texas ranks lower than the seven AAA-rated states. By comparison, Delaware had the highest debt per capita at $1,998. Additionally, Texas' 2005 personal income per capita of $32,462 is above that of Georgia, Missouri, North Carolina and Utah, all of which are rated AAA.

The most recent data from the U.S. Census Bureau (2004) on state and local debt outstanding shows that Texas ranks 3rd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita *(Table 6)*. In 2004, 84.3% of Texas' total state and local debt burden was at the local level *(Figure 2)*. Local debt includes debt issued by cities, counties, school and hospital districts and special districts.

Many communities throughout Texas are experiencing significant population growth with resulting increased demand for infrastructure, programs and services. Net migration to the state has forced many small and medium-sized communities to increase financing for infrastructure such as roads, school construction, and water and wastewater services to meet those needs. Based on projections of current demographic trends, Texas will continue to experience increasing demand for expenditures in these areas.

Table 4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 2005 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank
Hawaii	Aa2	10.6%	1	$3,630	3
Massachusetts	Aa2	9.4%	2	4,153	1
Connecticut	Aa3	7.8%	3	3,713	2
New Jersey	Aa3	7.6%	4	3,317	4
New York	Aa3	6.7%	5	2,694	5
Illinois	Aa3	5.5%	6	1,976	7
Delaware	Aaa	5.5%	7	1,998	6
New Mexico	Aa1	5.3%	8	1,435	12
Washington	Aa1	5.1%	9	1,765	8
Louisiana	A2	4.9%	10	1,294	14
Mississippi	Aa3*	4.9%	11	1,247	15
Oregon	Aa3	4.6%	12	1,464	11
Rhode lsland	Aa3	4.6%	13	1,687	9
California	A1	4.4%	14	1,623	10
Kentucky	Aa2*	4.3%	15	1,204	17
Wisconsin	Aa3	4.2%	16	1,405	13
West Virginia	Aa3	3.9%	17	1,071	19
Kansas	Aa1*	3.7%	18	1,218	16
Florida	Aa1	3.1%	19	1,020	20
Georgia	Aaa	3.0%	20	916	23
Ohio	Aa1	3.0%	21	974	21
Maryland	Aaa	2.8%	22	1,171	18
Alaska	Aa2	2.7%	23	939	22
Pennsylvania	Aa2	2.4%	24	852	24
North Carolina	Aaa	2.4%	25	728	27
Utah	Aaa	2.3%	26	621	32
South Carolina	Aaa	2.3%	27	630	31
Michigan	Aa3	2.2%	28	747	26
Minnesota	Aa1	2.2%	29	827	25
Vermont	Aaa	2.1%	30	706	28
Indiana	Aa1*	2.1%	31	657	30
Alabama	Aa2	2.0%	32	590	37
Arizona	Aa3*	2.0%	33	594	35
Missouri	Aaa	1.9%	34	613	33
Maine	Aa3	1.9%	35	603	34
Virginia	Aaa	1.8%	36	692	29
Nevada	Aa1	1.7%	37	591	36
Oklahoma	Aa3	1.5%	38	450	39
Montana	Aa2	1.5%	39	439	40
Arkansas	Aa2	1.4%	40	370	42
TEXAS	Aa1	1.3%	41	415	41
New Hampshire	Aa2	1.3%	42	492	38
North Dakota	Aa2*	1.0%	43	322	44
Colorado	NGO**	0.9%	44	343	43
South Dakota	NGO**	0.8%	45	261	45
Tennessee	Aa1	0.7%	46	213	46
Idaho	Aa2*	0.6%	47	157	47
Iowa	Aa1*	0.3%	48	104	48
Wyoming	NGO**	0.3%	49	97	49
Nebraska	NGO**	0.1%	50	24	50
Mean		3.2%		$1,101	
Median		2.4%		$787	
Puerto Rico***	Baa3	66.3%		$8,322	

* Issuer Rating (No G.O. Debt)
** No general obligation debt
*** Included for comparison purposes only. Not included in any totals, averages or median calculations.

Source: Moody's Investors Service, *2007 State Debt Medians.*

Table 5

SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA*

State	Rating	Net Tax-Supported Debt as a % of 2005 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank	2005 Personal Income Per Capita
Delaware	AAA	5.5%	7	$1,998	6	$37,065
Georgia	AAA	3.0%	20	$916	23	$31,121
Maryland	AAA	2.8%	22	$1,171	18	$41,760
Missouri	AAA	1.9%	34	$613	33	$31,899
North Carolina	AAA	2.4%	25	$728	27	$30,553
Utah	AAA	2.3%	26	$621	32	$28,061
Virginia	AAA	1.8%	36	$692	29	$38,390
TEXAS	Aa1	1.3%	41	$415	41	$32,462
Median of AAA States**		**2.4%**		**$728**		**$31,899**
Mean of AAA States**		**2.8%**		**$963**		**$34,121**

* States listed as AAA are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch Ratings.

**Median and mean figures do not include Texas.

Sources: Moody's Investors Service, *2007 State Debt Medians;* Bureau of Economic Analysis, State Bear Facts

Debt Supported by General Revenue Continues to Decrease

Texas' general obligation debt pledges "the full faith and credit of the state" to back the payment of the debt. In the event that revenue to support the debt is insufficient to service the debt, the first monies coming into the Office of the Comptroller – Treasury Operations not otherwise constitutionally appropriated, shall be used to pay the debt service on these obligations.

Some general obligation bonds, such as those issued by the Texas Veterans Land Board are self-supporting, that is, the debt is repaid from revenues generated from projects the debt finances. Other general obligation debt, such as that issued by the Texas Public Finance Authority to finance programs for the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services and the Texas Youth Commission are not self-supporting and must receive annual appropriations from the legislature for debt-service payments from the state's general revenue fund.

Not self-supporting state debt payable from general revenue has decreased in each fiscal year since 1999

Table 6

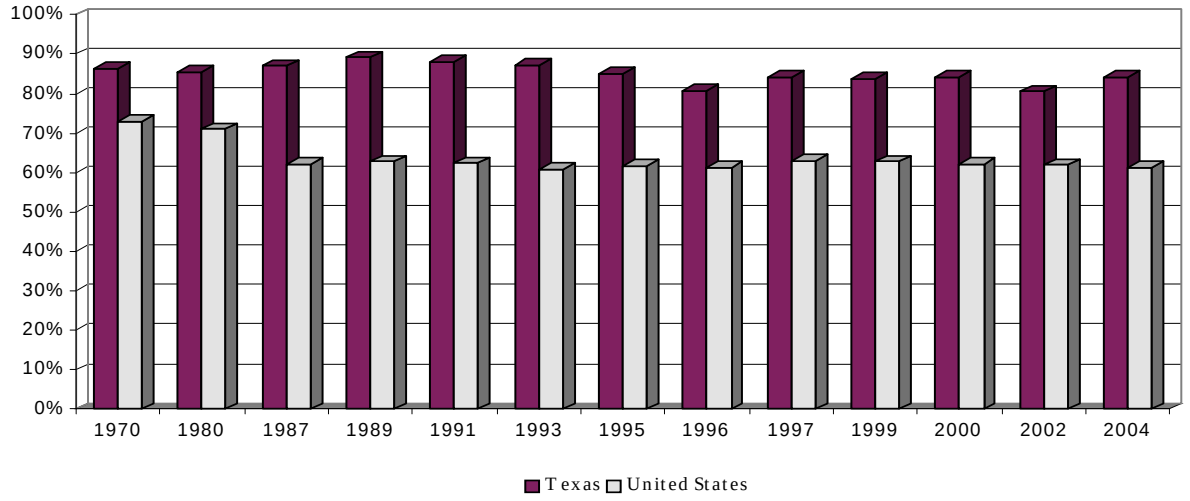
TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES

		Total State and Local Debt			State Debt				Local Debt			
State	Population (thousands)	Per Capita Rank	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount
New York	19,281	1	$219,358	$11,377	1	$95,710	43.6%	$4,964	1	$123,648	56.4%	$6,413
Illinois	12,712	2	102,304	8,048	3	48,726	47.6%	3,833	6	53,578	52.4%	4,215
Pennsylvania	12,394	3	96,374	7,776	5	25,996	27.0%	2,097	2	70,378	73.0%	5,678
California	35,842	4	269,935	7,531	4	104,008	38.5%	2,902	5	165,927	61.5%	4,629
New Jersey	8,685	5	64,272	7,400	2	35,770	55.7%	4,119	8	28,502	44.3%	3,282
TEXAS	**22,472**	**6**	146,009	**6,497**	**9**	**22,926**	**15.7%**	**1,020**	**3**	**123,084**	**84.3%**	**5,477**
Florida	17,385	7	108,764	6,256	8	25,740	23.7%	1,481	4	83,024	76.3%	4,776
Michigan	10,104	8	57,609	5,702	6	20,960	36.4%	2,074	7	36,649	63.6%	3,627
Ohio	11,450	9	57,898	5,057	7	22,183	38.3%	1,937	9	35,715	61.7%	3,119
Georgia	8,918	10	34,848	3,908	10	8,664	24.9%	972	10	26,184	75.1%	2,936
MEAN			**$115,737**	**$6,955**		**$41,068**	**35.1%**	**$2,540**		**$74,669**	**64.9%**	**$4,415**

Note: Detail may not add to total due to rounding.

Source: U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State: 2003-2004,* the most recent data available.

Figure 2
LOCAL DEBT AS A PERCENTAGE OF TOTAL STATE AND LOCAL DEBT FOR TEXAS AND THE U.S.



Source: U S Census Bureau, *State and Local Government Finances by Level of Government and by State 2003-2004,* the most recent data available

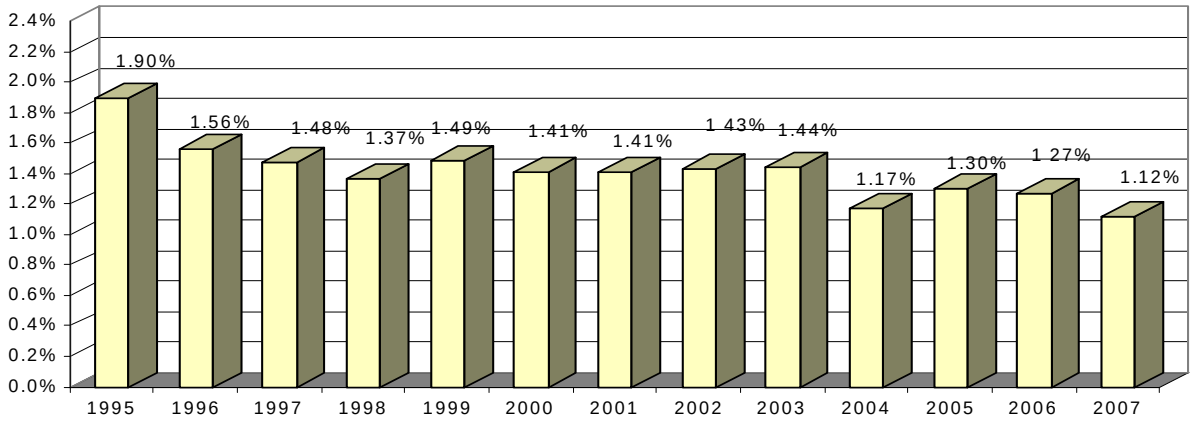
when the total of such debt was $3.38 billion.
At the end of fiscal 2007, $2.75 billion of such debt was outstanding, a slight decrease from the $2.98 billion outstanding in fiscal 2006 and an 18.6% decrease since fiscal 1999.

Annual debt service as a percent of unrestricted general revenue decreased from 1.27% in fiscal year 2006 to 1.12% in fiscal year 2007 *(Figure 3)*. Debt service payable from general revenue also saw a decrease in fiscal 2007. On the other hand, funds accessible to make debt-service payments increased in fiscal 2007 *(Figure 4)*. Unrestricted general revenue is typically considered the most available funding source to make debt-service payments and to fund appropriations for state operations.

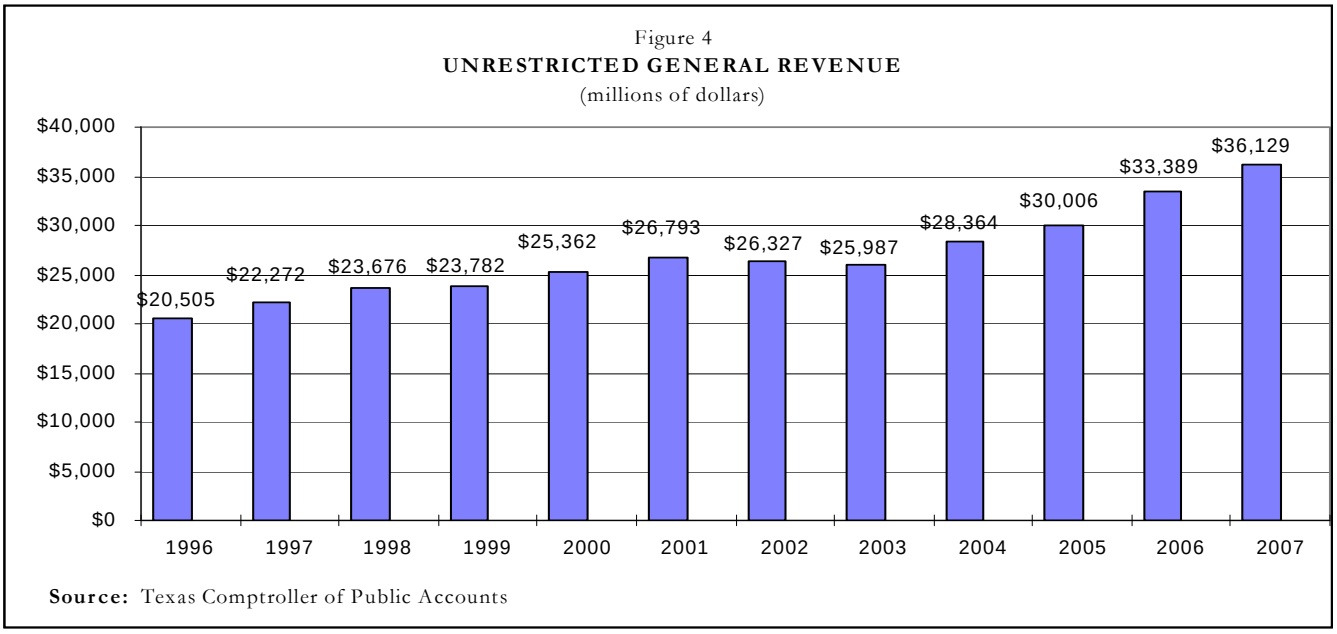
Authorized but Unissued Debt Adds to Texas' Debt Burden

Texas continues to have a moderate amount of authorized but unissued debt that has been authorized by the legislature and may be issued at any time without further legislative action. At the end of fiscal year 2007, Texas had approximately $11.43 billion of authorized but unissued debt. Of this, approximately $3.83 billion is general

Figure 3
ANNUAL DEBT SERVICE AS A PERCENTAGE OF UNRESTRICTED GENERAL REVENUE



Sources: Texas Bond Review Board - Bond Finance Office and the Texas Comptroller of Public Accounts.



obligation debt while $7.6 billion is non-general obligation debt. Approximately $875 million of the authorized but unissued amount includes general obligation and non-general obligation debt payable from general revenue.

Texas' Constitutional Debt Limit and Debt-Management Policy

The Texas Constitution limits the amount of tax-supported debt that may be issued. In 1997, the 75th Legislature passed and voters approved HB 59 which states that additional tax-supported debt may not be authorized if the maximum annual debt service on debt payable from general revenue, including authorized but unissued debt exceeds 5% of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

The debt-limit ratio for debt outstanding at fiscal year-end increased from 1.33% in 2006 to 1.45% in 2007. With the inclusion of authorized but unissued debt, the fiscal 2007 ratio is 1.99 % compared to the fiscal 2006 ratio of 1.87%.

With the passage of HB 2190, the 77th Legislature directed the Bond Review Board to adopt formal debt policies and issuer guidelines to provide guidance to issuers of state securities and to ensure that state debt is prudently managed. These policies and guidelines are available on the agency's website. During the 80th Legislature, SB 1332 amended this section to require the Board to adopt a policy related to the risks and effects of the execution of interest rate management (derivative) agreements.

Capital Planning Review and Approval Process

The 76th Legislature passed legislation that directs the Bond Review Board biennially to produce the state's Capital Expenditure Plan (CEP). This legislation specifies that all state agencies and institutions of higher education appropriated funds by the General Appropriations Act are required to report capital planning information for projects that fall within four specific project areas: (1) acquisition of land and other real property, (2) construction of buildings and facilities, (3) repairs and/or rehabilitation and (4) acquisition of information resource technologies.

From a budgetary and capital planning standpoint, a number of state agencies work together to coordinate both capital reporting and the budget approval process for all state agencies. These include the Governor's Office of Budget, Planning & Policy, the Legislative Budget Board, the Texas Higher Education Coordinating Board, the Comptroller of Public Accounts, the House Committee on Appropriations, the Senate Finance Committee and the Texas Facilities Commission (formerly the Texas Building and Procurement Commission).

The legislature defines the types of projects and cost thresholds to be reported in the CEP. The BRB coordinates the submission of capital projects through the CEP, develops the report and determines the effect of the additional capital requests on the state's budget and debt capacity. The completed plan is then forwarded to the

Governor's Office of Budget, Planning & Policy and the Legislative Budget Board (LBB) for their use in the development of appropriations' recommendations to the legislature. The two budget offices, with input from the requesting agencies or universities also assess short-term and long-term needs. The legislature then prioritizes needs through consideration of recommendations from the two budget offices and with the approval of the governor, makes the final decisions on which projects will be funded.

Approved capital and operating budgets are integrated into the General Appropriations Act which authorizes specific debt issuance for capital projects. Through the capital budgeting process, capital projects are approved for the biennial period. In addition, to plan for the future and identify longer-term needs for the state, the CEP also reports on three out-years.

The 2008-2009 CEP also covers the out-years 2010-2012 and represents the fourth published capital expenditure plan for the state, per Senate Bill 1, Article IX, Section 11.02, 79th Legislature (2005). The CEP is another management tool for state decision makers to use in assessing future individual capital expenditure requests within the framework of the state's overall financial position. The 2008-2009 CEP is available on the agency's website.

The debt-issuance process has become more consolidated at the state level while at the local level the process remains highly fragmented. At the state level the number of active, direct debt issuing agencies has been reduced to seventeen, but on the local level that number is nearly 4,200 in debt issuing entities.

Debt Affordability Study

The Bond Review Board, Legislative Budget Board and the Texas Public Finance Authority prepared the state's first Debt Affordability Study (DAS), released in February 2007. The DAS is designed to provide the state leadership with an integrated approach to manage state debt by assessing historical debt use and analyzing the state's financial and economic resources in conjunction with long-term needs contained in the CEP. With the passage of SB 1332 during the 80th Session, the Bond Review Board will be responsible for subsequent editions of the DAS due annually on December 1.

LOCAL DEBT

Local Debt Issuance Process

Local governments in Texas issue debt to finance construction and renovation of government facilities (school instructional facilities, public safety buildings, city halls, county courthouses), public infrastructure (roads, water and sewer systems) and various other projects for economic development. Key factors that affect a government's need or ability to borrow funds for infrastructure development include population changes, revenue sources, tax rates and levies, interest rates and construction costs. Other factors that affect debt issuance may simply be the importance of a project to a particular community.

Like state government, local governments issue two major types of long-term debt, general obligation debt and revenue debt. General obligation debt is secured by the full faith and credit of the issuers (i.e., the government's taxing authority) while revenue debt is secured solely by a specified revenue source.

The Texas Constitution indirectly sets debt limitations for local government entities by setting maximum ad valorem tax rates per $100 of assessed property valuation. These rates vary by government type, but all must generate sufficient funds based on annual ad valorem tax collections to provide for the payment of the principal and interest on all ad valorem tax (general obligation) debt. Additionally, all local debt issuance must be approved by the Office of the Attorney General – Public Finance Division and registered with the Texas Comptroller of Public Accounts.

Local Debt Issuance Wanes after Record High Volumes

Nationwide, municipal bond issuance set record highs between 2002 and 2005; however, in 2006 total muni-bond sales decreased to $388.72 billion. Texas local governments followed the same pattern with record breaking debt issuance in fiscal 2003

($22.09 billion), in fiscal 2004 ($20.92 billion) and in fiscal 2005 ($27.16 billion) with a substantial decline in issuance in fiscal 2006 ($19.99 billion). Despite the year-to-year swings, since fiscal 2002 when $19.42 billion was issued, local debt issuance has increased by only 2.9%. However, for fiscal 2007 Texas local governmental entities are expected to track the national resurgence and issue approximately $29.07 billion in local debt, up $9.09 billion or 45.5% from fiscal 2006.

The new-money portion issued during the five-year period was $63.45 billion with refunding totals reaching $46.14 billion. Cities, school districts and water districts comprised 86.8% of the new-money volume ($55.09 billion) and 86.6% of the refunding transaction volume ($39.96 billion) since fiscal 2002.Local debt refinancing reached an all-time high volume of $12.68 billion in fiscal 2005, but decreased considerably to $7.47 billion in fiscal 2006. Over the past five years, most governmental entities (84.1%) achieved both a cash and present value savings with these refundings. Some transactions resulted in only a net present value savings with a cash loss and others resulted in a loss in both. In the latter cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during times of economic weakness. Extending debt-service schedules to reduce annual payment requirements assisted in meeting this objective. Overall during this five-year period, Texas local issuers achieved cash savings of approximately $1.34 billion with a present value savings of $1.58 billion.

Texas Local Governments: $127.42 Billion in Debt Outstanding – a 34% Increase in Five Years

As of August 31, 2006, Texas local governments had $127.42 billion in outstanding debt *(Table 7),* or 34.2% ($32.48 billion) greater than the amount outstanding at the end of fiscal 2002. Approximately 59.1% ($75.37 billion) of that debt is general obligation debt to be repaid from local tax collections while the remaining 40.9% ($52.06 billion) will be repaid from revenues generated by various projects such as water and sewer and electric utility fees. As previously noted, Texas continues to rank 3rd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita.

On a cumulative level for all Texas local governments, five-year statistics show a 45.7% or $23.65 billion increase in tax-supported debt outstanding, and a 20.4% or $8.8 billion increase in revenue debt outstanding.

Majority of Debt Financing Supports Educational Facilities and Water-Related Infrastructure

During the five-year reporting period, the primary use of bond proceeds (37.4%) was for educational facilities and equipment including school buses. Financing for water-related infrastructure needs continues to be the second major purpose for debt issuance by Texas local governments (19.8%). The general-purpose category again ranks third at 18.6%. Some issuers, especially cities, borrow for multiple purposes, and over half of these multipurpose borrowings involve debt financings for water and transportation purposes; therefore, these two categories are likely understated.

Financing for transportation needs including projects for roads, toll ways, bridges, parking facilities, airports and rapid transit ranked as the fourth major purpose at 11%. For purposes of tracking the use of bond proceeds, the Bond Review Board has selected the following additional categories: economic development, commerce, recreation, solid waste, prisons/detention, power, combined utility systems, health-related facilities, fire protection and pension obligations.

Cities Account for Largest Portion of Total Debt and Revenue Debt Outstanding

Thirty-eight percent of all local government debt is carried by Texas cities. Thirty-eight percent or $18.38 billion of the city debt is tax-supported and the remaining $29.94 billion is revenue debt—debt that is repaid from a special revenue source rather than from general tax collections. The majority of city revenue debt has been used to finance utility-related projects, including water, wastewater and in

Table 7

TEXAS LOCAL GOVERNMENTS
Debt Outstanding Summary
As of August 31, 2006
(most recent data available)

Type of Issuer	Tax-Supported	Revenue	Total Debt
Cities, Towns, Villages			**$ 48,321,757,290**
Tax	18,379,703,905		
Revenue		29,722,244,015	
Sales Tax		184,680,000	
Conduit revenue		17,269,369	
Lease-purchase contracts (jail facilities only)		17,860,000	
Community and Junior Colleges			**2,135,012,322**
Tax	1,350,888,677		
Revenue		740,035,102	
Lease-purchase contracts (ed. facilities)		44,088,544	
Counties			**8,925,612,596**
Tax	6,961,024,214		
Revenue		1,536,556,900	
Conduit revenue		20,470,000	
Lease-purchase contracts (jail facilities only)		407,561,482	
Health / Hospital Districts			**1,508,420,142**
Tax	376,270,956		
Sales Tax	27,909,000		
Revenue		1,090,760,186	
Conduit revenue		13,480,000	
Public School Districts			**40,933,157,360**
Voter-approved tax (ed. facilities)	39,891,870,968		
Maintenance tax (ed. equipment)	621,185,058		
Lease-purchase contracts (ed. facilities)	417,936,335		
Revenue (athletic facilities)		2,165,000	
Water Districts and Authorities			**21,595,723,492**
Tax	7,233,056,952		
Revenue		6,259,986,540	
Conduit revenue		8,102,680,000	
Other Special Districts and Authorities (Road, power, housing)			**4,003,938,275**
Tax	107,712,000		
Sales Tax		979,860,000	
Revenue		2,893,786,275	
Lease-purchase contracts (ed. facilities)		22,580,000	
TOTAL LOCAL DEBT OUTSTANDING	**$ 75,367,558,064**	**$ 52,056,063,413**	**$ 127,423,621,478**

*Not included are obligations of less than one-year maturity and special obligations not requiring Attorney General approval

Source: Texas Bond Review Board - Bond Finance Office (local government debt databases).

some localities, electric utility systems. Most of this debt is revenue debt to be repaid from user charges. As shown in *Figure 5,* city revenue debt increased by 22.7% ($5.54 billion) since 2002. This increase coincides with the sustained boom in new housing spurred by an increase in Texas' population since 2002 estimated at 8% (1.7 million) as well as a strengthening in the Texas economy.

Counties had the highest percentage increase in revenue debt outstanding in the five-year period at 41.7%. As of August 31, 2006, counties had $1.96 billion in revenue debt outstanding.

Special districts which include road districts, power agencies, government housing authorities, transit authorities and the newly formed regional mobility authorities, showed a 37.9% ($1.07 billion) increase in revenue debt since 2002.

School District Tax-Supported Debt Rises 50% in Five Years

Slightly over 32% of all local government debt is carried by Texas school districts. Outstanding tax-supported debt totaled $40.93 billion as of August 31, 2006, a 49.9% ($13.63 billion) increase since 2002 *(Figure 5)*. During that five-year period, Texas

public school attendance increased by approximately 8.3% (314,383 students). School district debt is primarily used to finance instructional facilities while only a handful of school districts carry revenue debt for constructing, improving and equipping athletic/stadium facilities. Community/junior college districts experienced an increase (96.1%) in tax-supported debt during the same five-year time period from $688.8 million outstanding as of August 31, 2002 to $1.35 billion outstanding as of August 31, 2006. Community/junior college student enrollment increased in five years by 12.8% (65,516) to 577,290 for the 50 college districts in Texas.

Tax-supported debt outstanding for health/hospital districts climbed 143.7% during the five-year period to $404.2 million outstanding as of August 31, 2006. The significant increase is due to population increases along with the increased health care needs of aging baby boomers (ages 42-60). Additionally, aging healthcare facilities are being renovated or replaced to accommodate advances in medical technology.

County tax-supported debt increased by 32.9% over the five-year period with $6.96 billion outstanding at August 31, 2006. Water districts which include navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities, experienced a 48.5% rise in tax-supported debt outstanding with $7.23 billion on the books as of August 31, 2006. Cities increased their tax-supported debt outstanding to $18.38 billion, an increase of 38.9% in five years.

Texas Bond Review Board and Local Government Debt

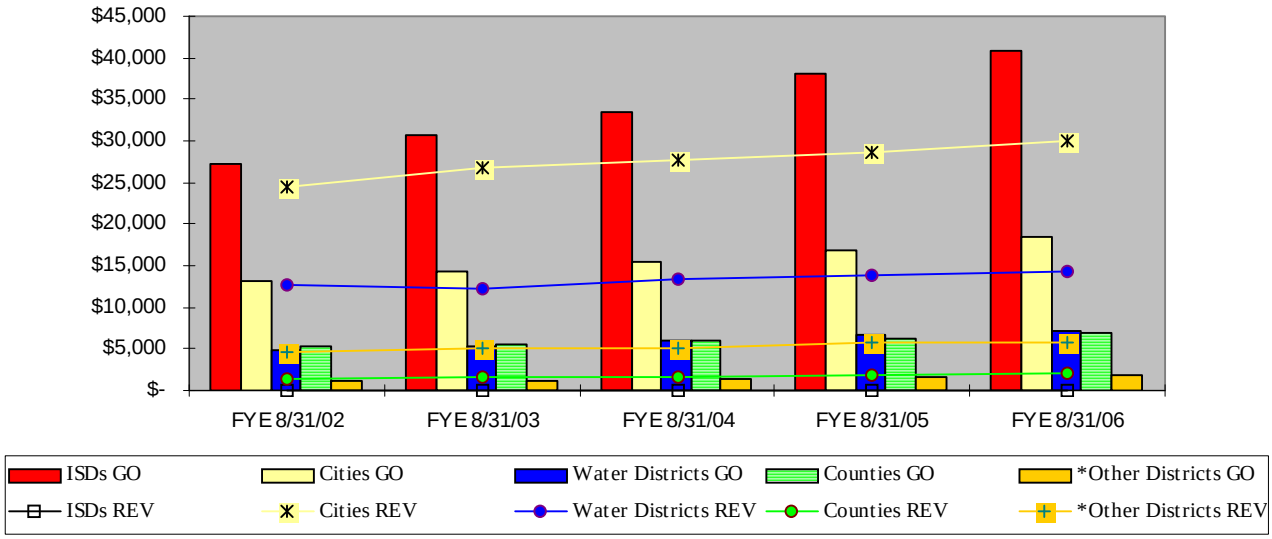
The Texas Bond Review Board (BRB) has no direct oversight of local government debt issuance in Texas. Legislative mandates charge the Board with collecting, maintaining, analyzing and reporting on the status of local government debt. When the Office of the Attorney General approves each transaction, the required information on bonds issued by political subdivisions of the state is collected and forwarded to the BRB for its report on local debt statistics (Chapter 1202, Texas Government Code). All reporting on local debt is

Figure 5

GROWTH IN TEXAS LOCAL DEBT OUTSTANDING

[Tax-Supported (GO) and Revenue Debt]

(millions of dollars)



*Other districts include health/hospital districts, community/junior college districts, road, power and housing districts.

Source: Texas Bond Review Board - local government debt databases, which include conduit debt as well as lease-purchase obligations for educational and jail facilities.

presented on the agency's website. Visitors to the site can either search databases and/or download spreadsheets that contain debt outstanding, debt ratio and population data by government type at each fiscal year-end. In fiscal 2007, 2,666 different users of the BRB's website downloaded over 16,500 spreadsheets containing Texas local government debt data. The BRB will continue to provide this information annually and post it to the website within approximately four months after the close of the fiscal year.

Chapter 2
State Debt Issued in Fiscal 2007

Debt issued by Texas state agencies and universities increased from the prior year to an aggregate total of $5.87 billion compared to $3.41 billion issued in fiscal 2006. The fiscal 2007 issues included $4.08 billion in new-money and $1.79 billion in refunding bonds (Table 8). *Additional information on bond transactions can be found in Appendix A of this report. Other debt issued included $1.33 billion of commercial paper and variable-rate notes. Additional information on commercial paper and variable-rate notes can be found in Appendix B. The Bond Review Board also approved $37.7 million for lease purchases by Texas state agencies in fiscal 2007* (Table 9).

New-Money Funding Increases in FY 2007

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2007 totaled $4.08 billion, an increase of approximately $1.29 billion compared to $2.79 billion issued during fiscal 2006 *(Figure 6)*. Issuance of commercial paper is not included. The proceeds provided financing for infrastructure, housing and loan programs.

For fiscal year 2007, the Texas Transportation Commission (TTC), the governing body of the Texas Department of Transportation (TxDOT), issued 77.1% of new-money bonds. The Texas Department of Housing and Community Affairs (TDHCA) was the next highest issuer of new-money issuing 10.3%. These two agencies accounted for 87.4% of the total new-money issuance for fiscal 2007.

Uses of New-Money for FY 2007

The TTC accounted for over 77% ($3.15 billion) of the total new-money bonds issued in fiscal 2007. These bonds were both revenue and general obligation bonds issued to construct and expand state highways as well as provide funds for the state's participation in other public transportation projects.

TDHCA sold 10.3% of the total new-money bonds issued in fiscal 2007, amounting to $419.1 million. This was a $34 million increase from the $385.1 million issued in fiscal 2006. TDHCA earmarked $223.8 million of the new-money debt issued for its single family mortgage revenue bond program and $195.3 million was used for its multifamily housing bonds. The single family program provides financing for the purchase of low interest rate mortgage loans made by lenders to first-time home buyers with very low, low, or moderate income who are acquiring modestly priced residences. Nineteen

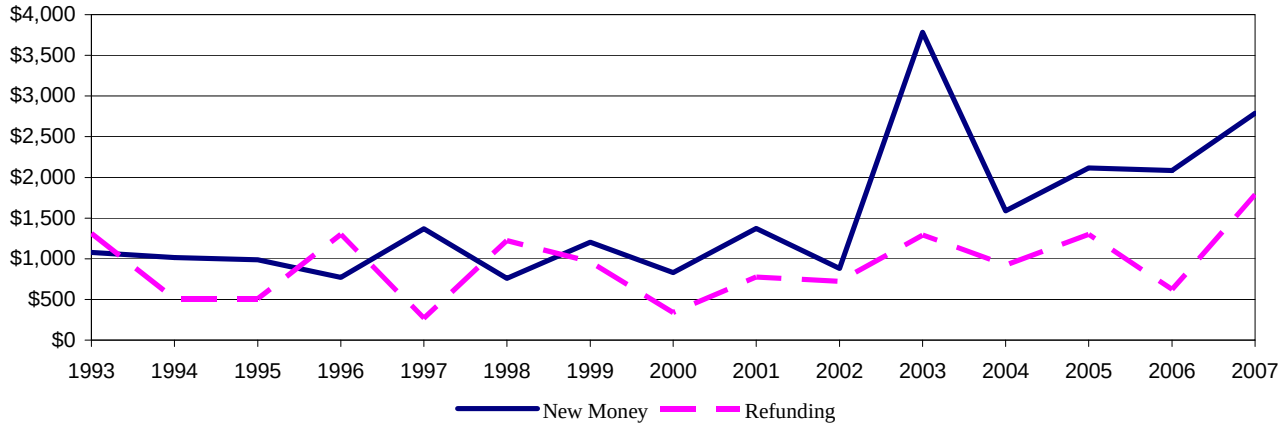
Table 8
TEXAS BONDS ISSUED DURING FISCAL 2007
SUMMARIZED BY ISSUER

ISSUER	REFUNDING BONDS	NEW-MONEY BONDS	TOTAL BONDS ISSUED
Texas Department of Housing & Community Affairs	$61,577,674	$419,084,326	$480,662,000
Texas Higher Education Coordinating Board	$26,165,000	$72,805,000	$98,970,000
Texas Public Finance Authority	$202,790,000	$72,950,000	$275,740,000
Texas State Affordable Housing Corporation	$0	$158,977,000	$158,977,000
Texas Transportation Commission	$0	$3,149,155,000	$3,149,155,000
Texas Veterans Land Board	$80,610,000	$150,000,000	$230,610,000
Texas Water Development Board	$520,860,000	$0	$520,860,000
The Texas A&M University System	$0	$4,000,000	$4,000,000
The University of North Texas System	$0	$56,050,000	$56,050,000
The University of Texas System	$896,465,000	$0	$896,465,000
Total Texas Bonds Issued	**$1,788,467,674**	**$4,083,021,326**	**$5,871,489,000**

Note: Table 8 excludes commercial paper and variable-rate notes. See Table 18, Appendix B, for these issuances.

Source: Texas Bond Review Board - Bond Finance Office.

Figure 6
TEXAS NEW MONEY AND REFUNDING BOND ISSUES 1993 - 2007
(millions of dollars)



Source: Texas Bond Review Board - Bond Finance Office.

TDHCA transactions accounted for the $195.3 million in financing for affordable multifamily housing in Austin, Boerne, Cleburne, Dallas, Duncanville, Houston, Katy, Mesquite, Round Rock and San Marcos. Federal tax law requires that certain percentages of the rental units in these properties be set aside for low-to-moderate income households.

The Texas State Affordable Housing Corporation (TSAHC) maintains its own single family and multifamily housing programs. In fiscal 2007, TSAHC issued $135.3 million for its single family Professional Educators Home Loan Program and its Fire Fighter and Law Enforcement or Security Officer Home Loan Program and $23.7 million for its Texas Home Sweet Loan Program for a total of $159 million in new-money financings. TSAHC did not issue bonds for multifamily projects during fiscal 2007.

The Texas Veterans Land Board (VLB) issued $150 million of new-money debt during fiscal 2007. This was a $100 million increase from fiscal 2006 when the VLB issued a total of $50 million. The proceeds will be used to make housing and home improvement loans to eligible Texas veterans.

During fiscal 2007, the Texas Public Finance Authority (TPFA) issued $49.6 million in State of Texas General Obligation Bonds for the Texas Military Revolving Loan Program, $14.7 million in Lease Revenue Bonds on behalf of the Texas Parks and Wildlife Department and $8.7 million in Taxable Lease Revenue Bonds on behalf of the Texas Historical Commission for a total of $73 million in new-money debt.

The Texas Higher Education Coordinating Board (THECB) issued $72.8 million of new-money debt for its State of Texas General Obligation College Student Loan Bonds during fiscal 2007.

Only 1.5% ($60.1 million) of fiscal 2007 new-money financing was issued for institutions of higher education in Texas. The University of North Texas System issued $56.1 million and The Texas A&M University System issued $4 million. These financings will be used to fund property and facility improvements at their respective campuses.

Refunding Amounts Increase in FY 2007

State agencies and universities issued $1.79 billion in refunding bonds in fiscal 2007 compared to $622.4 million issued in fiscal 2006. The refunding bonds comprised 30.5% of total debt issued in fiscal 2007 as compared to 18.3% of the total bonds issued in fiscal 2006.

The University of Texas System (UTS) refunded the largest amount of outstanding debt issuing $896.5 million in refunding bonds. This amount represented 50.1% of the total amount of refundings in fiscal 2007.

The Texas Water Development Board (TWDB) issued 29.1% ($520.9 million) of the total fiscal year refunding bonds.

The TPFA issued $202.8 million in General Obligation Refunding Bonds and the proceeds were used to fix-out outstanding commercial paper notes.

The VLB issued $80.6 million in taxable bonds to refund the State of Texas Veterans' Land Bonds, Series 1996A and the State of Texas Veterans' Housing Assistance Program Fund II Series 1995E Refunding Bonds.

The TDHCA issued $61.6 million in refunding bonds. The single family program issued $51.5 million to refund outstanding portions of certain single family mortgage revenue bonds while the multifamily program issued $10.1 million in refunding bonds.

Lastly, the THECB issued $26.2 million in bonds to refund portions of its State of Texas College Student Loan Bonds.

Interim Financing Increases in FY 2007

State agencies and institutions of higher education use commercial paper and variable-rate notes to provide interim financing for equipment, construction and loans. The total issuance in fiscal 2007 was $1.3 billion, the same amount as was issued in fiscal 2006 *(Table 18, Appendix B)*.

The UTS issued $628.7 million in Revenue Financing System (RFS) commercial paper notes and $100 million in Permanent University Fund (PUF) flexible-rate notes during fiscal 2007. As of August 31, 2007, the System had $707.1 million of RFS commercial paper and $100 million of PUF variable-rate notes outstanding. The System uses commercial paper and variable-rate notes to provide interim financing for construction projects and to purchase equipment.

The University of North Texas System issued $159.6 million in RFS commercial paper notes during fiscal 2007. As of August 31, 2007, the System had $20.8 million of RFS commercial paper outstanding.

The Texas A&M University System issued $75 million in RFS commercial paper notes during fiscal 2007. As of August 31, 2007, the System had $151.2 million of RFS commercial paper outstanding and $5 million of PUF flexible-rate notes outstanding. The System utilizes commercial paper and variable-rate notes to finance construction projects on its campuses.

During fiscal 2007, the Texas Tech University System (TTUS) issued $36.6 million in RFS commercial paper. As of August 31, 2007, the TTUS had $36.6 million of commercial paper outstanding. The System established its commercial paper program in 1998 to finance construction projects.

TTC issued $170 million in commercial paper during fiscal 2007 and had a total of $158 million outstanding as of August 31, 2007.

The TPFA issued $31 million in revenue commercial paper and $120.5 million in general obligation commercial paper during fiscal 2007. As of August 31, 2007, TPFA had a total of $110.8 million in revenue commercial paper and $104.9 million in general obligation commercial paper outstanding.

The TDHCA issued $9.7 million in commercial paper during fiscal 2007 and had $32.9 million of commercial paper outstanding as of August 31, 2007. TDHCA established its commercial paper program in 1994 to enable the agency to recycle certain payments and prepayments of single family mortgage loans thereby preserving the private-activity volume cap allocation under its single family programs. Once TDHCA has issued a substantial aggregate amount of notes, the notes are refunded

with single family mortgage revenue bonds. The preservation of the volume cap allows TDHCA to make additional mortgage loans for modestly priced housing.

The Texas Economic Development and Tourism Office did not issue commercial paper during fiscal 2007 and had $8.2 million of commercial paper outstanding as of August 31, 2007. The Texas Department of Agriculture also did not issue commercial paper in fiscal 2007 and had $25 million of commercial paper outstanding as of August 31, 2007. Additional information about commercial paper and variable-rate note programs is included in Appendix B of this report.

Lease Purchase Financings Increase in FY 2007

Lease purchases with an initial principal greater than $250,000 or with a term of more than five years are required to be approved by the Bond Review Board. The BRB approved $37.7 million for nine lease-purchase transactions during FY 2007 *(Table 9)* compared to approximately $29.5 million for ten lease-purchases in FY 2006.

The largest lease purchase was a $20 million Department of State Health Services (DSHS) transaction for energy savings.

The Texas State University System received approval for two lease purchases for Angelo State totaling $13.2 million for energy savings.

Texas State Technical College – Harlingen received a lease-purchase approval for $800,000 for equipment, TSTC – Waco received an approval for $675,000 for aircraft, and TSTC – West Texas received two lease-purchase approvals totaling $1.9 million for energy savings and equipment.

Texas Tech University also received two lease-purchase approvals for energy savings and equipment in a total amount of $1.2 million.

Eight of the nine lease purchases approved during fiscal 2007 were financed through TPFA. The exception was the Texas State University System – Angelo State energy savings approval in the amount of $5.2 million which was financed through Gulf Cooperation Council.

Debt Issuance Projected to Increase for FY 2008

Texas state issuers expect to increase debt issuance in fiscal 2008. The results of an annual survey conducted by the Bond Review Board show that Texas state agencies and institutions of higher education are planning to issue approximately $9.63 billion in bonds, commercial paper and variable-rate notes during fiscal 2008 *(Table 10)*. This is an increase of 33.8% ($2.43 billion) over the amount of debt issued in fiscal 2007.

TxDOT and its governing board the TTC expect to issue $4.2 billion in fiscal 2008. $1 billion is

Table 9
LEASE-PURCHASE AGREEMENTS
APPROVED BY THE BOND REVIEW BOARD
FISCAL 2007

AGENCY	PROJECT	
Texas Department of State Health Services (TPFA)	Energy	$20,000,000
Texas State University System - Angelo State (TPFA)	Energy	$8,000,000
Texas State University System - Angelo State (GCC)	Energy	$5,200,000
Texas State Technical College - Harlingen (TPFA)	Equipment	$800,000
Texas State Technical College - Waco (TPFA)	Aircraft	$675,000
Texas State Technical College - West Texas (TPFA)	Energy	$1,400,000
Texas State Technical College - West Texas (TPFA)	Equipment	$450,000
Texas Tech University (TPFA)	Equipment	$600,000
Texas Tech University (TPFA)	Energy	$583,643
Total Approved Lease-Purchase Agreements		**$37,708,643**

Note: Amounts listed above are Texas Bond Review Board *approved* amounts.
Source: Texas Bond Review Board - Bond Finance Office.

expected to be issued as Texas Mobility Fund bonds, $1 billion issued as State Highway Fund bonds and a maximum of $2.2 billion as a refunding for the Central Texas Turnpike System.

TPFA plans to issue approximately $906.9 million in bonds and commercial paper during fiscal 2008. Approximately $797.4 million will be General Obligation (GO) bonds for various projects for the Texas Facilities Commission, the Texas Department of Aging and Disability Services, the Texas Department of Criminal Justice, the Texas Department of State Health Services, the Texas Historical Commission, the Texas Parks and Wildlife Department, the Texas School for the Blind and Visually Impaired, the Texas Department of Public Safety and the Texas Youth Commission. Inclusive in this GO total are TPFA's plans to issue approximately $53 million for the Colonias Roadway Program, $35 million for the Texas Military Revolving Loan Fund and $408 million in GO refunding debt.

The remaining 12% of planned issuance by TPFA includes $30.2 million in revenue debt on behalf of Stephen F. Austin State University and $47 million in refunding debt for TDCJ as well as approximately $32.3 million for various projects through its Master Lease Purchase Program, many of which received Bond Review Board approval in fiscal 2007.

The TWDB anticipates issuing $758 million in new-money debt. The Clean Water State Revolving Fund will utilize $450 million of this debt for new-money issuances for the Trinity River Authority and 2008 Program Participants. Nearly 41%, or $308 million, of this amount will be general obligation debt comprised of $53 million for the Economically Distressed Areas Program, $80 million for the State Participation Program, $150 million for the Water

Table 10
TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2008

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Debt			
Self-Supporting			
Texas Department of Transportation	$1,000,000,000	Texas Mobility Fund	Feb-08 - Mar-08
Texas Higher Education Coordinating Board	$75,000,000	College Student Loans	Jun-08
Texas Veterans Land Board	$50,000,000	Veterans Housing Bonds, Series 2007C	Nov-07
Texas Veterans Land Board	$54,160,000	Veterans Housing Assistance Program, Fund II Series 2007C - Taxable Refunding	Nov-07
Texas Veterans Land Board	$50,000,000	Veterans Housing Bonds, Series 2008A	Mar-08
Texas Veterans Land Board	$50,000,000	Veterans Housing Bonds, Series 2008B	Jul-08
Texas Water Development Board	$25,000,000	New Money for RWAF Program (AMT)	May-08
Texas Water Development Board	$95,000,000	Development Fund II Program - Series 1998A and 1998C Refunding	Apr-08
Total Self-Supporting	**$1,399,160,000**		
Not Self-Supporting			
Stephen F. Austin State University	$8,000,000	HEF Bonds	TBD
Texas Public Finance Authority*	$53,000,000	Colonias Roadway Program	Various
Texas Public Finance Authority*	$18,600,000	Texas Facilities Commission	Sep-07
Texas Public Finance Authority	$50,027,000	Texas Facilities Commission	Oct-07
Texas Public Finance Authority*	$13,000,000	Texas Department of Aging and Disability Services	Various
Texas Public Finance Authority*	$3,000,000	Texas Department of Criminal Justice	TBD
Texas Public Finance Authority	$50,400,000	Texas Department of Criminal Justice	Oct-07
Texas Public Finance Authority*	$18,400,000	Texas Department of Public Safety	Various
Texas Public Finance Authority*	$22,000,000	Texas Department of State Health Services	Various
Texas Public Finance Authority*	$48,000,000	Texas Historical Commission	TBD
Texas Public Finance Authority	$35,000,000	Texas Military Revolving Loan Fund	Dec-07
Texas Public Finance Authority*	$9,000,000	Texas Parks and Wildlife Department	Various
Texas Public Finance Authority*	$17,000,000	Texas Parks and Wildlife Department	TBD
Texas Public Finance Authority*	$11,000,000	Texas School for the Blind and Visually Impaired	Feb-08
Texas Public Finance Authority*	$4,900,000	Texas School for the Blind and Visually Impaired	TBD
Texas Public Finance Authority*	$2,800,000	Texas Youth Commission	Jul-08
Texas Public Finance Authority*	$29,816,016	Texas Youth Commission	TBD
Texas Public Finance Authority*	$3,500,000	Texas Youth Commission	Sep-07
Texas Public Finance Authority	$245,000,000	GO Refunding	Sep-07
Texas Public Finance Authority	$163,000,000	GO Refunding (1998 Bonds)	TBD
Texas Tech University System	$6,000,000	HEF Bonds for Experimental Sciences Build Out	Feb-08
Texas Tech University System	$4,000,000	HEF Bonds for Life Safety	Feb-08
Texas Tech University System	$7,700,000	HEF Bonds for Art 3-D	Feb-08
Texas Tech University System	$2,665,309	HEF Commercial Paper for Connect Tech	Feb-08
Texas Tech University System	$525,000	HEF Bonds for Engineering	Feb-08
Texas Water Development Board	$12,000,000	Economically Distressed Areas Program	Jun-08
Texas Water Development Board	$41,000,000	New Economically Distressed Areas Program	Jul-08
Texas Water Development Board	$80,000,000	New State Participation Program	Feb-08
Texas Water Development Board	$150,000,000	New WIF Program	Feb-08
Texas Woman's University	$10,000,000	HEF Bonds for Renovation & Construction at the Parkland Campus	TBD
Total Not Self-Supporting	**$1,119,333,325**		
Total General Obligation Debt	**$2,518,493,325**		

Table 10 (continued)

TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2008

Non-General Obligation Debt			
Self-Supporting			
Midwestern State University	$17,000,000	Additional Student Housing	TBD
Stephen F. Austin State University	$20,178,000	TRBs	Feb-08
Stephen F. Austin State University	$10,000,000	TRBs	Late 2008
Stephen F. Austin State University	$1,300,000	TRBs	TBD
Texas Department of Housing and Community Affairs	$80,000,000	Single-Family Mortgage Revenue Bonds (07B New Money Bonds - Volume Cap)	Sep-07
Texas Department of Housing and Community Affairs	$80,000,000	Single-Family Mortgage Revenue Bonds (07B New Money Bonds - Additional Volume Cap)	Sep-07
Texas Department of Housing and Community Affairs	$140,000,000	Single-Family Mortgage Revenue Bonds (08A New Money Bonds - Volume Cap)	Mar-08
Texas Department of Housing and Community Affairs	$138,000,000	Multifamily Mortgage Revenue Bonds	Various
Texas Department of Transportation	$1,000,000,000	State Highway Fund First Tier Revenue Bonds	Sep-07
Texas Department of Transportation	$2,200,000,000	Central Texas Turnpike System - Refunding	TBD
Texas Public Finance Authority	$30,175,000	TRBs for Stephen F. Austin State University	Feb-08
Texas State Affordable Housing Corporation	$23,510,000	Single Family Home Loans	Oct-07
Texas State Affordable Housing Corporation	$23,510,000	Single Family Professional Educators Home Loan Program	Sep-07
Texas State Affordable Housing Corporation	$30,000,000	Single Family Professional Educators Home Loan Program	Jan-08 - Feb-08
Texas State Affordable Housing Corporation	$26,000,000	Single Family Homes for Texas Heroes Home Loan Program	Jan-08 - Feb-08
Texas State Affordable Housing Corporation	$34,900,000	Finance Multifamily Affordable Rental Housing	Sep-07
Texas State Affordable Housing Corporation	$44,000,000	Finance Multifamily Affordable Rental Housing	Jun-08 - Jul-08
Texas State Technical College-RFS	$3,125,520	TRBs for HVAC Replacement at TSTC Waco	Late 2008
Texas State University System - RFS	$4,500,000	TRBs for Engineering Building Renovations - Lamar University	Mar-08
Texas State University System - RFS	$1,837,280	TRBs for Hibernia Bank Building Purchase - Lamar State College (Orange)	Mar-08
Texas State University System - RFS	$1,849,500	TRBs for Computer & Learning Center - Lamar State College (Port Arthur)	Mar-08
Texas State University System - RFS	$42,700,000	TRBs for Undergraduate Academic Center - Texas State University (San Marcos)	Mar-08
Texas State University System - RFS	$36,000,000	TRBs for Round Rock Higher Ed Center II - Texas State University (San Marcos)	Mar-08
Texas State University System - RFS	$10,000,000	TRBs for Performing Arts Center - Sam Houston State University	Mar-08
Texas State University System - RFS	$74,225,000	Improvements at Sam Houston State University & Texas State University (San Marcos)	Oct-07
Texas Tech University System-RFS	$6,300,000	TRBs for El Paso Medical School	Feb-08
Texas Tech University System-RFS	$8,010,000	TRBs for Amarillo Pharmacy Expansion	Feb-08
Texas Tech University System-RFS	$18,100,000	TRBs For Amarillo Research	Feb-08
Texas Tech University System-RFS	$50,000,000	Athletic Revenue for Stadium Upgrade	Feb-08
Texas Tech University System-RFS	$25,000,000	TRBs for new COBA	Feb-08
Texas Tech University System-RFS	$25,000,000	TRBs for COBA Renovation	Feb-08
Texas Tech University System-RFS	$6,000,000	TRBs for Lanier Professional Development Center	Feb-08
Texas Tech University System	$4,500,000	Gifts for Lanier Professional Development Center	Feb-08
Texas Tech University System	$5,000,000	Auxiliary Revenues for Leisure Pool	Feb-08
Texas Water Development Board	$350,000,000	New Money for Trinity River Authority (Clean Water State Revolving Fund)	Dec-07 & Apr-08
Texas Water Development Board	$100,000,000	New Money Issuance for 2008 Program Participants (Clean Water State Revolving Fund)	Mar-08
Texas Water Development Board	$120,000,000	Refunding of Series 1998A (Clean Water State Revolving Fund)	May-08
Texas Woman's University-RFS	$21,739,712	TRBs for Renovation of Science Building on Denton Campus	Feb-08
Texas Woman's University-RFS	$20,000,000	Renovation & Construction at the Parkland Campus	TBD
Texas Woman's University-RFS	$15,000,000	Construction of a Fitness & Recreation Center	TBD
The Texas A&M University System - PUF*	$75,000,000	Acquire, purchase, construct, improve and equip various facilities within the System	As Needed
The Texas A&M University System - RFS*	$350,000,000	Acquire, purchase, construct, improve and equip various facilities within the System	Dec-07
The University of Texas System - RFS	$675,000,000	Construction and Refund All or a Portion of RFS Commercial Paper Notes Series A	Nov-07 - Aug-08
The University of Texas System - RFS*	$750,000,000	Construction & Acquisition costs of projects in the CIP; Finance Land and Equipment	Sept-07 - Aug-08
University of Houston System - RFS	$57,600,000	TRBs for Renovation of Science Laboratories at UH	Mar-08
University of Houston System - RFS	$10,604,808	TRBs for Renovation of Arbor Building at UH-Clear Lake	Mar-08
University of Houston System - RFS	$6,719,400	TRBs for Regional Economic Development Facilities at UH-Victoria	Mar-08
University of Houston System - RFS	$1,800,000	TRBs for Allied Health Facility at UH-Victoria	Mar-08
University of Houston System - RFS	$22,900,000	TRBs for Academic Facility at UHS Center at Sugarland	Mar-08
University of Houston System - RFS	$18,575,792	Wind Turbine Facility	Mar-08
University of Houston System - RFS	$96,800,000	Student Housing Facility	Mar-08
University of North Texas System-RFS	$25,000,000	TRBs for building UNT-Dallas/System Center	Jan-08
University of North Texas System - RFS	$50,000,000	TRBs for building the Business Leadership Building at UNT	Jan-08
University of North Texas System-RFS	$41,972,400	TRBs for building the HSC Public Health Building, repayment of CP Note, & Bio Health Renovation	Jan-08
Total Self-Supporting	**$7,029,432,412**		
Not Self-Supporting			
Texas Public Finance Authority	$47,000,000	TDCJ Revenue Refunding	Oct-07
Texas Public Finance Authority*	$2,700,102	MLPP CP Revenue Financing-DPS Web Browser	Various
Texas Public Finance Authority*	$16,818,094	MLPP CP Revenue Financing-DSHS Energy II	Various
Texas Public Finance Authority*	$933,622	MLPP CP Revenue Financing-DSHS Vehicles	Various
Texas Public Finance Authority*	$143,701	MLPP CP Revenue Financing-DSHS Telecomm	Various
Texas Public Finance Authority*	$518,891	MLPP CP Revenue Financing-DSHS Equipment	Various
Texas Public Finance Authority*	$3,500,000	MLPP CP Revenue Financing-DADS Energy	Various
Texas Public Finance Authority*	$4,880,000	MLPP CP Revenue Financing-Angelo State Energy	Various
Texas Public Finance Authority*	$583,643	MLPP CP Revenue Financing-Texas Tech Energy	Various
Texas Public Finance Authority*	$2,200,000	MLPP CP Revenue Financing-TSTC Turbine	Various
Total Not Self-Supporting	**$79,278,053**		
Total Non-General Obligation Debt	**$7,108,710,465**		
Total All Debt	**$9,627,203,790**		

* Commercial Paper or Variable-Rate Note program. **Source:** Texas Bond Review Board - Bond Finance Office.

Infrastructure Fund and $25 million for the Rural Water Assistance Fund. In addition, TWDB plans to issue $95 million for general obligation refundings and $120 million to refund its Clean Water State Revolving Fund, Series 1998A.

The VLB expects to issue $150 million in new-money bonds during fiscal 2008 for its Veterans Housing Bonds in addition to refunding approximately $54.2 million of Veterans Housing Assistance Program, Fund II Bonds.

The TDHCA plans to issue approximately $438 million in bonds during fiscal 2008. All is new-money debt, and $300 million will finance TDHCA's Single Family Mortgage Revenue Bond Program while the remaining $138 million will be used for TDHCA's Multifamily Mortgage Revenue Bond Program.

The TSAHC expects to issue $182 million in bonds during fiscal 2008. The funds will be used to provide single family home loans to professional educators, fire fighters, law enforcement or security officers and nursing faculty ($53.5 million), for the single family Homes for Texas Heroes Home Loan Program ($26 million) and for other single family home loans ($23.5 million). The remaining $78.9 million will be used to finance affordable multifamily rental housing.

The THECB plans to issue $75 million for College Student Loan Bonds during fiscal 2008.

Both the UTS and the A&M System expect to issue PUF and RFS debt during fiscal 2008. These amounts total $1.43 billion for the UTS and $425 million for the A&M System. The debt will be used to finance facility construction and renovation, purchase equipment and refund outstanding commercial paper.

The University of Houston System (UH) expects to issue $215 million of new-money debt in fiscal 2008. Of this amount, $99.6 million will be issued as Tuition Revenue Bonds (TRBs) for renovations at UH-Downtown and UH-Clearlake as well as for facilities at UH-Victoria and the UHS Center at Sugarland. The remaining $115.4 million will designated for wind turbine and student housing facilities.

Texas State University System (TSUS) plans to issue $171.1 million for facility construction and renovations. TRBs estimated at $96.9 million will be used for engineering building renovations at Lamar College; Hibernia Bank building purchase at Lamar State College in Orange; a computer and learning center at Lamar State College in Port Arthur; an undergraduate academic center and Round Rock Higher Education Center II at Texas State University in San Marcos and for the performing arts center at Sam Houston State University. Proceeds of $74.2 million will be used for various improvements at Sam Houston State University and Texas State University in San Marcos.

The Texas Tech University System (TTUS) plans to issue approximately $168.8 million in bonds during fiscal 2008. Of that amount, $32.4 million in TRBs will be issued for health science center projects at the El Paso Medical School, the Amarillo Pharmacy expansion and Amarillo research. TTUS also intends to issue TRBs totaling $56 million for a new College of Business Administration building (COBA) ($25 million) and COBA building renovations ($25 million) as well as for the Lanier Professional Development Center ($6 million). The remaining $80.4 million will be issued for projects such as a leisure pool, life safety and an experimental sciences build-out.

The University of North Texas System anticipates issuing $117 million of TRBs in fiscal 2008. Twenty-five million will be used for building the UNT-Dallas/System Center, $50 million for building the Business Leadership Building at UNT and $42 million for the Health Science Center Public Health Building, repayment of commercial paper notes and the Bio Health Center renovations.

The Texas Woman's University (TWU) plans to issue $66.7 million in new-money financings during fiscal 2008. These issues include $21.7 million in TRBs for science building renovation at TWU's Denton campus and the following for the Parkland

campus: $20 million for renovation and campus construction, $15 million for construction of a fitness and recreation center and $10 million in HEF financing for other campus construction.

Stephen F. Austin State University expects to issue $39.5 million for various projects throughout fiscal 2008. Of this amount, $31.5 million will be TRBs and $8 million will be HEF bonds.

Midwestern State University plans to issue approximately $17 million to be used to fund additional student housing.

Lastly, Texas State Technical College intends to issue $3.1 million for HVAC replacements at TSTC-Waco.

Chapter 3
State Debt Outstanding

In fiscal 2007, the state's total debt outstanding increased 13% to $26.37 billion compared to $23.32 billion in fiscal 2006 and $21.38 billion in fiscal 2005

General Obligation Debt Outstanding Increased in FY 2007

Texas General Obligation (GO) debt carries a constitutional pledge of the full faith and credit of the state to repay the debt and requires passage of a proposition by a vote of two-thirds of both houses of the Texas Legislature and by a majority of Texas voters.

At the end of fiscal 2007, $9.59 billion of the state's $26.37 billion of debt outstanding was backed by the state's general obligation (GO) pledge, an increase of $2.1 billion (27%) from the $7.54 billion in GO debt outstanding at the end of fiscal 2006 *(Tables 11 and 11A)*. GO debt issues contributing to the fiscal 2007 increase include Texas Mobility Fund and Water Development bonds. (See Chapter 2 and Appendix A for a description of debt issued in fiscal 2007.)

The repayment of non-GO (revenue) debt is dependent only on the revenue stream of a project or enterprise or an appropriation from the legislature. Any pledge of state funds beyond the current budget period is contingent upon appropriation by future legislatures, and such an appropriation cannot be guaranteed under state statute.

Investors are willing to assume the additional risk associated with the purchase of revenue debt by requiring a higher interest rate to compensate for the added risk. The interest rate on Texas' long-term revenue bond issues may range from 5 to 20 basis points (0.05% to 0.20%) higher than that of the state's GO issues.

General Revenue Supported Debt Decreased Again in FY 2007

All debt does not have the same financial impact on the state's general revenue. Both GO and revenue self-supporting debt rely on sources other than the state's general revenue to pay debt service; thus self-supporting debt does not directly impact state finances. However, debt that is not self-supporting depends solely on the state's general revenue fund for debt service and draws upon the same sources used by the legislature to finance the operation of state government.

The combined total of General Obligation and revenue not self-supporting debt outstanding decreased again during fiscal 2007 *(Figure 7)*. This decline continues a trend that began in 2000 and is primarily the result of continuing decreases in not self-supporting revenue debt. Outstanding not self-supporting GO debt decreased by $128.6 million in fiscal 2007 while not self-supporting revenue debt outstanding decreased by $102.7 million for a total decrease of $231.3 million. As a result, Texas had $2.75 billion in outstanding debt that must be paid from the state's general revenue as of August 31, 2007. By comparison, not self-supporting GO and revenue debt totaled $2.98 billion in fiscal year 2006 and $3.14 billion in fiscal 2005.

Debt-Service Payments from General Revenue Increased in FY 2007

Debt-service payments from general revenue decreased 5% from $424.9 million in fiscal 2006 to $403.1 million in fiscal 2007 *(Figure 8)*. During fiscal 2005, the state paid $390.3 million from general revenue for debt service compared to $331.8 million paid in 2004. The decrease in debt-service payments from fiscal 2006 to fiscal 2007 was primarily the result of debt restructuring by the Texas Public Finance Authority. (See *Table 12* for debt-service requirements by fiscal year for Texas state bonds.) Please note that debt-service requirements for tuition revenue debt are not included in this analysis since all college and university revenue debt is equally secured by and payable from a pledge of all or a portion of certain "revenue funds" of the applicable system or institution of higher education. However, the state has historically appropriated funds to the schools in an amount equal to all or a

Table 11

TEXAS DEBT OUTSTANDING

(amounts in thousands)

	8/31/2003	8/31/2004	8/31/2005	8/31/2006	8/31/2007
General Obligation Bonds					
Self-Supporting					
Veterans' Land and Housing Bonds	$1,660,840	$1,682,940	$1,773,251	$1,852,137	$1,845,912
Water Development Bonds	881,345	953,020	959,000	887,340	847,905
Economic Development Bank Bonds	0	0	45,000	45,000	45,000
Park Development Bonds [1]	22,336	18,555	24,485	20,080	1,805
College Student Loan Bonds	691,698	688,647	652,923	625,601	661,367
Farm and Ranch Security Bonds	0	0	0	0	0
Texas Agricultural Finance Authority[2]	36,000	30,000	30,000	25,000	25,000
Texas Mobility Fund Bonds	0	0	1,000,000	1,725,515	3,886,750
Texas Public Finance Authority - TMVRLF	0	0	0	0	49,595
Total, Self-Supporting	**$3,292,219**	**$3,373,161**	**$4,484,659**	**$5,180,673**	**$7,363,334**
Not Self-Supporting [3]					
Higher Education Constitutional Bonds [4]	$28,490	$25,905	$52,685	$63,000	$58,310
Texas Public Finance Authority Bonds [5]	2,162,316	2,140,167	2,133,778	1,978,685	1,810,644
Park Development Bonds	14,025	13,200	4,125	3,300	16,544
Agriculture Water Conservation Bonds	14,050	11,900	9,690	7,410	5,040
Water Development Bonds - EDAP [6]	160,735	179,460	173,005	165,725	180,185
Water Development Bonds - State Participation	141,710	141,710	141,580	141,445	160,280
Total, Not Self-Supporting	**$2,521,326**	**$2,512,342**	**$2,514,863**	**$2,359,565**	**$2,231,003**
Total General Obligation Bonds	**$5,813,545**	**$5,885,503**	**$6,999,522**	**$7,540,238**	**$9,594,337**
Non-General Obligation Bonds					
Self-Supporting					
Permanent University Fund Bonds					
The Texas A&M University System [5]	$306,932	$303,631	$301,571	$429,210	$409,344
The University of Texas System [5]	887,475	888,820	973,560	1,032,860	1,062,625
College and University Revenue Bonds [5, 7]	4,109,514	4,617,953	5,061,421	5,857,034	6,305,867
Texas Dept. of Housing and Community Affairs Bonds [5]	1,794,377	1,931,634	2,169,157	2,305,689	2,606,999
Texas State Affordable Housing Corporation	501,898	551,770	542,898	515,148	621,887
Texas Small Business I.D.C. Bonds	99,335	99,335	99,335	99,335	99,335
Economic Development Program[2]	13,258	14,000	15,000	13,000	8,235
Texas Water Resources Finance Authority Bonds	54,430	38,070	27,155	21,315	15,830
College Student Loan Bonds	8,206	3,511	878	0	0
Texas Department of Transportation Bonds - CTTS	2,199,994	2,199,994	2,199,994	2,199,994	2,075,063
Texas Workers' Compensation Fund Bonds	85,513	66,815	46,433	24,217	0
Veterans' Financial Assistance Bonds	188,998	26,277	25,689	25,689	24,444
TPFA Charter School Finance Corporation	0	0	0	0	10,380
Texas Workforce Commission Unemp Comp Bonds	0	1,371,720	1,018,840	712,935	396,060
State Highway Fund	0	0	0	688,850	1,689,740
Water Development Board Bonds - State Revolving Fund	1,422,100	1,322,145	1,268,275	1,234,300	932,448
Total, Self-Supporting	**$11,672,031**	**$13,435,675**	**$13,750,206**	**$15,159,576**	**$16,258,257**
Not Self-Supporting [3]					
Texas Public Finance Authority Bonds	$540,540	$508,230	$484,200	454,085	337,015
TPFA Master Lease Purchase Program[2,8]	65,259	58,359	77,259	105,290	110,800
Texas Military Facilities Commission Bonds	14,095	25,985	23,385	21,690	20,150
Parks and Wildlife Improvement Bonds	51,835	48,705	45,125	41,880	52,330
Total, Not Self-Supporting	**$671,729**	**$641,279**	**$629,969**	**$622,945**	**$520,295**
Total Non-General Obligation Bonds	**$12,343,760**	**$14,076,954**	**$14,380,175**	**$15,782,521**	**$16,778,552**
Total Debt Outstanding	**$18,157,305**	**$19,962,458**	**$21,379,697**	**$23,322,759**	**$26,372,889**

1 Amounts do not include premium on capital appreciation bonds.

2 Commercial Paper

3 Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue fund for debt service.

4 While not explicitly a general obligation or full faith and credit bond, the revenue pledge contained in Constitutional Bonds has the same effect. Debt service is paid from annual constitutional appropriation to qualified institutions of higher education from first monies coming into the state treasury not otherwise dedicated by the Constitution.

5 Includes commercial paper and bond anticipation notes outstanding.

6 Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 90 percent of bonds issued may be used for grants.

7 Outstanding amounts for tuition revenue bonds are included in these totals. Table 11A provides amounts of outstanding revenue bonds for the individual institutions. All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds").

8 This figure reflects only the commercial paper component of the Master Lease Purchase Program (MLPP).

Note: The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2007.

Table 11A

TEXAS COLLEGE AND UNIVERSITY REVENUE DEBT OUTSTANDING
(amounts in thousands)

College and University Revenue Bonds	FY 2005 Non-Tuition Revenue Bonds	FY 2005 Tuition Revenue Bonds	FY 2005 Total	FY 2006 Non-Tuition Revenue Bonds	FY 2006 Tuition Revenue Bonds	FY 2006 Total	FY 2007 Non-Tuition Revenue Bonds	FY 2007 Tuition Revenue Bonds	FY 2007 Total
Midwestern State University	12,560	15,215	27,775	11,950	14,525	26,475	24,090	24,370	48,460
Stephen F. Austin State University	37,540	17,395	54,935	107,855	16,655	124,510	104,280	15,875	120,155
Texas Southern University	31,415	85,050	116,465	27,915	88,550	116,465	24,820	80,700	105,520
Texas State Technical College System	4,381	9,575	13,956	0	9,155	9,155	0	8,720	8,720
Texas Tech University System	241,892	150,496	392,388	256,058	185,837	441,895	265,766	178,619	444,385
Texas Woman's University	22,725	30,540	53,265	20,825	29,275	50,100	18,795	27,950	46,745
The Texas A&M University System	561,446	348,209	909,655	561,469	335,810	897,279	594,305	318,820	914,125
The Texas State University System	179,305	190,390	369,695	351,702	180,832	532,534	337,119	171,031	508,150
The University of North Texas System	69,063	129,030	198,093	103,290	119,515	222,805	176,783	112,625	289,408
The University of Texas System	1,985,409	633,985	2,619,394	2,495,151	615,340	3,110,491	2,898,619	614,740	3,513,359
University of Houston System	142,475	163,325	305,800	134,255	191,070	325,325	158,230	148,610	306,840
Total Revenue Debt Outstanding	**$3,288,211**	**$1,773,210**	**$5,061,421**	**$4,070,470**	**$1,786,564**	**$5,857,034**	**$4,602,807**	**$1,702,060**	**$6,305,867**

Notes:
The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2007.
All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds").
Amounts do not include premium on capital appreciation bonds.
Includes commercial paper notes outstanding.
Source: Texas Bond Review Board - Bond Finance Office.

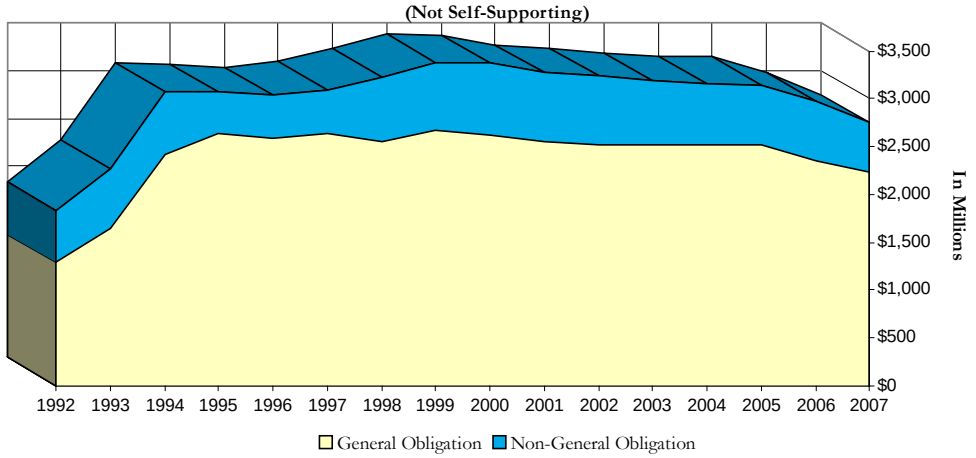
portion of the debt service on revenue debt issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code. (*Table 12A* provides debt-service detail for each institution.)

Texas' Authorized but Unissued Debt Decreased in FY 2007

Authorized but unissued debt is defined as debt that may be issued without further action by the legislature. As of August 31, 2007, Texas had $11.43 billion in authorized but unissued debt compared to $9.93 billion in fiscal 2006 *(Table 13)*. This increase results from the passage of SB 792 during the 80th Legislative Session that increased authority for the State Highway Fund from $3 billion to $6 billion.

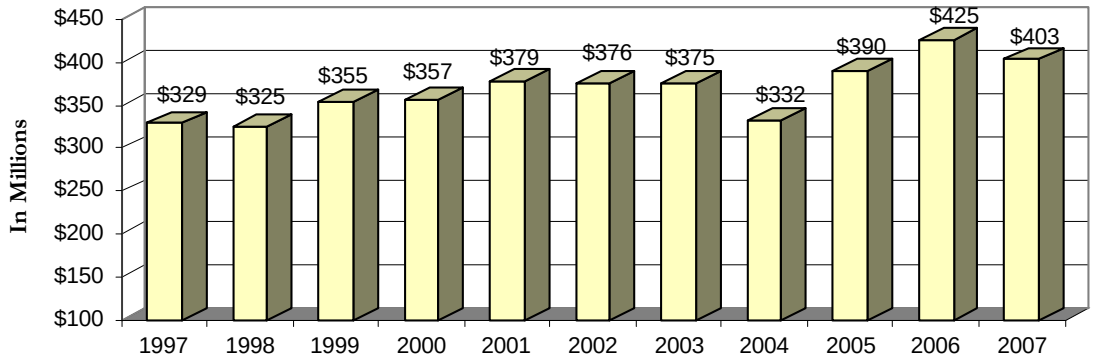
Of the total authorized but unissued debt, $3.83 billion or 33% is GO debt. Additionally, the total GO authorized but unissued debt that is not self-supporting and requires the payment of debt service from general revenue was $702.8 million at the end of fiscal 2007 compared to $861.2 million at fiscal year-end 2006. Total Non-General Obligation

Figure 7
TEXAS STATE DEBT OUTSTANDING
BACKED ONLY BY GENERAL REVENUE
(Not Self-Supporting)



Source: Texas Bond Review Board - Bond Finance Office.

Figure 8
ANNUAL DEBT SERVICE PAID FROM GENERAL REVENUE



Source: Texas Bond Review Board - Bond Finance Office.

authorized but unissued debt that is not self-supporting was $172.2 million at the end of fiscal 2007 compared to $304.2 million at fiscal year-end 2006. The remaining authorized but unissued debt is in programs that are designed to be self-supporting.

New Debt Authority - 80th Texas Legislature, Regular Session

The 80th Legislature authorized additional general obligation debt that was approved by the voters at the November 2007 general election. These include HJR 90 for $3 billion to finance cancer research; SJR 65 for $1 billion to finance capital projects for certain state agencies; SJR 57 for $500 million to finance student loans; SJR 64 to finance $5 billion for transportation projects and SJR 20 for $250 million for water projects. As noted earlier, the passage of SB 792 increased authority for the State Highway Fund from $3 billion to $6 billion immediately upon passage and signature of the Governor.

In addition, the 80th Legislature appropriated debt service for the $1.86 billion in tuition revenue bonds (TRBs) authorized by HB 153, 79th Legislature, Third Special Session. TRBs are used to finance construction and improvements of infrastructure and related facilities, and their authorization and issuance is not contingent on an appropriation for related debt service. As described above the Texas Legislature has historically appropriated general revenue to reimburse the institutions for TRB debt service.

Long-Term Contracts and Lease Purchases

Long-term contracts and lease or installment-purchase agreements can serve as financing alternatives when the issuance of bonds is not feasible or practical. Like bonds, these agreements are a method of financing capital purchases over time, and payments on these contracts and agreements are generally subject to biennial appropriations by the legislature. Although these contracts and agreements are not classified as state debt, they must be added to debt outstanding to obtain an accurate total of all state debt.

The equipment lease purchases approved by the Bond Review Board are typically financed through the Texas Public Finance Authority's Master Lease Purchase Program and are included in the state's total debt outstanding. No lease purchases of facilities were approved by the Bond Review Board during fiscal 2007.

Texas Swaps Outstanding

At the end of fiscal 2007, four state issuers had swap agreements in place: the Veterans Land Board (VLB), The University of Texas System (The UT System), the Texas Department of Housing and Community Affairs (TDHCA) and the Texas

Table 12

DEBT-SERVICE REQUIREMENTS OF TEXAS STATE BONDS BY FISCAL YEAR

(amounts in thousands)

	2007	2008	2009	2010	2011	2012 & beyond
General Obligation Bonds						
Self-Supporting						
Veterans' Land and Housing Bonds	$143,758	$151,725	$153,737	$180,465	$165,641	$2,475,635
Water Development Bonds	86,373	85,037	87,142	88,124	86,856	962,441
Economic Development Bank Bonds	2,048	2,048	2,048	2,048	2,048	114,615
Park Development Bonds	4,533	3,365	0	0	0	0
College Student Loan Bonds	100,892	76,931	127,595	91,525	88,053	582,733
Texas Agriculture Finance Authority	1,350	1,996	1,998	1,998	1,997	31,976
Texas Mobility Fund Bonds	111,106	212,994	215,748	216,657	217,528	6,900,108
Texas Public Finance Authority - TMVRLF	0	2,615	2,504	2,504	2,945	86,604
Total Self-Supporting	**$450,060**	**$536,711**	**$590,772**	**$583,321**	**$565,068**	**$11,154,112**
Not Self-Supporting[1]						
Higher Education Constitutional Bonds [2]	$7,024	$8,854	$8,849	$8,849	$8,848	$32,595
Texas Public Finance Authority Bonds	277,000	301,636	304,618	261,406	256,692	1,202,404
Park Development Bonds	984	2,102	2,054	2,016	1,968	13,407
Agriculture Water Conservation Bonds	2,698	2,694	2,696	0	0	0
Water Development Bonds - EDAP [3]	15,420	16,556	16,586	16,461	16,525	206,109
Water Development Bonds - State Participation	7,777	8,660	8,673	8,674	9,796	294,010
Total Not Self-Supporting	**$310,903**	**$340,502**	**$343,476**	**$297,406**	**$293,829**	**$1,748,525**
Total General Obligation Bonds	**$760,963**	**$877,213**	**$934,248**	**$880,727**	**$858,897**	**$12,902,637**
Non-General Obligation Bonds						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$43,012	$42,982	$33,857	$33,654	$37,215	529,603
The University of Texas System	94,809	90,605	90,465	90,491	57,866	1,388,826
College and University Revenue Bonds [4]	489,289	513,410	521,650	498,666	489,141	6,267,089
Texas Dept. of Housing & Community Affairs Bonds	142,461	149,338	165,339	164,077	163,561	5,064,386
Texas State Affordable Housing Corporation	41,625	37,525	44,568	44,743	44,795	1,117,570
Texas Small Business I.D.C. Bonds	3,209	3,209	3,209	3,209	3,209	148,467
Economic Development Program	600	657	658	660	661	10,525
Texas Water Resources Finance Authority Bonds	6,880	6,130	6,253	5,539	0	0
College Student Loan Bonds	0	0	0	0	0	0
Texas Department of Transportation Bonds - CTTS	211,156	856,511	43,042	43,042	43,042	2,554,738
Texas Workers' Compensation Fund Bonds [5]	24,217	0	0	0	0	0
Veterans' Financial Assistance Bonds	1,885	1,873	1,873	1,875	1,877	45,593
TPFA Charter School Finance Corporation	0	478	612	723	720	19,126
Texas Workforce Commission Unemp Comp Bonds	20,197	278,723	137,142	0	0	0
State Highway Fund	71,939	132,442	137,788	137,779	137,779	2,079,497
Water Development Bonds - State Revolving Fund	100,978	83,235	86,335	88,325	94,155	958,035
Total Self Supporting	**$1,252,257**	**$2,197,118**	**$1,272,791**	**$1,112,783**	**$1,074,021**	**$20,183,455**
Not Self-Supporting [1]						
Texas Public Finance Authority Bonds	$66,577	$68,612	$68,059	$69,515	$55,485	$269,902
TPFA Master Lease Purchase Program	17,890	22,555	19,876	16,515	12,405	71,180
Texas Military Facilities Commission Bonds	2,413	2,417	1,981	1,979	1,985	18,970
Parks and Wildlife Improvement Bonds	5,299	7,833	7,733	7,618	7,504	34,835
Total Not Self-Supporting	**$92,179**	**$101,417**	**$97,649**	**$95,627**	**$77,379**	**$394,887**
Total Non-General Obligation Bonds	**$1,344,436**	**$2,298,535**	**$1,370,440**	**$1,208,410**	**$1,151,400**	**$20,578,342**
Total All Bonds	**$2,105,399**	**$3,175,748**	**$2,304,688**	**$2,089,137**	**$2,010,297**	**$33,480,979**

[1] Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue for debt service.

[2] While not explicitly a general obligation or full faith and credit bond, the revenue pledge contained in Constitutional Bonds has the same effect. Debt service is paid from annual constitutional appropriation to qualified institutions of higher education from first monies coming into the state treasury not otherwise dedicated by the Constitution.

[3] Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 90 percent of the bonds issued may be used for grants.

[4] Debt-service requirements for tuition revenue bonds are included in these totals. Table 12A provides debt-service detail for each institution. All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds"). Debt service paid from general revenue for not self-supporting bonds totaled $424.9 million in fiscal 2006 and approximately $403.1 million in fiscal 2007.

[5] Texas Workers' Compensation Fund Bonds were economically defeased. Legally required debt-service payments are reflected in this table.

Notes: The debt-service figures do not include the early redemption of bonds under the state's various loan programs.
Future debt-service payments for variable-rate bonds and commercial paper programs are estimated.
Detail may not add to total due to rounding.
Source: Texas Bond Review Board - Bond Finance Office.

Table 12A

DEBT-SERVICE REQUIREMENTS OF TEXAS COLLEGE AND UNIVERSITY REVENUE BONDS BY FISCAL YEAR

(amounts in thousands)

College and University Revenue Bonds	2007	2008	2009	2010	2011	2012 & Beyond
The University of Texas System - Non-TRB	$157,658	$183,985	$188,264	$188,401	$188,558	$2,852,191
The University of Texas System - TRB	57,574	59,542	61,672	61,647	61,631	618,138
The University of Texas System - TOTAL	215,232	243,527	249,936	250,048	250,189	3,470,329
The Texas A&M University System - Non-TRB	57,415	57,622	57,365	48,490	45,580	441,878
The Texas A&M University System - TRB	41,530	38,235	36,012	30,410	28,391	276,268
The Texas A&M University System - TOTAL	98,945	95,857	93,377	78,900	73,971	718,146
Texas Tech University System - Non-TRB	25,076	22,528	22,525	22,121	19,832	272,412
Texas Tech University System - TRB	16,759	16,217	16,232	16,227	16,229	197,512
Texas Tech University System - TOTAL	41,835	38,745	38,757	38,348	36,061	469,924
Texas State University System - Non-TRB	29,659	31,205	31,448	31,638	29,737	417,632
Texas State University System - TRB	18,589	18,596	18,445	18,468	18,487	162,556
Texas State University System - TOTAL	48,248	49,801	49,893	50,106	48,224	580,188
University of Houston System - Non-TRB	16,172	16,176	19,070	12,135	12,100	168,100
University of Houston System - TRB	16,706	14,254	14,235	14,213	14,246	145,672
University of Houston System - TOTAL	32,878	30,430	33,305	26,348	26,346	313,772
The University of North Texas System - Non-TRB	15,269	12,179	13,393	13,931	14,005	244,780
The University of North Texas System - TRB	5,461	11,762	11,762	11,344	11,350	112,071
The University of North Texas System - TOTAL	20,730	23,941	25,155	25,275	25,355	356,851
Texas Woman's University - Non-TRB	2,922	2,921	2,925	1,580	924	22,166
Texas Woman's University - TRB	2,702	2,692	2,678	2,676	2,681	28,958
Texas Woman's University - TOTAL	5,624	5,613	5,603	4,257	3,605	51,124
Texas State Technical College System - Non-TRB	1,925	0	0	0	0	0
Texas State Technical College System - TRB	838	831	824	820	821	8,943
Texas State Technical College System - TOTAL	2,763	831	824	820	821	8,943
Stephen F Austin State University - Non-TRB	8,238	8,230	8,374	8,373	8,367	129,259
Stephen F Austin State University - TRB	1,526	1,533	1,534	1,542	1,547	15,632
Stephen F Austin State University - TOTAL	9,764	9,763	9,908	9,915	9,914	144,891
Midwestern State University - Non-TRB	1,117	2,488	1,974	1,974	1,981	29,835
Midwestern State University - TRB	1,382	1,639	2,155	2,152	2,151	26,358
Midwestern State University - TOTAL	2,499	4,127	4,129	4,126	4,132	56,193
Texas Southern University - Non-TRB	2,746	2,746	2,739	2,494	2,491	22,936
Texas Southern University - TRB	8,025	8,029	8,024	8,029	8,032	82,711
Texas Southern University - TOTAL	10,771	10,775	10,763	10,523	10,523	105,647
Total College and University Revenue Bonds	**$489,289**	**$513,410**	**$521,650**	**$498,666**	**$489,141**	**$6,276,008**

Legend: TRB = Tuition Revenue Bonds

Notes: All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds")

Source: Texas Bond Review Board - Bond Finance Office

Transportation Commission (TTC). Each entered the swap market in 1994, 1999, 2004 and 2006, respectively. As of August 31, 2007, the aggregate notional amount of swaps outstanding at the state level was $2.89 billion. Interest rate swaps do not represent additional debt of the state but are used as a financial-management tool primarily to reduce interest expense and hedge against interest rate, tax, basis and other risks. (See Appendix C for a background discussion of swaps.)

State issuers are authorized to enter into swap agreements under the Texas Government Code, Section 1371 which grants special authority to enter into credit agreements. However, the Texas Department of Housing and Community Affairs

Table 13

TEXAS BONDS AUTHORIZED BUT UNISSUED

(amounts in thousands)

	8/31/2004	8/31/2005	8/31/2006	8/31/2007
General Obligation Bonds				
Self-Supporting				
Veterans' Land and Housing Bonds	$505,002	$355,002	$318,372	$180,592
Water Development Bonds	2,170,906	2,127,961	2,077,961	2,066,427
Farm and Ranch Loan Bonds [1]	475,000	475,000	475,000	475,000
College Student Loan Bonds	250,000	250,000	250,000	177,195
Texas Economic Development Bank Bonds	45,000	0	0	0
Texas Agricultural Finance Authority Bonds	19,000	20,000	25,000	25,000
Texas Public Finance Authority - TMVRLF[2]	250,000	250,000	250,000	200,405
Texas Mobility Fund Bonds	***	***	***	***
Texas Rail Relocation and Improvement Fund	***	***	***	***
Total Self-Supporting	**$3,714,908**	**$3,477,963**	**$3,396,333**	**$3,124,619**
Not Self-Supporting [3]				
Agricultural Water Conservation Bonds	164,840	164,840	164,840	164,840
Higher Education Constitutional Bonds	*	*	*	*
Texas Public Finance Authority[2, 4]	$774,077	$689,566	$644,337	$525,950
Water Development Bonds - EDAP [5]	37,011	37,011	37,011	12,013
Water Development Bonds - State Participation	15,000	15,000	15,000	0
Total Not Self-Supporting	**990,928**	**906,417**	**861,188**	**702,803**
Total General Obligation Bonds	**$4,705,836**	**$4,384,380**	**$4,257,521**	**$3,827,422**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds [6]				
The Texas A&M University System	$473,391	$538,129	$573,421	$618,454
The University of Texas System	677,892	759,228	972,402	992,970
College and University Revenue Bonds	**	**	**	**
Texas Department of Housing & Community Affairs	**	**	**	**
Texas Turnpike Authority Bonds	**	**	**	**
Texas Agricultural Finance Authority Bonds	500,000	500,000	500,000	500,000
Texas Economic Development Bank Bonds	**	**	**	**
Texas State Affordable Housing Corporation	**	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**	**
Texas School Facilities Finance Program [7]	750,000	0	0	0
Texas Water Development Bonds (Water Resources Fund)	**	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**	**
Texas Workforce Commission Unemp Comp Bonds	623,280	****	****	****
Nursing Home Liability Insurance	75,000	75,000	75,000	75,000
FAIR Plan	75,000	75,000	75,000	75,000
Veterans' Financial Assistance Bonds	795,720	795,720	795,720	795,720
State Highway Fund Revenue Bonds[8]	3,000,000	3,000,000	2,372,669	4,372,961
Water Development Board - State Revolving Fund	**	**	**	**
Total Self-Supporting	**$6,970,283**	**$5,743,077**	**$5,364,212**	**$7,430,105**
Not Self Supporting [3]				
Texas Public Finance Authority Bonds[2]	$259,863	$259,499	$259,499	$133,021
TPFA Master Lease Purchase Program	94,641	72,741	44,710	39,200
Texas Military Facilities Commission Bonds	**	**	**	**
Parks and Wildlife Improvement Bonds	9,000	0	0	0
Total Not Self-Supporting	**$363,504**	**$332,240**	**$304,209**	**$172,221**
Total Non-General Obligation Bonds	**$7,333,787**	**$6,075,317**	**$5,668,421**	**$7,602,326**
Total All Bonds	**$12,039,623**	**$10,459,696**	**$9,925,942**	**$11,429,748**

* No bond issuance limit, but debt service may not exceed $87 5 million per year through FY 2007 and $131 25 million per year beginning FY

** No issuance limit has been set by the Texas Constitution Bonds may be issued by the agency without further authorization by the Legislature

*** No bond issuance limit, but debt service on all bonds issued and proposed to be issued pursuant to the Article III, Section 49-k of the Texas

**** No bond issuance limit, but each issuance may not exceed $2 billion

[1] Effective in November 1995, state voters authorized the use of $200 million of the existing $500 million Farm and Ranch Program authority for

[2] See Appendix D - Texas State Bond Programs for a description of the Texas Public Finance Authority bonds

[3] Bonds that are not self-supporting depend solely on the state's general revenue for debt service

[4] Includes $850 million that was authorized by state voters in November 2001; however, as of August 31, 2007 the Legislature has appropriated

[5] Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up

[6] Issuance of PUF bonds by A&M is limited to 10 percent, and issuance by UT is limited to 20 percent of the cost value of investments and other

[7] The 79th Legislature passed HB 1106 that repealed the Public School Facilities Funding Act, Chapter 1402, Government Code effective

[8] With the passage of SB792, the State Highway Fund Program was expanded to an amount not to exceed $6 billion

Source: Texas Bond Review Board

and the Veterans Land Board have broad authority to enter into swaps under Section 2306.35 of the Texas Government Code and Section 161.074, 162.052 and 164.010 of the Texas Natural Resources Code, respectively.

At the end of fiscal 2007, the VLB was a party to 41 pay-fixed, receive-variable (synthetic fixed-rate) swaps associated with its variable-rate demand bond issues. The total notional amount for these swaps was $1.42 billion at fiscal year-end 2007. TDHCA had five such swaps totaling $365.2 million in notional amount, and The UT System had three totaling $333 million in notional amount at fiscal year-end 2007.

Additionally, at the end of fiscal 2007 the VLB had six outstanding basis (pay-variable, receive-variable) swaps with $679.6 million in notional amount that were associated with variable rate demand debt issues. The Texas Transportation Commission had $400 million in notional amount of a basis swap outstanding as of fiscal year-end 2007.

At the end of fiscal 2007, the Net Fair Value for the VLB's swaps totaled a negative $61.5 million; The UT System, $5.8 million; TDHCA, a negative $8.8 million; and for TTC, $1.7 million. (See *Table 19 in Appendix C* for details regarding Texas' interest rate swaps outstanding at August 31, 2007.)

At fiscal year-end 2007, debt-service requirements and net swap payments for the VLB's pay-fixed, receive-variable totaled $1.86 billion and pay-variable, receive-variable swaps totaled $463.2 million. TDHCA's totaled $649.4 million. The UT System's totaled $27.7 million and the TTC's totaled $2.02 billion. (See *Table 20 and Table 21 in Appendix C* for debt-service requirements of outstanding and net interest rate swap payments.)

Chapter 4
State Bond Issuance Costs

Excluding conduit issues, Texas' state bond issuers spent an average of $1.2 million per issue ($7.66 per $1,000) on bond issues sold during fiscal 2007. Appendix A of this report details the issuance costs associated with each of these issues.

The Costs of Issuing Bonds

Issuance costs are composed of the professional fees and expenses paid to service providers and underwriters to market bonds to investors. Professional services commonly used in the marketing of all types of municipal securities are listed below:[1]

•Underwriter — The underwriter or underwriting syndicate acts as a dealer that purchases a new issue of municipal securities from the issuer for resale to investors. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding.

The largest portion of the costs associated with the issuance of bonds is the fee paid to the underwriter (or underwriters), known as the "underwriting spread." The spread is the underwriter's compensation for purchasing the bonds from the issuer and reselling them in the bond market. It consists of four components: takedown, management fee, underwriting fee (a risk premium to compensate the underwriter for market risk of the underwriting) and an amount to cover the expenses associated with the marketing of the bonds.

•Bond Counsel — Bond counsel is retained by the issuer to provide legal advice and a legal opinion that: 1) the issuer is authorized to issue the proposed securities; 2) has met all legal requirements necessary for issuance; 3) the interest on the proposed securities is exempt from federal income taxation and where applicable, from state and local taxation. Typically, bond counsel prepares and/or reviews documentation and advises the issuer regarding: 1) authorizing resolutions or ordinances; 2) trust indentures; 3) official statements; 4) validation proceedings; 5) disclosure requirements; and 6) litigation.

•Financial Advisor — The financial advisor advises the issuer on matters pertinent to a proposed issue, such as structure, timing, marketing, pricing, terms and bond ratings. A financial advisor may also be employed to provide advice on subjects unrelated to a new issue of securities such as advising on cash flow and investment matters and the issuer's overall debt-management policies.

•Rating Agencies — Rating agencies provide public or private ratings on the credit quality of securities issues. These ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are initially released before issuance and are reviewed periodically after issuance and may be amended up or down to reflect changes in the issuer's creditworthiness.

•Paying Agent/Registrar — The paying agent is responsible for transmitting payments of principal and interest from the issuer to the security holders. The registrar is the entity responsible for maintaining records on behalf of the issuer for the purpose of noting the owners of registered bonds.

•Printer — The printer produces the official statement, notice of sale and any bonds required to be transferred between the issuer and purchasers of the bonds.

Choosing the Method of Sale: Negotiated Versus Competitive

One of the most important decisions an issuer of securities must make is selecting a method of sale. Negotiated sales and competitive sales each have their own distinct advantages and disadvantages described below. The challenge facing an issuer is

[1] Definitions adapted from the Municipal Securities Rulemaking Board's *Glossary of Municipal Securities Terms.*

evaluating factors related to the proposed financing and selecting the most appropriate method of sale.

In a negotiated sale, an underwriter chosen in advance of the sale agrees to buy the bonds at a mutually-agreed future date for resale. As part of the preparation for the underwriting at that future date, the underwriter actively markets the bonds to potential buyers to ensure a successful resale at the time of the underwriting. In more complicated financings, pre-sale marketing can be crucial to obtaining the lowest possible interest cost. In addition, the negotiated method of sale offers issuers greater timing and structural flexibility than competitive sales, as well as more influence in directing bond distribution to selected underwriting firms and investors.

Disadvantages of negotiated sales are a lack of competition in pricing and the possible appearance of favoritism. These factors can result in wider fluctuations in underwriting spreads for negotiated transactions than for comparable competitive transactions.

Conditions that suggest a negotiated sale are market volatility and securities for which market demand is difficult to ascertain. Often called "story bonds," these include securities issued by an infrequent issuer or an issuer with credit rating problems or securities that contain innovative structuring, derivatives or other complexities.

In a competitive sale, sealed bids or electronic bids from a number of underwriters are opened on a predetermined sale date and time. The bonds are then awarded to the underwriter submitting the lowest bid that meets the terms and conditions of the sale. Generally, underwriters that bid competitively perform less pre-sale marketing because they cannot know if they have been awarded the underwriting contract until the day the bids are opened.

Advantages of the competitive bid include: 1) bids are developed in a competitive environment where market forces determine the price; 2) spreads are typically lower; and 3) the winning bid is developed in an open process among underwriters. Disadvantages of the competitive sale include: 1) limited flexibility in timing the sale and structuring the transaction; 2) limited pre-sale marketing; 3) minimum control over the distribution of bonds; and 4) the likelihood that underwriters' bids will include a risk premium to compensate for uncertainty regarding market demand.

Conditions that suggest a competitive sale are a stable, predictable market in which market demand for the securities can be relatively easily determined. Stable market conditions lessen the underwriters' risk of holding unsold balances. Market demand is generally easier to assess for securities: 1) that are issued by well-known, highly-rated issuers that regularly access the debt market; 2) that are conventionally structured, such as serial and term coupon bonds; and 3) that have a strong source of repayment and thus a high credit rating. These conditions will generally lead to aggressive bidding resulting in lower costs of issuance since the underwriters will be able to more easily assess market demand without extensive pre-marketing activities.

Theoretically, the competitive gross spread provides the underwriter with compensation for the risk of purchasing and distributing bonds, but it does not include significant components that are specific to a negotiated spread such as management fees or fees for underwriters' counsel. When negotiated gross spreads are below competitive gross spreads, as seen in the six fiscal years prior to fiscal 2006 and fiscal 2007, it appears that bonds sold through negotiation were priced with a reduced risk premium compared to that usually found in competitive transactions because underwriters in negotiated transactions had sufficient time to accurately assess the market risk before the underwriting occurs.

In determining the method of sale, factors such as size, complexity, market conditions and time frame most influence the issuer's decision. Issuers should focus primarily on how their bonds are being priced in the market and focus secondarily on the underwriting spread. The trade-off between

Table 14

AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES

	Fiscal 2006		Fiscal 2007	
	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued*
Average Issue Size (In Millions)	$132 5		$236 1	
Underwriter's Spread	$577,074	$4 61	$872,578	$3 93
Other Issuance Costs:				
Bond Counsel	94,023	1 26	124,646	1 22
Financial Advisor	46,412	0 83	56,651	0 90
Rating Agencies	54,317	0 65	63,619	0 54
Printing	2,642	0 05	2,684	0 04
Other	137,568	1 01	72,727	1 03
Subtotal	$334,962	$3 80	$320,327	$3 73
Total	$912,036	$8 41	$1,192,905	$7 66

Note: Bond insurance premiums are not included for purposes of average cost calculations The figures are simple averages of the dollar costs and costs per $1,000 associated with each state bond issue exclusive of conduit issues

*Underwriter's spread average cost per $1,000 of bonds issued includes one private placement issue

Source: Texas Bond Review Board - Bond Finance Office

reducing the take-down (selling) component of the underwriters' spread to reduce costs may also result in reducing the sales effort needed to successfully place the issue which in turn could result in a lower price (higher yield) for the issue in aftermarket trading.

Issuance Costs for Texas Bond Issuers

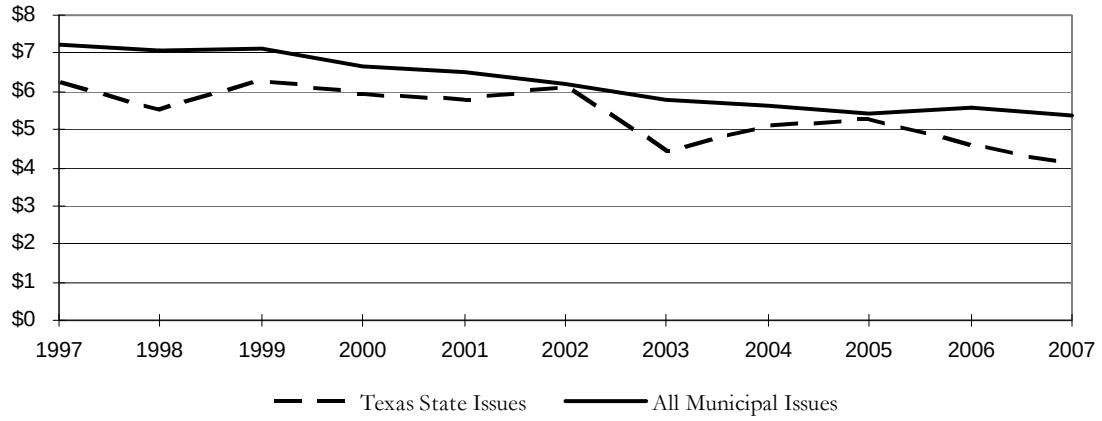
For fiscal 2007 the average issuance size for Texas' state issuers increased to $236.1 million from $132.5 million in fiscal 2006. Excluding conduit issues, nine (38%) of the 24 bond transactions completed in fiscal 2007 were $100 million in size or above. Six (24%) of the 25 issues completed in fiscal 2006 were in that size category.

Excluding conduit issuances, in fiscal 2007 the underwriting spread accounted for 73.2% of all issuance costs *(Table 14)*. Due primarily to the substantial increase in average issuance size, the cost of the average underwriting spread per issue increased 51.2% from $577,074 in fiscal 2006 to $872,578 in fiscal 2007. However, when measured on a per $1,000 bond basis, the $3.93 average

Figure 9

GROSS UNDERWRITING SPREADS: 1997 - 2007

TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES



Note: 2007 Municipal figures are through June 30, 2007. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include managers' fees, underwriting fees, average takedowns, and expenses. Private placements, conduits, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.

Sources: *The Bond Buyer* (08/07); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office.

underwriting spread paid in fiscal 2007 was 14.8% less than the $4.61 reported in fiscal 2006. The $3.93 average underwriting spread per $1,000 includes one private placement non-conduit issue. The cost per $1,000 for the average underwriting spread is $4.10 if the privately-placed issue is excluded.

Excluding conduit issuances, during fiscal 2007 Texas' state bond issuers paid lower underwriting fees compared to the national averages *(Figure 9)*. Data published by Thomson Financial Securities Data show that spreads paid by issuers nationally averaged $5.35 per $1,000 compared to Texas' average of $4.10 per $1,000. Texas' averages for fiscal 2007 do not include the single non-conduit private placement issue.

Fees for bond counsel, financial advisor, rating agency and printing costs declined 4.4% in fiscal 2007 and averaged $320,327 per issue ($3.73 per $1,000) compared to $334,962 ($3.80 per $1,000) in fiscal 2006.

Comparison of Issuance Costs by Transaction Size

In general, larger bond issues have a higher cost of issuance than smaller ones; however, larger issues have a lower cost of issuance on a per $1,000 basis and also as a percentage of the size of the bond issue. This occurs because certain fixed costs of issuance do not vary proportionately with the size of a bond issue. For example, professional fees for legal services, financial advisory services and document drafting fees are generally not dependent on issue size.

Texas bond issues followed this general pattern with smaller issues proportionally more costly than the larger issues *(Figure 10)*. In fiscal 2007 total issuance costs for bond issues of less than $25 million averaged $239,525 per issue ($12.28 per $1,000). Costs for the larger issues of over $150 million averaged $3,047,969 per issue ($3.67 per $1,000). On the basis of cost per $1,000, the costs for the larger issues were 70.1% less than the costs of smaller issues. The increase in average costs and the decrease in the costs per $1,000 are explained by the fact that fiscal 2007 saw more issuances over $500 million than fiscal 2006. In fiscal 2007 17% of all issuances were over $500 million compared to 12% in fiscal 2006.

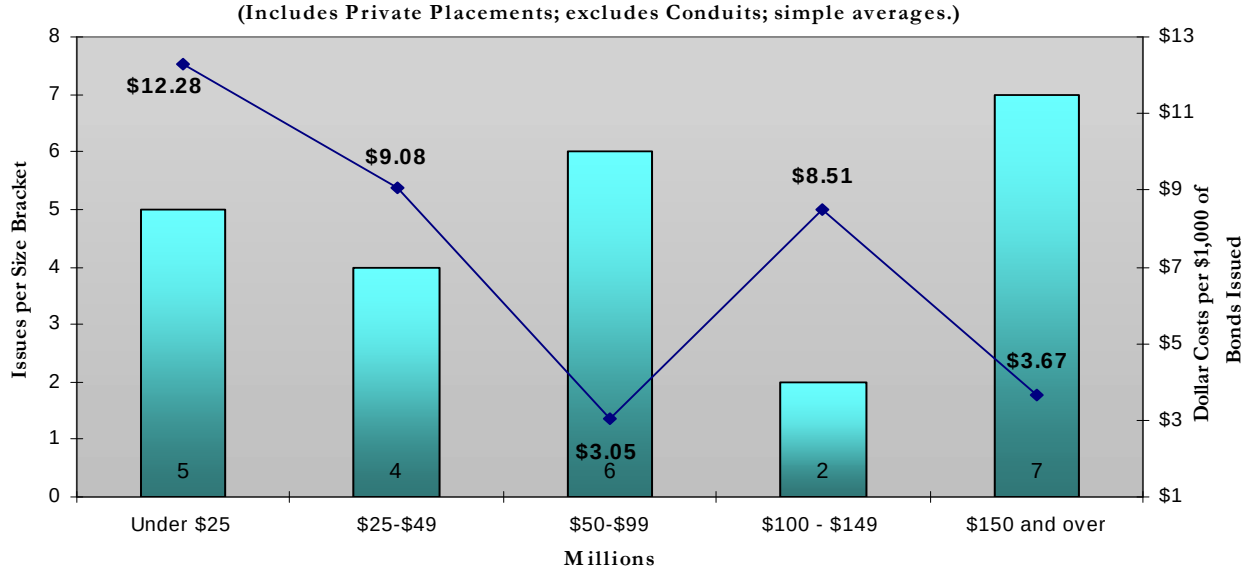
Comparison of Issuance Costs by Type of Sale

During fiscal 2007, the size of Texas' negotiated issues averaged $277 million while the competitive

Figure 10

AVERAGE ISSUANCE COSTS FOR TEXAS BONDS BY SIZE OF ISSUE

(Includes Private Placements; excludes Conduits; simple averages.)



Source: Texas Bond Review Board - Bond Finance Office

issues had an average size of $40.8 million. For fiscal 2006 those sizes averaged $140.2 million and $80 million, respectively.

As mentioned above, fiscal 2006 and fiscal 2007 saw higher average underwriting costs for Texas' negotiated transactions than for the state's competitively bid transactions *(Figure 11)*. Fiscal 2006 was the first year to reverse a trend that began in fiscal 2000 in which average competitive underwriting costs were higher than those for negotiated transactions.

During fiscal 2007 Texas bond issuers paid an average of $4.27 per $1,000 for negotiated sales and $2.96 per $1,000 for competitively bid sales. Thomson Financial Securities Data recorded national averages of $5.50 per $1,000 for negotiated transactions and $3.92 per $1,000 for competitive transactions, indicating that Texas' negotiated average was 22.4% below the national average and its competitive average was 24.5% below the national average.

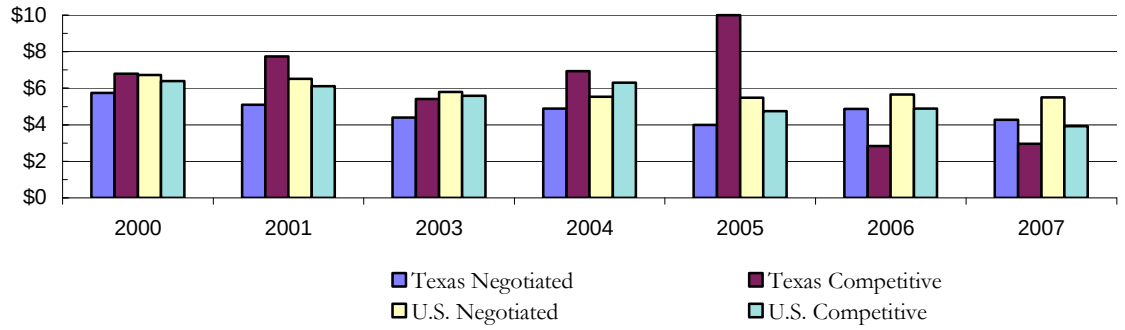
Trends in State Bond Issuance Costs in 2007

In order to determine trends in issuance costs, it is important to review the characteristics of the 24 non-conduit bond transactions that occurred in fiscal 2007. Only one of those issues was privately-placed. This was a $4 million issue with an issuance cost of $6.46 per $1,000. Three of the non-conduit issues were sold competitively and ranged in size from $8.7 million to $99 million. Of the 20 negotiated transactions, two were less than $25 million in size. Although the total issuance costs for the negotiated and competitive issues averaged $7.66 per $1,000 and $8.14 per $1,000, respectively in fiscal 2007, an accurate comparison of the average issuance costs per $1,000 on negotiated and competitive bond issues is not possible since only three competitive transactions were completed. In addition to the problem of small sample size, smaller bond issues tend to have higher costs of issuance because certain fixed costs are incurred irrespective of issue size.

Recent trends in issuance costs can be determined by comparing the data from competitive and negotiated transactions; however, a definitive conclusion regarding the most cost efficient method of sale for Texas bonds cannot be drawn from such a limited number of bond issues with such large disparities in issue size. Texas bond issuers have demonstrated the ability to issue bonds in a cost-efficient manner.

Figure 11

GROSS UNDERWRITING SPREADS: 2000 - 2007
NEGOTIATED vs. COMPETITIVE MUNICIPAL ISSUES
(Excludes Private Placements and Conduits; simple averages)



Note: 2007 U.S. figures are through June 30, 2007. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include manager's fees, underwriting fees, average takedowns, and expenses. Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.
Sources: *The Bond Buyer* (08/07); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office

Chapter 5
Texas Private Activity Bond Allocation Program

Texas experienced an increase in volume cap for the 2007 Private Activity Bond Allocation Program. The 2007 volume cap was set at $1,998,161,555 an increase of almost $169.4 million (9.3%) over the 2006 cap of $1,828,797,440. For program year 2007 Applications' requests exceeded $4.34 billion which continues a trend of reduced carryforward started in 2006.

The Allocation Program

Since the passage of the Tax Reform Act of 1986 (the "Tax Act"), federal law has limited the use of tax-exempt financing for private activities. Tax-exempt private activity bonds may be used to finance certain privately-owned projects that serve a public purpose and meet the following tests: 1) Private Business Use Test - more than 10% of the proceeds are to be used for any private business use; 2) Private Security or Payment Test - payment on principal or interest of more than 10% of the proceeds is to be directly or indirectly secured by, or payments are to be derived from a private business use; and 3) Private Loan Financing Test - proceeds are to be used to make or finance loans to persons other than governmental units.

The Tax Act authorizes the issuance of six types (subceilings) of private activity bond issues: 1) Single Family housing projects (permitted to issue mortgage revenue bonds, MRBs); 2) Certain state-voted bond issues; 3) Qualified small-issue industrial development bonds (IDBs) or enterprise zone bonds (EZs); 4) Multifamily residential rental projects (permitted to issue multifamily revenue bonds); 5) Student loan bonds; and 6) All other issues that include a variety of exempt facilities such as sewage facilities, solid waste disposal facilities and hazardous waste disposal facilities. In recent years a widening variety of projects have been permitted to utilize tax-exempt private activity bonds including non-governmental airports, high-speed intercity rail facilities, environmental enhancements to hydroelectric generating facilities or qualified public educational facilities.

In addition, the Tax Act imposes a volume ceiling (or cap) on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. As described below, the current volume cap is the greater of $85 per capita or $225 million. Section 146(e) of the Internal Revenue Code also provides for each state to devise an allocation formula or a process for allocating the state's volume cap. This provision gives each state the ability to allocate this limited resource in a manner consistent with its own specific needs.

Chapter 1372 of the Texas Government Code mandates the allocation process for the state of Texas. The Private Activity Bond Allocation Program regulates the volume cap and monitors the amount of demand and use of private activity bonds each year. The Texas Bond Review Board has administered this program since January 1, 1992.

The federal government determines the state's private activity ceiling, but the demand for financing for qualified private activities typically far outstrips the supply of available federal funding. In an effort to address the excess demand over supply for most types of private activity bond financing, the Bond Review Board devised a lottery system that ensures an equal allocation opportunity for each eligible project type.

Past Major Legislative Changes

The 76th Texas Legislature in 1999 passed significant changes to the allocation process for the state's volume cap. Beginning with the 2000 program year, the legislature specified that for the first seven and one-half months of the year, issuers are limited to certain amounts, and the state's volume cap must be set-aside as follows:

- 25% for single family housing to issuers of qualified mortgage revenue bonds (MRBs);
- 11% for issuers authorized by a state constitutional amendment;

- 7.5% for issuers of qualified, small-issue industrial development bonds (IDBs) and empowerment zone bonds (EZ bonds);
- 16.5% for issuers of qualified residential rental project issue bonds (multifamily housing);
- 10.5% for issuers of qualified student loan bonds authorized by §53.47, Texas Education Code;
- 29.5% for issuers of "all other" bonds requiring an allocation.

On August 15th all six subceilings collapse after which any unreserved or unallocated amounts are combined and made available by lot regardless of project type or priority.

State legislation passed during the 77th and 78th Legislative Sessions shifted the distribution of the state's ceiling once again for the Private Activity Bond Allocation Program. Those set-aside percentages currently remain in effect:

- Subceiling #1 Single Family MRBs: Increased from 25% to 29.6% after the 77th and then decreased to 28% after the 78th. Of that amount, one third was to continue to be set-aside for the Texas Department of Housing and Community Affairs (TDHCA), $50 million was to be set-aside for the Texas State Affordable Housing Corporation (TSAHC) and the remaining was to be made available to local issuers. Local issuers could apply for an amount determined by a formula based on population subject to a total maximum for all local issuers of $25 million per year.

- Subceiling #2 State-Voted Issues: Decreased from 11% to 8% after the 77th. The Texas Higher Education Coordinating Board was allowed to apply for a maximum of $75 million per year while other eligible issuers in this category were limited to a maximum of $50 million per year.

- Subceiling #3 Qualified Small-Issue IDBs and EZs: Decreased from 7.5% to 4.6% after the 77th and then to 3% after the 78th. The maximum total allocation in this subceiling was continued and still remains at $10 million per year.

- Subceiling #4 Multifamily Revenue Bonds: Increased from 16.5% to 23% after the 77th and then reduced to 22% after the 78th. Issuers within this category could apply for a per-project maximum of the lesser of $15 million or 15% of the total set-aside for this subceiling.

- Subceiling #5 Student Loan Bonds: Decreased from 10.5% to 8.8% after the 77th but increased to 10.5% after the 78th.

- Subceiling #6 All Other Issues: Decreased from 29.5% to 26% after the 77th but increased back to 29.5% after the 78th Session.

During the 77th Legislative Session in 2001, Texas dedicated $25 million per year of subceiling #1 to TSAHC to initiate a Teacher Home Loan Program. Proceeds from the sale of bonds are to be used to provide low-interest loans and down-payment assistance to first-time home-buying teachers residing in the state. The 78th Legislature further defined the eligibility for this program to include classroom teachers, teacher aides, school librarians, school nurses and school counselors employed by a Texas public school district. The program was more appropriately renamed the Professional Educators Home Loan Program.

HB 3329 passed during the 77th Legislature specifically dedicated 2% of subceiling #6 until August 15th to projects that would promote the development of new drinking water sources. Additionally, HB 3329 further dedicated one third of the volume cap available to subceiling #3 to the Texas Agricultural Finance Authority until June 1st of each year. (To date, the Texas Agricultural Finance Authority has yet to use its dedicated volume cap.)

The 78th Legislative Session in 2003 dedicated $25 million per year of subceiling #1 for TSAHC to create the Firefighter and Police Officer Home

Loan Program. The 79th Legislature further defined the eligibility for this program to include peace officers, Texas Department of Criminal Justice (TDCJ) employees receiving hazardous duty pay, county jailers and public security officers. Proceeds from the sale of bonds are to be used to provide low-interest loans and down-payment assistance to first time home-buyers employed in one of the professions outlined above who reside in the state.

In 2005, the 79th Legislature also dedicated $5 million per year of subceiling #1 for TSAHC to create the Nursing Faculty Home Loan Program. Proceeds from the sale of bonds are to be used to provide low-interest loans and down-payment assistance to first-time home-buying faculty members of either a Texas undergraduate or graduate professional nursing program who reside in the state.

The 79th Legislative Session also raised the cap on subceiling #6 from $25 million to $50 million.

The 80th Legislative Session in 2007 gave the Texas Economic Development Bank priority not only over all other issuers within subceiling #6, but also over all issuers with carryforward applications.

HB 3552 passed during the 80th Legislature made a number of changes within subceiling #4. Multiple-site multifamily projects are now allowed in a single application from issuers located in rural counties where the median income is less than the state median income. The legislation also provided that at the beginning of the year subceiling #4 is to be divided between state and local issuers, and those local issuers are further segregated among regions with a set-aside for rural issuers. HB 3552 also consolidated several of the collapses within subceiling #4.

In addition, HB 3552 allows TSAHC to issue Single Family Mortgage Revenue Bonds in the same issue size as allowed to TDHCA. (Formerly TSAHC was statutorily limited to $25 million per issue).

With the exception of single family housing and student loan bonds, reservations of state ceilings are allocated by lottery for applications received from October 5 – October 20 of the year preceding the program year, and thereafter on a first-come, first-served basis. Single family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system is used exclusively within these two subceilings and is in place from January through August 14th of each year. As previously noted, on August 15th (the collapse date) all unreserved allocation from all the subceilings is combined and redistributed to qualified residential rental projects. On September 1st unreserved allocation from all subceilings is combined and redistributed by lot regardless of project type or priority.

Set-Aside vs. Issued Allocation

As detailed in *Table 15*, except for MRB and qualified residential rental project issuers, all issuers must complete their transaction and close on the

Table 15
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2007 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS
(as of December 5, 2007)

SUBCEILINGS	SET-ASIDE ALLOCATION	PERCENT OF TOTAL	ISSUED ALLOCATION	PERCENT OF TOTAL
Single Family Housing	$559,485,235	28.00%	$544,936,608	27.27%
State-Voted Issues	159,852,924	8.00%	99,999,895	5.00%
Small Issue IDBs	39,963,231	2.00%	13,802,500	0.69%
Multifamily Housing	439,595,543	22.00%	243,365,282	12.18%
Student Loan Bonds	209,806,963	10.50%	209,759,336	10.50%
All Other Issues	589,457,659	29.50%	465,235,473	23.28%
TOTALS	**$1,998,161,555**	**100.00%**	**$1,577,099,094**	**78.93%**

Source: Texas Bond Review Board - Private Activity Bond Program.

bond issue within 120 days of the reservation date. Issuers of MRBs must close within a 180-day time limit while residential rental projects must close within 150 days. If an applicant receives a reservation for allocation and is unable to consummate the transaction or closes for a lesser amount, the original request is considered satisfied. Subsequently, the unused reservation or excess allocation is redistributed and used by the next applicant in line. This practice oftentimes results in a volume cap distribution that varies from the predetermined set-asides at the beginning of the program year.

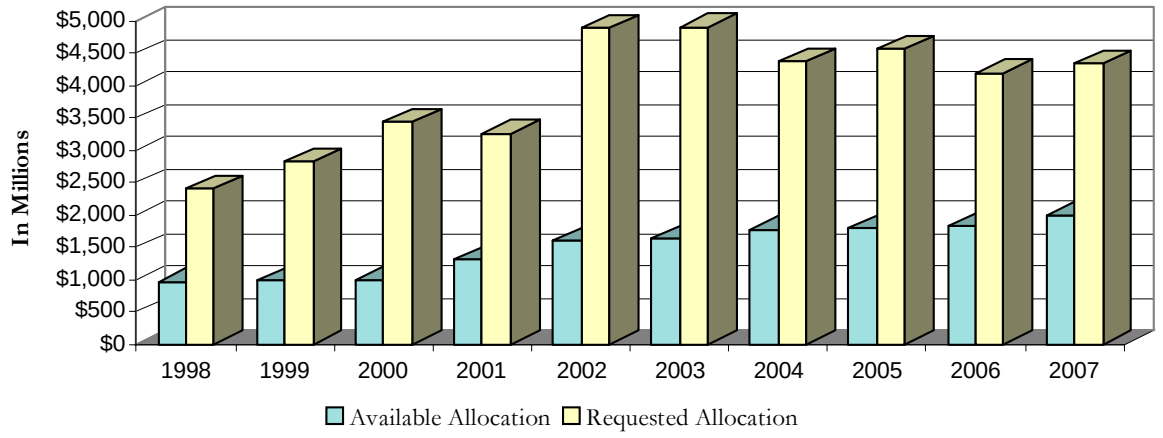
Volume Cap

The state of Texas is second only to California in population and resulting volume cap. Texas experienced an increase in volume cap for the 2007 Private Activity Bond Allocation Program. Based on Texas' population, the 2007 volume cap was set at $1,998,161,555, an increase of almost $169.4 million (9.3%) from the 2006 cap of $1,828,797,440.

The increase in the amount of cap allocation can be attributed not only to the growth of the state's population, but also to new federal legislation that increased the per-capita formula. On December 20, 2000, federal legislation was passed that accelerated the increase in private-activity volume cap, the first such increase since the Tax Reform Act of 1986. The cap phase-in began January 1, 2001, when the limit was increased from $50 per capita to $62.50 per capita. The second part of the plan occurred in January 2002 when the cap multiplier increased to $75 per capita or $225 million, whichever is greater. While the cap was indexed to inflation beginning in 2003, inflation levels have remained lower than the minimum federal requirement to boost the multiplier, and thus the formula has remained at $80 per capita since 2003. The multiplier increased from $80 to $85 for 2007.

Despite Texas' increased volume cap in 2007, demand exceeded the funds available for the allocation program. The program in Texas has been technically oversubscribed each year since 1989 *(Figure 12)*. Applications received for program year 2007 totaled $4.34 billion or 228.7% of the available allocation amount *(Table 16)*. Unlike 2005 when all of the $4.57 billion was offered a reservation, demand in 2007 increased to levels more typical of past years, and a waiting list is now in place.

Figure 12
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
Available vs. Requested Allocation



Source: Texas Bond Review Board - Private Activity Bond Program.
Includes Carryforward requests.

Table 16

STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2007 APPLICATIONS FOR ALLOCATION

SUBCEILINGS	AVAILABLE ALLOCATION *	REQUESTED ALLOCATION	REQUESTS AS A % OF AVAILABILITY
Mortgage Revenue Bonds	$559,485,235	$1,021,358,433	182.55%
State-Voted Issue Bonds	159,852,924	150,000,000	93.84%
Industrial Development Bonds	39,963,231	65,052,500	162.78%
Multifamily Rental Project Bonds	439,595,543	1,041,475,001	236.92%
Student Loan Bonds	209,806,963	912,945,345	435.14%
All Other Bonds Requiring Allocation	589,457,659	1,146,285,912	194.46%
TOTALS	**$1,998,161,555**	**$4,337,117,191**	**217.06%**

***Does not include Carryforward.**
Source: Texas Bond Review Board - Private Activity Bond Program.

Appendix A
Summary of Bonds Issued

Table 17
BONDS BY ISSUER
REPORTED FOR FISCAL YEAR 2007

Texas Department of Housing and Community Affairs (TDHCA)	
TDHCA Multifamily Housing Revenue Bonds (Grove Village Apartments), Series 2006	$ 6,180,000
TDHCA Multifamily Housing Revenue Bonds (Pleasant Village Apartments), Series 2006	$ 6,000,000
TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Champion's Crossing Apartments), Series 2006	$ 5,125,000
TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Red Hills Villas), Series 2006	$ 5,015,000
TDHCA Multifamily Housing Revenue Bonds (Stonehaven Apartment Homes), Series 2006	$ 11,300,000
TDHCA Multifamily Housing Revenue Bonds (Center Ridge Apartments), Series 2006	$ 8,325,000
TDHCA Multifamily Housing Revenue Bonds (Meadowlands Apartments), Series 2006	$ 13,500,000
TDHCA Multifamily Housing Revenue Bonds (East Tex Pines Apartments), Series 2006	$ 13,500,000
TDHCA Multifamily Housing Revenue Bonds (Villas at Henderson), Series 2006	$ 7,200,000
TDHCA Multifamily Housing Revenue Bonds (Aspen Park Apartments), Series 2006	$ 9,800,000
TDHCA Single Family Mortgage Revenue Bonds, Series 2006F&H and Refunding Bonds, Series 2006G	$ 132,195,000
TDHCA Multifamily Housing Revenue Bonds (Idlewilde Apartments), Series 2006	$ 14,250,000
TDHCA Multifamily Housing Revenue Bonds (Lancaster Apartments), Series 2006	$ 14,250,000
TDHCA Multifamily Housing Revenue Bonds (Park Place at Loyola), Series 2007	$ 15,000,000
TDHCA Multifamily Housing Revenue Bonds (Terraces at Cibolo), Series 2007	$ 8,000,000
TDHCA Multifamily Housing Revenue Bonds (Santora Villas), Series 2007	$ 13,072,000
TDHCA Single Family Variable Rate Mortgage Revenue Bonds, Series 2007A	$ 143,005,000
TDHCA Multifamily Housing Revenue Bonds (Villas at Mesquite Creek), Series 2007	$ 16,860,000
TDHCA Multifamily Housing Revenue Bonds (Summit Point Apartments), Series 2007	$ 11,700,000
TDHCA Multifamily Housing Revenue Bonds (Windshire Apartments), Series 2007	$ 14,000,000
TDHCA Multifamily Housing Revenue Bonds (Costa Rialto Apartments), Series 2007	$ 12,385,000
Texas Higher Education Coordinating Board	
State of Texas General Obligation College Student Loan and Refunding Bonds, Series 2007A&B	$ 98,970,000
Texas Public Finance Authority (TPFA)	
TPFA State of Texas General Obligation Refunding Bonds, Series 2006A&B	$ 202,790,000
TPFA Taxable Lease Revenue Bonds (Texas Historical Commission), Series 2006	$ 8,680,000
TPFA Lease Revenue Bonds (Texas Parks and Wildlife Department Project), Series 2007	$ 14,675,000
TPFA State of Texas General Obligation Bonds (Texas Military Revolving Loan Program), Tax-Exempt Series 2007A-1, 2007A-2 and Taxable Series 2007B	$ 49,595,000
Texas State Affordable Housing Corporation (TSAHC)	
TSAHC Single Family Mortgage Revenue Bonds (80% of Median Home Loan Program), Series 2006C	$ 23,650,000
TSAHC Single Family Mortgage Revenue Bonds (Professional Educators Home Loan Program), Series 2007A-1 and 2007A-2	$ 74,563,000
TSAHC Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program), Series 2007C	$ 23,529,000
TSAHC Single Family Mortgage Revenue Bonds (Professional Educators Home Loan Program), Series 2007A-3	$ 37,235,000
Texas Transportation Commission	
TTC State Highway Fund First Tier Revenue Bonds, Series 2006A and 2006B	$ 952,550,000
TTC State of Texas General Obligation Mobilty Fund Bonds, Series 2006A and 2006B	$ 1,190,275,000
TTC State of Texas General Obligation Mobilty Fund Bonds, Series 2007	$ 1,006,330,000
Texas Veterans' Land Board	
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2006D	$ 50,000,000
State of Texas General Obligation Bonds Veterans' Land Refunding Bonds, Taxable Series 2006C	$ 41,050,000
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2006E Taxable Refunding Bonds	$ 39,560,000
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2007A	$ 50,000,000
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2007B	$ 50,000,000
Texas Water Development Board	
TWDB State Revolving Fund Subordinate Lien Revenue Bonds (Variable Rate Refunding), Series 2007A	$ 309,240,000
TWDB State Revolving Fund Subordinate Lien Revenue Bonds (Fixed Rate Refunding), Series 2007B	$ 211,620,000
The Texas A&M University System	
Board of Regents of The Texas A&M University System, Revenue Financing System Note (2007 TIPS Project)	$ 4,000,000
The University of North Texas System	
Board of Regents of The University of North Texas System, Revenue Financing System Bonds, Series 2006	$ 56,050,000
The University of Texas System	
Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2006C and 2006D and Revenue Financing System Bonds, Series 2006E and 2006F	$ 896,465,000

***Note:** TPFA Midwestern State University RFS Revenue and Refunding Bonds, Series 2007 ($28,855,000) and TWDB GO State Participation Refunding Series 2007B and EDAP Series 2007C ($44,345,000) issued in FY07, but information was not available to be included in the 2007 Annual Report.

Source: Texas Bond Review Board - Bond Finance Office.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Grove Village Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Grove Village Limited Partnership, an Oregon limited partnership, to finance the acquisition, rehabilitation, equipping and long-term financing of a 232-unit multifamily residential rental development to be located at 7209 South Loop 12, Dallas, Dallas County, Texas.

Par: $6,180,000
Method of Sale: Private Placement
Board Approval: August 4, 2006
Private Placement Sale: August 30, 2006
Closing Date: August 31, 2006
True Interest Cost (TIC): 6.09%
Net Interest Cost (NIC): 6.09%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	104,500	16.91
Financial Advisor	RBC Capital Markets	No	25,000	4.05
Trustee	US Bank	No	7,000	1.13
Trustee Counsel	Dorsey & Whitney LLP	No	4,648	0.75
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.40
Private Activity Fee	Texas Bond Review Board	N/A	6,750	1.09
Issuer Fees	TDHCA	N/A	63,540	10.28
Attorney General		N/A	9,500	1.54
Rating Agencies	N/A			
Subtotal			**$ 223,438**	**$ 36.16**

Additional COI			921,421	149.10
Total			**$1,144,859**	**$ 185.25**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Pleasant Village Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Pleasant Villlage LP, an Oregon limited partnership, to finance the acquisition, rehabilitation, equipping and long-term financing of a 200-unit multifamily residential rental development to be located at 378 North Jim Miller Road, Dallas, Dallas County, Texas.

Par: $6,000,000
Method of Sale: Private Placement
Board Approval: August 30, 2006
Private Placement Sale: August 30, 2006
Closing Date: August 31, 2006
True Interest Cost (TIC): 6.09%
Net Interest Cost (NIC): 6.09%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	104,500	17.42
Financial Advisor	RBC Capital Markets	No	25,000	4.17
Trustee	US Bank	No	8,000	1.33
Trustee Counsel	Dorsey & Whitney LLP	No	1,500	0.25
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.42
Private Activity Fee	Texas Bond Review Board	N/A	6,500	1.08
Issuer Fees	TDHCA	N/A	61,000	10.17
Attorney General		N/A	9,500	1.58
Rating Agencies	N/A			
Subtotal			**$ 218,500**	**$ 36.42**

Additional COI			949,760	158.29
Total			**$1,168,260**	**$ 194.71**

Private Placement Fee			130,000	21.67
Private Placement Counsel			33,700	5.62
Total Private Placement Fees			**$ 163,700**	**$ 27.29**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Champion's Crossing Apartments), Series 2006

Purpose: The bonds that financed Champion's Crossing Apartments, a 156-unit development located at 345 Champion's Boulevard in San Marcos, Texas were originally issued through Capital Area Housing Finance Corporation and privately placed with CharterMac Municipal Mortgage in May 2000. The original bonds were refunded (i.e., refinanced) with the proceeds of the subject bonds, which had a lower principal amount as well as lower interest rates.

Par: $5,125,000
Method of Sale: Negotiated
Board Approval: September 6, 2006
Negotiated Sale: September 11, 2006
Closing Date: September 14, 2006
True Interest Cost (TIC): 5.25%
Net Interest Cost (NIC): 5.25%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	80,000	15.61
Financial Advisor	RBC Capital Markets	No	25,000	4.88
Trustee	Wells Fargo Bank NA	No	7,750	1.51
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	1.07
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.98
Private Activity Fee	Bond Review Board	N/A	6,281	1.23
Issuer Fees	TDHCA	N/A	49,490	9.66
Attorney General		N/A	9,500	1.85
Rating Agencies	**Rating**			
Standard & Poor's	AAA/A-1+		-	-
Subtotal			**188,521**	**$ 36.79**

Additional COI			295,351	57.63
Total			**$ 483,872**	**$ 94.42**

Underwriting Spread	Amount	Per $1,000
Management Fee	65,400	12.76
Spread Expenses	2,355	0.46
Total	**$ 67,755**	**$ 13.22**

	Firm	HUB	Fees
Underwriter's Counsel	Kutak Rock LLP	No	Not Available

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Stern Brothers & Co.	No	100%	56,400	100%	-
Total		**100%**	**$ 56,400**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Red Hills Villas), Series 2006

Purpose: The bonds that financed the Red Hills Villas, a 168-unit development located at 1401 South Grimes Boulevard in Round Rock, Texas were originally issued through TDHCA and privately placed with CharterMac Municipal Mortgage in December 2000. The orignal bonds were refunded (i.e., refinanced) with the proceeds of the subject bonds, which had a lower principal amount as well as lower interest rates.

Par: $5,015,000
Method of Sale: Negotiated
Board Approval: September 6, 2006
Negotiated Sale: September 11, 2006
Closing Date: September 14, 2006
True Interest Cost (TIC): 5.25%
Net Interest Cost (NIC): 5.25%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	80,000	15.95
Financial Advisor	RBC Capital Markets	No	25,000	4.99
Trustee	Wells Fargo Bank NA	No	7,750	1.55
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	1.10
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	1.00
Private Activity Fee	Bond Review Board	N/A	6,276	1.25
Issuer Fees	TDHCA	N/A	49,310	9.83
Attorney General		N/A	9,500	1.89
Rating Agencies	**Rating**			
Standard & Poor's	AAA/A-1+		-	-
Subtotal			**$ 188,336**	**$ 37.56**

Additional COI			234,232	46.71
Total			**$ 422,568**	**$ 84.27**

Underwriting Spread	Amount	Per $1,000
Management Fee	59,100	11.78
Spread Expenses	2,165	0.43
Total	**$ 61,265**	**$ 12.22**

	Firm	HUB	Fees
Underwriter's Counsel	Kutak Rock LLP	No	Not Available

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Stern Brothers & Co.	No	100%	50,100	100%	-
Total		**100%**	**$ 50,100**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Stonehaven Apartment Homes), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Stonehaven Apartments, LP, a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a 192-unit multifamily residential rental development located at approximatey the 15301 block of Northwest Freeway, Houston, Harris County, Texas.

Par: $11,300,000
Method of Sale: Private Placement
Board Approval: September 6, 2006
Private Placement Sale: September 14, 2006
Closing Date: September 15, 2006
True Interest Cost (TIC): 5.87%
Net Interest Cost (NIC): 5.80%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	75,000	6.64
Financial Advisor	RBC Capital Markets	No	25,000	2.21
Trustee	Wells Fargo Bank NA	No	9,000	0.80
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.49
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.22
Private Activity Fee	Texas Bond Review Board	N/A	8,000	0.71
Issuer Fees	TDHCA	N/A	97,780	8.65
Attorney General		N/A	9,500	0.84
TEFRA Hearing		N/A	3,612	0.32
Rating Agencies	N/A			
Subtotal			**$ 235,892**	**$ 20.88**

Additional COI			1,914,918	169.46
Total			**$2,150,810**	**$ 190.34**

Private Placement Fee			84,750	7.50
Private Placement Counsel			39,195	3.47
Total Private Placement Fees			**$ 123,945**	**$ 10.97**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Center Ridge Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Summit Center Ridge Apartments, Ltd., an Alabama limited partnership, to finance the acquisition, rehabilitation, equipping and long-term financing of a 224-unit multifamily residential rental development to be located at 700 West Center Street, Duncanville, Dallas County, Texas.

Par: $8,325,000
Method of Sale: Negotiated
Board Approval: August 30, 2006
Negotiated Sale: September 15, 2006
Closing Date: September 19, 2006
True Interest Cost (TIC): 4.86%
Net Interest Cost (NIC): 4.90%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	10.21
Financial Advisor	RBC Capital Markets	No	25,000	3.00
Trustee	JPMorgan Chase Bank	No	7,159	0.86
Trustee Counsel	Crawford Lewis PLLC	No	5,000	0.60
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.60
Private Activity Fee	Bond Review Board	N/A	7,125	0.86
Issuer Fees	TDHCA	N/A	78,235	9.40
Attorney General		N/A	9,500	1.14
Rating Agencies	**Rating**			
Standard & Poor's	AAA		13,500	1.62
Subtotal			**$ 235,519**	**$ 28.29**

Additional COI			672,083	80.73
Total			**$ 907,602**	**$ 109.02**

Underwriting Spread	Amount	Per $1,000
Management Fee	83,250	10.00
Spread Expenses	4,000	0.48
Total	**$ 87,250**	**$ 10.48**

	Firm	HUB	Fees
Underwriter's Counsel	Peck Shaffer & Williams LLP	No	$ 29,500

Syndicate Firms' Gross Takedown & Share Profit / Loss				Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Merchant Capital	No	100%	83,250	100%	-
Total		**100%**	**$ 83,250**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Meadowlands Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to H.T. Seattle Slew, Ltd., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a 235-unit multifamily residential rental development to be located at approximately the northwest corner of Steeplepark Drive and Steepleway Boulevard, Houston, Harris County, Texas.

Par:	$13,500,000
Method of Sale:	Private Placement
Board Approval:	September 22, 2006
Private Placement Sale:	September 25, 2006
Closing Date:	September 26, 2006
True Interest Cost (TIC):	6.08%
Net Interest Cost (NIC):	6.00%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	75,000	5.56
Financial Advisor	RBC Capital Markets	No	25,000	1.85
Trustee	Bank of New York Trust Co.	No	6,000	0.44
Trustee Counsel	Haynes & Boone LLP	No	4,000	0.30
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.19
Private Activity Fee	Texas Bond Review Board	N/A	8,375	0.62
Issuer Fees	TDHCA	N/A	114,940	8.51
Attorney General		N/A	9,500	0.70
Rating Agencies	N/A			
Subtotal			**$ 245,315**	**$ 18.17**
Additional COI			2,120,106	157.05
Total			**$2,365,421**	**$ 175.22**
Private Placement Fee			288,000	21.34
Private Placement Counsel			45,000	3.33
Total Private Placement Fees			**$ 333,000**	**$ 24.67**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (East Tex Pines Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to St. Moritz Partners, LP, a Texas limited partnership, to finance the acquisition, construction and long-term financing of a 250-unit multifamily residential rental development to be located at approximately 6200 Greens Road, Houston, Harris County, Texas.

Par: $13,500,000
Method of Sale: Private Placement
Board Approval: October 19, 2006
Private Placement Sale: October 18, 2006
Closing Date: October 24, 2006
True Interest Cost (TIC): 5.69%
Net Interest Cost (NIC): 5.75%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	75,000	5.56
Financial Advisor	RBC Capital Markets	No	25,000	1.85
Trustee	Wells Fargo Bank NA	No	8,000	0.59
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.41
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.19
Private Activity Fee	Texas Bond Review Board	N/A	8,375	0.62
Issuer Fees	TDHCA	N/A	115,500	8.56
Attorney General		N/A	9,500	0.70
Rating Agencies	N/A			
Subotal			**$ 249,375**	**$ 18.48**
Additional COI			3,065,169	227.05
Total			**$ 3,314,544**	**$ 245.53**
Private Placement Fee			220,000	16.30
Private Placement Counsel			52,000	3.85
Total Private Placement Fees			**$ 272,000**	**$ 20.15**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Villas at Henderson), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Cleburne Village Apartments, LP, a Texas limited partnership, to finance the acquisition, construction and long-term financing of a 140-unit multifamily residential rental development to be located at 1648 W. Henderson, Cleburne, Johnson County, Texas.

Par: $7,200,000
Method of Sale: Negotiated
Board Approval: October 19, 2006
Negotiated Sale: November 7, 2006
Closing Date: November 8, 2006
True Interest Cost (TIC): 5.65%
Net Interest Cost (NIC): 5.65%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	11.81
Financial Advisor	RBC Capital Markets	No	25,000	3.47
Printing	Island Printing	No	2,000	0.28
Trustee	Wells Fargo Bank NA	No	9,000	1.25
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.76
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.69
Private Activity Fee	Bond Review Board	N/A	7,000	0.97
Issuer Fees	TDHCA	N/A	67,000	9.31
Attorney General		N/A	9,500	1.32
Rating Agencies	**Rating**			
Standard & Poor's	AA/A-1+		11,000	1.53
Subotal			**$ 226,000**	**$ 31.39**

Additional COI			2,135,560	296.61
Total			**$ 2,361,560**	**$ 328.00**

Underwriting Spread	Amount	Per $1,000
Management Fee	54,000	7.50
Spread Expenses	-	0.00
Total	**$ 54,000**	**$ 7.50**

	Firm	HUB	Fees
Underwriter's Counsel	Katten Muchin Rosenman LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Capmark Securities	No	100%	54,000	100%	-
Total		**100%**	**$ 54,000**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Aspen Park Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Summit Aspen Park Apartments, Ltd., an Alabama limited partnership, to finance the acquisition, rehabilitation and long-term financing of a 256-unit multifamily residential rental development to be located at 8811 Boone Road, Houston, Harris County, Texas.

Par: $9,800,000
Method of Sale: Negotiated
Board Approval: October 19, 2006
Negotiated Sale: November 3, 2006
Closing Date: November 8, 2006
True Interest Cost (TIC): 4.85%
Net Interest Cost (NIC): 4.91%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	8.67
Financial Advisor	RBC Capital Markets	No	25,000	2.55
Trustee	Regions Bank	No	6,250	0.64
Trustee Counsel	Crawford Lewis PLLC	No	6,000	0.61
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.51
Private Activity Fee	Bond Review Board	N/A	7,500	0.77
Issuer Fees	TDHCA	N/A	89,840	9.17
Attorney General		N/A	9,500	0.97
Rating Agencies	**Rating**			
Standard & Poor's	AAA		11,000	1.12
Subtotal			**$ 245,090**	**$ 25.01**

Additional COI			638,179	65.12
Total			**$ 883,269**	**$ 90.13**

Underwriting Spread	Amount	Per $1,000
Management Fee	88,200	9.00
Spread Expenses	5,000	0.51
Total	**$ 93,200**	**$ 9.51**

	Firm	HUB	Fees
Underwriter's Counsel	Peck Shaffer & Williams LLP	No	$ 29,500

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Merchant Capital	No	100%	88,200	100%	-
Total		**100%**	**$ 88,200**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Single Family Mortgage Revenue Bonds, Series 2006F&H and Refunding Bonds, Series 2006G

Purpose: To refund portions of outstanding commercial paper notes thereby providing funds to finance the purchase of low-interest rate mortgage loans made by lenders to homebuyers of low, very low and moderate income who are acquiring moderately priced residences.

Par: $132,195,000
Method of Sale: Negotiated
Board Approval: October 19, 2006
Negotiated Sale: October 27, 2006
Closing Date: November 15, 2006
True Interest Cost (TIC): 4.39%
Net Interest Cost (NIC): 4.46%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	171,354	1.30
Financial Advisor	RBC Capital Markets	No	120,000	0.91
Printing	Image Master	No	3,224	0.02
Trustee	Bank of New York Trust Co.	No	10,500	0.08
Trustee Counsel	Andrews Kurth LLP	No	14,000	0.11
O.S. Preparation	McCall Parkhurst & Horton LLP	No	55,788	0.42
Escrow Verification	Causey Demgen & Moore Inc.	No	8,000	0.06
Private Activity Fee	Texas Bond Review Board	N/A	30,500	0.23
TDHCA Marketing Fee		N/A	50,000	0.38
Attorney General		N/A	28,500	0.22
Rating Agencies	**Rating**			
Moody's	Aa1		39,600	0.30
Standard & Poor's	AAA		38,710	0.29
Subtotal			**$ 570,176**	**$ 4.31**
Additional COI			69,086	0.53
Total			**$ 639,262**	**$ 4.84**

Underwriting Spread	Amount	Per $1,000
Management Fee	48,097	0.36
Gross Takedown	584,712	4.42
Structuring Fee	75,000	0.57
Spread Expenses	69,552	0.53
Total	**$ 777,361**	**$ 5.88**

	Firm	HUB	Fees
Underwriters Counsel	Locke Liddell & Sapp LLP	No	$ 32,500
Co-Underwriter's Counsel	Bates & Coleman PC	No	$ 10,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
UBS Securities LLC	No	54.00%	25,973	65.16%	380,973
Lehman Brothers	No	20.00%	9,620	10.69%	62,490
Banc of America Securities	No	6.50%	3,126	4.68%	27,362
Loop Capital Markets LLC	BA	6.50%	3,126	4.84%	28,323
Merrill Lynch	No	6.50%	3,126	10.19%	59,554
Morgan Keegan & Co.	No	6.50%	3,126	4.45%	26,010
Total		**100%**	**$ 48,097**	**100%**	**$ 584,712**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Idlewilde Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Idlewilde Apartments, LP, a Texas limted partnership, to finance the acquisition, construction and long-term financing of a 250-unit multifamily residential rental development located at approximately 9915 FM 1960 West Road, Houston, Harris County, Texas.

Par: $14,250,000
Method of Sale: Negotiated
Board Approval: November 17, 2006
Negotiated Sale: November 21, 2006
Closing Date: November 22, 2006
True Interest Cost (TIC): 6.46%
Net Interest Cost (NIC): 6.46%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	86,500	6.07
Financial Advisor	RBC Capital Markets	No	25,000	1.75
Printing	Island Printing	No	2,000	0.14
Trustee	Wells Fargo Bank NA	No	9,000	0.63
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.39
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.35
Private Activity Fee	Bond Review Board	N/A	8,750	0.61
Issuer Fees	TDHCA	N/A	120,750	8.47
Attorney General		N/A	9,500	0.67
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		13,500	0.95
Subtotal			**$ 285,500**	**$ 20.04**

Additional COI			4,823,373	338.49
Total			**$ 5,108,873**	**$ 358.52**

Underwriting Spread	Amount	Per $1,000
Management Fee	106,875	7.50
Spread Expenses	-	-
Total	**$ 106,875**	**$ 7.50**

	Firm	HUB	Fees
Underwriter's Counsel	Katten Muchin Rosenman LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Capmark Securities	No	100%	106,875	100%	-
Total		**100%**	**$ 106,875**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Lancaster Apartments), Series 2006

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Lancaster Apartments LP, a Texas limited partnership, to finance the acquisition, construction and long-term financing of a 252-unit multifamily residential rental development to be located at 20100 Park Row Drive, Katy, Harris County, Texas.

Par: $14,250,000
Method of Sale: Negotiated
Board Approval: December 21, 2006
Negotiated Sale: January 8, 2007
Closing Date: January 9, 2007
True Interest Cost (TIC): 6.22%
Net Interest Cost (NIC): 6.22%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	5.96
Financial Advisor	RBC Capital Markets	No	25,000	1.75
Printing	Island Printing	No	2,000	0.14
Trustee	Wells Fargo Bank NA	No	9,000	0.63
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.39
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.35
Private Activity Fee	Bond Review Board	N/A	8,750	0.61
Issuer Fees	TDHCA	N/A	120,830	8.48
Attorney General		N/A	9,500	0.67
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		13,500	0.95
Subtotal			**$ 284,080**	**$ 19.94**

Additional COI			4,218,582	296.04
Total			**$ 4,502,662**	**$ 315.98**

Underwriting Spread	Amount	Per $1,000
Management Fee	106,875	7.50
Total	**$ 106,875**	**$ 7.50**

	Firm	HUB	Fees
Underwriter's Counsel	Katten Muchin Rosenman LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Capmark Securities	No	100%	106,875	100%	-
Total		**100%**	**$ 106,875**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Park Place at Loyola), Series 2007

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Park Place at Loyola, LP, a Texas limited partnership, to finance the acquisition, construction and long-term financing of a 252-unit multifamily residential rental development located at 6200 Loyola Lane, Austin, Travis County, Texas.

Par: $15,000,000
Method of Sale: Private Placement
Board Approval: February 8, 2007
Private Placement Sale: February 20, 2007
Closing Date: February 21, 2007
True Interest Cost (TIC): 5.87%
Net Interest Cost (NIC): 5.80%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	75,000	5.00
Financial Advisor	RBC Capital Markets	No	25,000	1.67
Trustee	Bank of New York Trust Co.	No	2,833	0.19
Trustee Counsel	Haynes & Boone LLP	No	4,000	0.27
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	2,500	0.17
Private Activity Fee	Texas Bond Review Board	N/A	8,750	0.58
Issuer Fees	TDHCA	N/A	126,080	8.41
Attorney General		N/A	9,500	0.63
TEFRA Hearing		N/A	5,500	0.37
Rating Agencies	N/A			
Subtotal			**$ 259,163**	**$ 17.28**
Additional COI			3,250,601	216.71
Total			**$ 3,509,764**	**$ 233.99**
Private Placement Fee			240,000	16.00
Private Placement Counsel			33,700	2.25
Total Private Placement Fees			**$ 273,700**	**$ 18.25**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Terraces at Cibolo), Series 2007

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Boerne Terraces at Cibolo Apartments, LP, a Texas limited partnership, to finance the acquisition, new construction and long-term financing of a 150-unit residential rental development targeting seniors located at approximately the 100 block of Fabra Street, Boerne, Kendall County, Texas.

Par: $8,000,000
Method of Sale: Negotiated
Board Approval: April 19, 2007
Negotiated Sale: April 24, 2007
Closing Date: April 26, 2007
True Interest Cost (TIC): 6.00%
Net Interest Cost (NIC): 6.00%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	10.63
Financial Advisor	RBC Capital Markets	No	25,000	3.13
Printing	Island Printing	No	2,000	0.25
Trustee	Wells Fargo Bank NA	No	7,900	0.99
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.69
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.63
Private Activity Fee	Bond Review Board	N/A	7,500	0.94
Issuer Fees	TDHCA	N/A	73,000	9.13
Attorney General		N/A	9,500	1.19
Miscellaneous	Bond Amortization	N/A	15,000	1.88
Rating Agencies	**Rating**			
Standard & Poor's	AA+/A-1+		10,000	1.25
Subtotal			**$ 245,400**	**$ 30.68**

Additional COI			2,800,484	350.06
Total			**$ 3,045,884**	**$ 380.74**

Underwriting Spread	Amount	Per $1,000
Management Fee	-	-
Total	-	**$ -**

	Firm	HUB	Fees
Underwriter's Counsel	Katten Muchin Rosenman LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
		0%	-	0%	-
Total		**0%**	**$ -**	**0%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Santora Villas),

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Santora Villas LP, a Texas limited partnership, to finance the acquisition, new construction and long-term financing of a 192-unit multifamily residential rental development located at 1805 Frontier Valley Drive, Austin, Travis County, Texas.

Par: $13,072,000
Method of Sale: Private Placement
Board Approval: May 17, 2007
Private Placement Sale: May 24, 2007
Closing Date: May 25, 2007
True Interest Cost (TIC): 5.87%
Net Interest Cost (NIC): 5.80%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	75,000	5.74
Financial Advisor	RBC Capital Markets	No	25,000	1.91
Trustee	Bank of New York Trust Co.	No	2,054	0.16
Trustee Counsel	Haynes & Boone LLP	No	3,000	0.23
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.19
Private Activity Fee	Texas Bond Review Board	N/A	8,750	0.67
Issuer Fees	TDHCA	N/A	110,184	8.43
Attorney General		N/A	9,500	0.73
TEFRA Hearing		N/A	1,154	0.09
Rating Agencies	N/A			
Subtotal			**$ 237,142**	**$ 18.15**
Additional COI			2,536,998	194.08
Total			**$ 2,774,140**	**$ 212.23**
Private Placement Fee			216,080	16.53
Private Placement Counsel			33,000	2.52
Total Private Placement Fees			**$ 249,080**	**$ 19.05**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Single Family Variable Rate Mortgage Revenue Bonds, Series 2007A

Purpose: The 2007 Series A bonds were used to provide funds to finance the purchase of low-interest rate mortgage loans made by lenders to homebuyers of low, very low and moderate income who were acquiring moderately priced residences.

Par: $143,005,000
Method of Sale: Negotiated
Board Approval: March 22, 2007
Negotiated Sale: June 5, 2007
Closing Date: June 5, 2007
True Interest Cost (TIC): 4.01%
Net Interest Cost (NIC): 4.01%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	152,335	1.07
Financial Advisor	RBC Capital Markets	No	120,000	0.84
Printing	Image Master	No	3,174	0.02
Trustee	Bank of New York Trust Co.	No	3,500	0.02
Trustee Counsel	Andrews Kurth LLP	No	14,000	0.10
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	65,963	0.46
Private Activity Fee	Bond Review Board	N/A	27,143	0.19
Issuer Fees	TDHCA	N/A	50,000	0.35
Liquidity Provider's Councel	Kutak Rock LLP	No	20,600	0.14
Cash Flow Verification	Causey Demgen & Moore Inc.	No	9,000	0.06
Attorney General		N/A	9,500	0.07
TEFRA Notice Publication		N/A	19,081	0.13
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		43,611	0.30
Standard & Poor's	AAA/A-1+		45,000	0.31
Subtotal			**$ 582,907**	**$ 4.08**
Additional COI	Deloitte & Touche		20,000	0.14
Total			**$ 602,907**	**$ 4.22**

Underwriting Spread	Amount	Per $1,000
Management Fee	71,502	0.50
Takedown	178,756	1.25
Structuring Fee	75,000	0.52
Spread Expenses	68,628	0.48
Total	**$ 393,886**	**$ 2.75**

	Firm	HUB	Fees
Underwriter's Counsel	Locke Liddell & Sapp LLC	No	$ 35,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Bear Stearns & Co.	No	45%	32,176	45.00%	80,439
George K. Baum & Co	No	25%	17,876	25.00%	44,689
Estrada Hinojosa & Co.	HA	7.50%	5,363	7.50%	13,407
Morgan Keegan & Co.	No	7.50%	5,363	7.50%	13,407
M.R. Beal and Co.	BA	7.50%	5,363	7.50%	13,407
Piper Jaffray & Co.	No	7.50%	5,363	7.50%	13,407
Total		**100%**	**$ 71,504**	**100%**	**$ 178,756**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Villas at Mesquite Creek), Series 2007A and Taxable Series 2007B

Purpose: The proceeds of the bonds were used to fund a mortgage loan to One Mesquite Creek, LP, a Texas limited partnership, to finance the acquisition, construction and long-term financing of a 252-unit multifamily residential rental development located at approximately the 700 block of Gross Road, Mesquite, Dallas County, Texas.

Par: $16,860,000
Method of Sale: Negotiated
Board Approval: April 4, 2007
Negotiated Sale: May 30, 2007
Closing Date: June 26, 2007
True Interest Cost (TIC): 5.04%
Net Interest Cost (NIC): 5.02%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	5.04
Financial Advisor	RBC Capital Markets	No	25,000	1.48
Printing	Island Printing	No	1,205	0.07
Trustee	Wells Fargo Bank NA	No	8,558	0.51
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.33
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.30
Private Activity Fee	Bond Review Board	N/A	8,750	0.52
Issuer Fees	TDHCA	N/A	140,255	8.32
Attorney General		N/A	9,500	0.56
TFRA Hearing		N/A	1,911	0.11
Rating Agencies	**Rating**			
Moody's	Aaa		16,000	0.95
Subtotal			**$ 306,679**	**$ 18.19**

Additional COI			2,265,091	134.35
Total			**$ 2,571,770**	**$ 152.54**

Underwriting Spread	Amount	Per $1,000
Management Fee	158,600	9.41
Total	**$ 158,600**	**$ 9.41**

	Firm	HUB	Fees
Underwriter's Counsel	Katten Muchin Rosenman LLP	No	$ 40,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Citigroup	No	100%	158,600	100%	-
Total		**100%**	**$ 158,600**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Summit Point Apartments), Series 2007

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Summit Point Apartments Ltd., an Alabama limited partnership, to finance the acquisition, rehabilitation and long-term financing of a 291-unit multifamily residential rental development located at 333 Uvalde Road, Houston, Harris County, Texas.

Par: $11,700,000
Method of Sale: Negotiated
Board Approval: May 31, 2007
Negotiated Sale: June 27, 2007
Closing Date: June 29, 2007
True Interest Cost (TIC): 5.25%
Net Interest Cost (NIC): 5.23%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	7.26
Financial Advisor	RBC Capital Markets	No	25,000	2.14
Trustee	Regions Bank	No	6,750	0.58
Trustee Counsel	Crawford Lewis PLLC	No	5,000	0.43
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.43
Private Activity Fee	Bond Review Board	N/A	8,000	0.68
Issuer Fees	TDHCA	N/A	104,540	8.94
Attorney General		N/A	9,500	0.81
Rating Agencies	**Rating**			
Standard & Poor's	AAA		13,500	1.15
Subtotal			**$ 262,290**	**$ 22.42**

Additional COI			2,458,179	210.10
Total			**$ 2,720,469**	**$ 232.52**

Underwriting Spread	Amount	Per $1,000
Management Fee	117,000	10.00
Total	**$ 117,000**	**$ 10.00**

	Firm	HUB	Fees
Underwriter's Counsel	Peck Shaffer & Williams LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Merchant Capital	No	100%	117,000	100%	-
Total		**100%**	**$ 117,000**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Windshire Apartments), Series 2007

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Windshire Apartments, LP, a Texas limited partnership, to finance the acquisition, construction and long-term financing of a 252-unit multifamily residential rental development located at approximately the 4500 Block of South Shaver Road, Houston, Harris County, Texas.

Par: $14,000,000
Method of Sale: Negotiated
Board Approval: June 22, 2007
Negotiated Sale: July 17, 2007
Closing Date: July 18, 2007
True Interest Cost (TIC): 6.00%
Net Interest Cost (NIC): 6.00%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,000	6.07
Financial Advisor	RBC Capital Markets	No	25,000	1.79
Printing	Island Printing	No	2,000	0.14
Trustee	Wells Fargo Bank NA	No	9,500	0.68
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.39
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	5,000	0.36
Private Activity Fee	Bond Review Board	N/A	8,500	0.61
Issuer Fees	TDHCA	N/A	119,080	8.51
Attorney General		N/A	9,500	0.68
Rating Agencies	**Rating**			
Standard & Poor's	AAA		14,250	1.02
Subtotal			**$ 283,330**	**$ 20.24**

Additional COI			4,683,051	334.50
Total			**$ 4,966,381**	**$ 354.74**

Underwriting Spread	Amount	Per $1,000
Management Fee	105,000	7.50
Spread Expenses	2,354	0.17
Total	**$ 107,354**	**$ 7.67**

	Firm	HUB	Fees
Underwriter's Counsel	Katten Muchin Rosenman LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Citigroup	No	100%	105,000	100%	-
Total		**100%**	**$ 105,000**	**100%**	**$ -**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Costa Rialto Apartments), Series 2007

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Costa Rialto, Ltd., a Texas limited partnership, to finance the acquisition, construction and long-term financing of a new 216-unit multifamily residential rental development located at 5011 Aldine Bender Road, Houston, Harris County, Texas.

Par: $12,385,000
Method of Sale: Private Placement
Board Approval: July 19, 2007
Private Placement Sale: July 20, 2007
Closing Date: July 25, 2007
True Interest Cost (TIC): 5.41%
Net Interest Cost (NIC): 5.35%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	75,000	6.06
Financial Advisor	RBC Capital Markets	No	25,000	2.02
Trustee	Wells Fargo Bank NA	No	8,000	0.65
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,500	0.44
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	2,500	0.20
Private Activity Fee	Texas Bond Review Board	N/A	8,500	0.69
Issuer Fees	TDHCA	N/A	107,835	8.71
Attorney General		N/A	9,500	0.77
Rating Agencies	N/A			
Subtotal			**$ 241,835**	**$ 19.53**
Additional COI			1,131,828	91.39
Total			**$ 1,373,663**	**$ 110.92**
Private Placement Fee			247,700	20.00
Private Placement Counsel			37,270	3.01
Total Private Placement Fees			**$ 284,970**	**$ 23.01**

TEXAS HIGHER EDUCATION COORDINATING BOARD

Issue: State of Texas General Obligation College Student Loan and Refunding Bonds, Series 2007A&B

Purpose: The 2007A bonds were used to fund an ongoing student loan program which provides low interest loans to eligible students at institutions of higher education The 2007B bonds were used to refund the August 1, 2007 maturities of the State of Texas College Student Loan Bonds, Series 1997, Series 1999, Series 2000 and Series 2002

Par:	$98,970,000
Par 2007A:	$72,805,000
Par 2007B:	$26,165,000
Method of Sale:	Competitive
Board Approval:	May 2, 2007
Competitive Sale:	June 14, 2007
Closing Date:	June 28, 2007
True Interest Cost (TIC):	4 77%
Net Interest Cost (NIC):	4 85%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	89,336	0 90
Financial Advisor	First Southwest Company	No	57,756	0 58
Printing	i-Deal	No	5,760	0 06
Escrow Agent	Bank of New York Trust Co	No	500	0 01
Escrow Verification	Grant Thornton LLP	No	5,000	0 05
Paying Agent/Registrar	Bank of New York Trust Co	No	1,500	0 02
Private Activity Fee	Bond Review Board	N/A	500	0 01
Cash Flow Verification	First Southwest Company	No	75,000	0 76
Attorney General		N/A	19,000	0 19
Rating Agencies	**Rating**			
Moody's	Aa1		26,000	0 26
Standard & Poor's	AA		18,200	0 18
Subtotal			**$ 298,552**	**$ 3.02**
Additional COI			-	-
Total			**$ 298,552**	**$ 3.02**

Underwriting Spread	Amount	Per $1,000
Series 2007A		
Underwriting Risk	72,805	1 00
Takedown	133,163	1 83
Spread Expenses	21,842	0 30
Total	**$ 227,809**	**$ 3.13**

Underwriting Spread	Amount	Per $1,000
Series 2007B		
Takedown	31,450	1 20
Spread Expenses	8,844	0 34
Total	**$ 40,294**	**$ 1.54**

	Firm	HUB	Fees
Underwriter's Counsel	Not Available		Not Available

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Series 2007A					
Merrill Lynch & Co	No	0%	-	100%	133,163
Grigsby & Associates	BA	0%	-	0%	-
Jackson Securities Inc	BA	0%	-	0%	-
Total		**0%**	**$ -**	**100%**	**$ 133,163**

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Series 2007B					
JP Morgan Securities	No	0%	-	100%	31,450
Estrada Hinojosa & Co	HA	0%	-	0%	-
Total		**0%**	**$ -**	**100%**	**$ 31,450**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, State of Texas General Obligation Refunding Bonds, Series 2006A&B

Purpose: The proceeds of the bonds were used to fix-out outstanding commercial paper notes.

Par: $202,790,000
Method of Sale: Negotiated
Board Approval: November 16, 2006
Negotiated Sale: November 28, 2006
Closing Date: December 14, 2006
True Interest Cost (TIC): 4.08%
Net Interest Cost (NIC): 4.22%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	47,484	0.23
Co-Bond Counsel	Escamilla & Poneck Inc.	HA	15,723	0.08
Financial Advisor	Coastal Securities	No	52,445	0.26
Printing	Image Master	No	2,000	0.01
Escrow Agent	Deutsche Bank Trust Co	No	2,400	0.01
Escrow Verification	Grant Thornton LLP	N/A	2,000	0.01
Attorney General		N/A	19,000	0.09
Misc		N/A	2,421	0.01
Rating Agencies	**Rating**			
Moody's	Aa1		25,900	0.13
Standard & Poor's	AA		26,600	0.13
Fitch	AA+		10,000	0.05
Subtotal			**$ 205,973**	**$ 1.02**

Additional COI			-	-
Total			**205,973**	**$ 1.02**

Underwriting Spread	Amount	Per $1,000
Management Fee	50,698	0.25
Gross Takedown	870,725	4.29
Spread Expenses	69,388	0.34
Total	**$ 990,811**	**$ 4.89**

	Firm	HUB	Fees
Underwriter's Counsel	Fullbright & Jaworski LLP	No	$ 30,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Lehman Brothers	No	35.0%	35.0%	17,745	51.07%	444,703
Citigroup Global Markets	No	20.0%	20.0%	10,141	15.48%	134,750
Estrada Hinojosa & Co.	HA	7.5%	7.5%	3,802	0.75%	6,555
Morgan Keegan & Co.	No	7.5%	7.5%	3,802	9.98%	86,909
RBC Dain Rauscher Inc.	No	7.5%	7.5%	3,802	7.78%	67,721
Loop Capital Markets LLC	BA	7.5%	7.5%	3,802	5.68%	49,428
Samuel A. Ramirez & Co.	HA	7.5%	7.5%	3,802	1.42%	12,400
Siebert Brandford Shank & Co.	BA	7.5%	7.5%	3,802	7.84%	68,259
Total		**100%**	**100%**	**50,698**	**100%**	**$ 870,725**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Taxable Lease Revenue Bonds (Texas Historical Commission), Series 2006

Purpose: The proceeds of the bonds were used to finance the renovation, improvement and expansion of the National Museum of the Pacific War (formerly the Fleet Admiral Chester W. Nimitz Memorial Naval Museum) in Fredericksburg, Texas for the Texas Historical Commission.

Par:	$8,680,000
Method of Sale:	Competitive
Board Approval:	November 16, 2006
Competitive Sale:	December 7, 2006
Closing Date:	December 20, 2006
True Interest Cost (TIC):	5.20%
Net Interest Cost (NIC):	5.22%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	Winstead Sechrest & Minick	No	22,698	2.61
Financial Advisor	Coastal Securities	No	25,519	2.94
Printing	i-deal	No	1,797	0.21
Attorney General		N/A	8,680	1.00
Rating Agencies	**Rating**			
Moody's	A2/Aaa		4,100	0.47
Standard & Poor's	A+/AAA		7,700	0.89
Subtotal			**$ 70,494**	**$ 8.12**

Additional COI			-	-
Total			**$ 70,494**	**$ 8.12**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	3,472	0.40
Gross Takedown	21,088	2.43
Spread Expenses	3,472	0.40
Total	**$ 28,032**	**$ 3.23**

	Firm	HUB	Fees
Underwriter's Counsel	N/A	N/A	N/A

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Keegan & Co.	No	46.1%	0%	-	100.00%	21,088
Duncan-Williams Inc.	No	46.1%	0%	-	0%	-
SBK-Brooks	BA	7.8%	0%	-	0%	-
Total		**100%**	**0%**	**$ -**	**100%**	**$ 21,088**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Lease Revenue Bonds (Texas Parks and Wildlife Department Project), Series 2007

Purpose: The proceeds of the bonds were used to construct a fish hatchery in East Texas in Jasper County.

Par:	$14,675,000
Method of Sale:	Competitive
Board Approval:	January 26, 2007
Competitive Sale:	February 1, 2007
Closing Date:	February 21, 2007
True Interest Cost (TIC):	3.88%
Net Interest Cost (NIC):	3.83%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	Winstead Sechrest & Minick	No	24,027	1.64
Financial Advisor	Coastal Securities	No	25,708	1.75
Printing	i-deal	No	2,096	0.14
Attorney General		N/A	9,500	0.65
Miscellaneous		N/A	9	-
Rating Agencies	**Rating**			
Moody's	A2		5,460	0.37
Standard & Poor's	AA-		8,750	0.60
Subtotal			**$ 75,550**	**$ 5.15**

Additional COI			-	-
Total			**$ 75,550**	**$ 5.15**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	37,568	2.56
Spread Expenses	5,723	0.39
Total	**$ 43,291**	**$ 2.95**

	Firm	HUB	Fees
Underwriter's Counsel	N/A	N/A	N/A

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Wells Fargo Bank NA	No	90.00%	0%	-	100%	37,568
Valdes & Moreno Inc.	HA	10.00%	0%	-	0%	-
Total		**100%**	**0%**	**$ -**	**100%**	**$ 37,568**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, State of Texas General Obligation Bonds (Texas Military Value Revolving Loan Program), Tax-Exempt Series 2007A-1, Series 2007A-2 and Taxable Series 2007B

Purpose: Proceeds from the bonds were provided to fund the Texas Military Value Revolving Loan Fund managed by the Texas Military Preparedness Commission. Initially funds were deployed to finance projects for the City of Corpus Christi and the Port of San Antonio.

Par:	$49,595,000
Method of Sale:	Negotiated
Board Approval:	January 26, 2007
Negotiated Sale:	March 15, 2007
Closing Date:	Series A-1 February 7, 2007
	Series A-2 February 22, 2007
	Series B February 22, 2007
True Interest Cost (TIC):	Series A-1 4.33%
	Series A-2 4.80%
	Taxable Series B 5.92%
Net Interest Cost (NIC):	Series A-1 4.31%
	Series A-2 4.61%
	Taxable Series B 5.69%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	63,540	1.28
Financial Advisor	First Southwest Company	No	82,000	1.65
Printing	Financial Printing Resource	HA	2,250	0.05
Attorney General		N/A	28,500	0.57
Miscellaneous		N/A	514	0.01
Rating Agencies	**Rating**			
Moody's	Aa1		10,000	0.20
Standard & Poor's	AA		11,550	0.23
Fitch	AA+		10,000	0.20
Subtotal			**$ 208,354**	**$ 4.20**

Additional COI			-	-
Total			**$ 208,354**	**$ 4.20**

Underwriting Spread	Amount	Per $1,000
Structuring Fee	13,069	0.26
Gross Takedown	245,231	4.94
Spread Expenses	51,668	1.04
Total	**$ 309,968**	**$ 6.25**

	Firm	HUB	Fees
Underwriter's Counsel	Vinson & Elkins LLP	No	$ 35,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Structuring Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Keegan & Co.	No	50.00%	100.0%	13,069	48.09%	117,931
Loop Capital Markets LLC	BA	12.50%	0%	-	14.21%	34,842
Morgan Stanley	No	12.50%	0%	-	13.75%	33,721
RBC Capital Markets	No	12.50%	0%	-	14.10%	34,575
Siebert Brandford Shank & Co.	BA	12.50%	0%	-	9.85%	24,162
Total		**100%**	**100%**	**$ 13,069**	**100%**	**$ 245,231**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (80% of Median Home Loan Program), Series 2006C

Purpose: The proceeds of the bonds were used to finance mortgage loans for residences located within the state of Texas through the purchase of fully modified mortgage-backed securities.

Par:	$23,650,000
Method of Sale:	Negotiated
Board Approval:	August 17, 2006
Negotiated Sale:	September 22, 2006
Closing Date:	October 17, 2006
True Interest Cost (TIC):	5.00%
Net Interest Cost (NIC):	5.13%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	52,500	2.22
Financial Advisor	First Southwest Company	No	31,250	1.32
Structuring Fee	First Southwest Company	No	42,000	1.78
Printing	Financial Printing Resource	No	2,000	0.08
Trustee	Wells Fargo Bank NA	No	6,000	0.25
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,000	0.21
Disclosure Counsel	Greenberg Traurig LLP	No	37,500	1.59
Private Activity Fee	Texas Bond Review Board	N/A	4,166	0.18
Cash Flow Preparation	Greenberg Traurig LLP	No	7,500	0.32
Attorney General		N/A	9,500	0.40
Issuer's Fee		N/A	4,334	0.18
Rating Agencies	**Rating**			
Moody's	Aaa		10,200	0.43
Subtotal			**$ 211,950**	**$ 8.96**

Additional COI			$ 24,400	$ 1.04
Total			**$ 236,350**	**$ 10.00**

Underwriting Spread	Amount	Per $1,000
Management Fee	47,300	2.00
Gross Takedown	106,425	4.50
Spread Expenses	46,475	1.97
Total	**$ 200,200**	**$ 8.47**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 7,500

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
RBC Capital Markets	No	100%	47,300	100	106,425
Total		**100%**	**$ 47,300**	**100%**	**$ 106,425**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (Professional Educators Home Loan Program), Series 2007A-1 and 2007A-2

Purpose: The proceeds of the bonds were used to finance mortgage loans for residences located within the state of Texas through the purchase of fully modified mortgage backed securities.

Par:	$74,563,000
Method of Sale:	Negotiated
Board Approval:	December 1, 2006
Negotiated Sale:	Series A-1 January 31, 2007
	Series A-2 February 15, 2007
Closing Date:	Series A-1 February 22, 2007
	Series A-2 February 22, 2007
True Interest Cost (TIC):	Series A-1 5.16%
	Series A-2 3.78%
Net Interest Cost (NIC):	Series A-1 5.31%
	Series A-2 3.75%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	90,000	1.21
Financial Advisor	First Southwest Company	No	57,500	0.77
Structuring Fee	First Southwest Company	No	42,000	0.56
Printing	Financial Printing Resource	No	2,906	0.04
Trustee	Wells Fargo Bank NA	No	9,000	0.12
Trustee Counsel	Naman Howell Smith & Lee LLP	No	8,000	0.11
Disclosure Counsel	Greenberg Traurig LLP	No	70,000	0.94
Private Activity Fee	Texas Bond Review Board	N/A	19,188	0.26
Cash Flow Preparation	Greenberg Traurig LLP	No	7,500	0.10
MAC Fees		N/A	15,000	0.20
Attorney General		N/A	19,000	0.25
Rating Agencies	**Rating**			
Moody's	Aaa		18,500	0.25
Subtotal			**$ 358,594**	**$ 4.81**
Additional COI			21,342	0.29
Total			**$ 379,936**	**$ 5.10**

Underwriting Spread	Amount	Per $1,000
Management Fee	70,000	0.94
Gross Takedown	194,782	2.61
Spread Expenses	52,782	0.71
Total	**$ 317,564**	**$ 4.26**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 9,007

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
RBC Capital Markets	No	100%	70,000	100%	194,782
Total		**100%**	**$ 70,000**	**100%**	**$ 194,782**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program), Series 2007C

Purpose: The bonds were used to provide fire fighters and law enforcement or security officers who are first-time homebuyers with the opportunity to secure a home at a competitive mortgage rate and receive five basis points of down payment and closing cost assistance.

Par:	$23,529,000
Method of Sale:	Negotiated
Board Approval:	January 23, 2007
Negotiated Sale:	March 30, 2007
Closing Date:	May 2, 2007
True Interest Cost (TIC):	5.11%
Net Interest Cost (NIC):	5.29%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	52,500	2.23
Financial Advisor	First Southwest Company	No	77,294	3.29
Structuring Fee	First Southwest Company	No	-	-
Printing	Financial Printing Resource	No	2,000	0.09
Trustee	Wells Fargo Bank NA	No	6,000	0.26
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,000	0.21
Disclosure Counsel	Greenberg Traurig LLP	No	37,500	1.59
Private Activity Fee	Texas Bond Review Board	N/A	6,250	0.27
Cash Flow Preparation	Greenberg Traurig LLP	No	7,500	0.32
Attorney General		N/A	9,500	0.40
Issuer's Fee		N/A	11,083	0.47
Rating Agencies	**Rating**			
Moody's	Aaa		10,800	0.46
Subtotal			**$ 225,427**	**$ 9.58**

Additional COI			5,400	0.23
Total			**$ 230,827**	**$ 9.81**

Underwriting Spread	Amount	Per $1,000
Management Fee	47,058	2.00
Gross Takedown	117,645	5.00
Spread Expenses	34,470	1.47
Total	**$ 199,173**	**$ 8.47**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 8,525

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
RBC Capital Markets	No	100%	47,058	100	117,645
Total		**100%**	**$ 47,058**	**100%**	**$ 117,645**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (Professional Educators Home Loan Program), Series 2007A-3

Purpose: The proceeds of the bonds were used to finance mortgage loans for residences located within the state of Texas through the purchase of fully modified mortgage-backed securities.

Par:	$37,235,000
Method of Sale:	Negotiated
Board Approval:	December 1, 2006
Negotiated Sale:	May 31, 2007
Closing Date:	June 20, 2007
True Interest Cost (TIC):	5.25%
Net Interest Cost (NIC):	5.40%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	52,500	1.41
Financial Advisor	First Southwest Company	No	55,853	1.50
Structuring Fee	First Southwest Company	No	42,000	1.13
Printing	Financial Printing Resource	No	1,634	0.04
Trustee	Wells Fargo Bank NA	No	6,000	0.16
Trustee Counsel	Naman Howell Smith & Lee LLP	No	5,000	0.13
Disclosure Counsel	Greenberg Traurig LLP	No	45,000	1.21
Cash Flow Preparation	Greenberg Traurig LLP	No	-	-
Attorney General		N/A	9,500	0.26
Issuer's Fee		N/A	33,564	0.90
Miscellaneous		N/A	15,248	0.41
Rating Agencies	**Rating**			
Moody's	Aaa		13,500	0.36
Subtotal			**$ 279,799**	**$ 7.51**

Additional COI			-	-
Total			**$ 279,799**	**$ 7.51**

Underwriting Spread	Amount	Per $1,000
Management Fee	74,470	2.00
Gross Takedown	186,175	5.00
Spread Expenses	54,549	1.46
Total	**$ 315,194**	**$ 8.46**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 7,500

Syndicate Firms' Gross Takedown & Share Profit / Loss		Management Fee		Takedown	
Syndicate Member	**HUB**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
RBC Capital Markets	No	100%	74,470	100	186,175
Total		**100%**	**$ 74,470**	**100%**	**$ 186,175**

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006A and 2006B

Purpose: The bonds were issued: 1) to fund State highway improvement projects with revenues dedicated under Article VIII, Section 7-a of the Texas constitution and 2) to pay the costs of issuance.

Par:	$952,550,000
Method of Sale:	Negotiated
Board Approval:	September 21, 2006
Negotiated Sale:	November 7, 2006
Closing Date:	Series A - November 21, 2006
	Series B - November 8, 2006
True Interest Cost (TIC):	Series A - 4.21%
	Series B - 3.59%
Net Interest Cost (NIC):	Series A - 4.37%
	Series B - 3.59%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	591,554	0.62
Financial Advisor	RBC Capital Markets	No	44,524	0.05
Printing	Image Master	No	6,629	0.01
Paying Agent/Registrar	Wells Fargo Bank NA	No	400	0.00
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	56,551	0.06
Attorney General		N/A	18,500	0.02
Liquidity Provider	BBVA SA	No	2,500	0.00
Liquidity Provider Counsel	Chapman and Culter LLP	No	30,000	0.03
Rating Agencies	**Rating**			
Moody's	Series A - Aa1		68,628	0.07
	Series B - Aa1/VMIG 1			
Standard & Poor's	Series A - AAA		70,000	0.07
	Series B - AAA/A-1+			
Subtotal			**$ 889,286**	**$ 0.93**

Additional COI			-	-
Total			**$ 889,286**	**$ 0.93**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	3,072,875	3.23
Structuring Fee	100,000	0.10
Spread Expenses	306,733	0.32
Total	**$ 3,479,608**	**$ 3.65**

	Firm	HUB	Fees
Underwriter's Counsel	Fulbright & Jaworski LLP	No	135,000
Co-Underwriter's Counsel	Bates & Coleman PC	BA	35,000
Total			**$ 170,000**

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Citigroup	No	50.00%	0%	-	51.16%	1,572,069
First Albany Capital Inc.	No	7.15%	0%	-	10.10%	310,326
First Southwest Company	No	7.15%	0%	-	6.01%	184,819
JP Morgan	No	7.15%	0%	-	12.25%	376,359
M.R. Beal & Co.	BA	7.15%	0%		4.21%	129,382
Piper Jaffray & Co.	No	7.15%	0%	-	8.58%	263,561
SBK-Brooks	BA	7.15%	0%	-	0.39%	12,088
Southwest Securities Inc.	No	7.15%	0%	-	7.30%	224,269
Total		**100%**	**0%**	**$ -**	**100%**	**$ 3,072,873**
Citigroup - Series B	No	100%	0%	-	100%	100,000

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006A & 2006B

Purpose: The bonds were issued: 1) to fund State highway improvement projects and part of the costs of constructing and providing certain publicly owened toll roads and other public transportation projects, and 2) to pay the costs of issuance

Par:	$1,190,275,000
Method of Sale:	Negotiated
Board Approval:	May 5, 2005
Negotiated Sale:	Series A - October 5, 2006
	Series B - December 7, 2006
Closing Date:	Series A - October 31, 2006
	Series B - December 13, 2006
True Interest Cost (TIC):	Series A - 4 56%
	Series B - 3 47% (est)
Net Interest Cost (NIC):	Series A - 4 65%
	Series B - 3 44% (est)

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	519,341	0 44
Financial Advisor	RBC Capital Markets	No	114,827	0 10
Printing	Image Master	No	6,237	0 01
Paying Agent/Registrar	Wells Fargo Bank NA	No	400	-
Disclosure Counsel	Andrews Kurth LLP	No	212,992	0 18
Liquidity Provider	State Street Bank and Trust Co	No	-	-
Liquidity Provider's Counsel	Winston & Strawn LLP	No	31,494	0 03
Attorney General		N/A	19,000	0 02
Rating Agencies	**Rating**			
Moody's	Series A - Aa1		66,014	0 06
	Series B - Aa1/VMIG 1			
Standard & Poor's	Series A - AA		77,819	0 07
	Series B - Not Rated			
Fitch	Series A - AA+		53,000	0 04
	Series B - AA+/F1+			
Subtotal			**$ 1,101,124**	**$ 0.92**

Additional COI			-	-
Total			**$ 1,101,124**	**$ 0.92**

Underwriting Spread	Amount	Per $1,000
Gross Takedown - Series A	3,898,662	3 28
Gross Takedown - Series B	150,000	0 13
Spread Expenses	313,492	0 26
Total	**$ 4,362,154**	**$ 3.67**

	Firm	HUB	Fees
Underwriter's Counsel	Delgado Acosta Braden & Jones	HA	$ 154,736

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Goldman Sachs	No	50 00%	0%	-	50 19%	1,956,595
AG Edwards	No	7 15%	0%	-	8 07%	314,684
Estrada Hinojosa & Co	HA	7 15%	0%	-	1 07%	41,605
Loop Capital Markets LLC	BA	7 15%	0%	-	7 41%	288,764
Morgan Keegan & Co	No	7 15%	0%	-	8 81%	343,536
Ramirez & Co	HA	7 15%	0%	-	2 39%	93,052
Siebert Brandford & Shank & Co	BA	7 15%	0%	-	7 69%	299,652
UBS Securities LLC	No	7 15%	0%	-	14 38%	560,774
Total		**100%**	**0%**	**$ -**	**100%**	**$ 3,898,662**

Syndicate Member	HUB	%	% Amount	$ Amount	% Amount	$ Amount
Series B - Goldman Sachs	No	100%	0%	-	100 00%	150,000

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2007

Purpose: The bonds were issued: 1) to fund transportation projects including state highway improvement projects and 2) to pay the costs of issuance.

Par:	$1,006,330,000
Method of Sale:	Negotiated
Board Approval:	May 5, 2005
Negotiated Sale:	June 7, 2007
Closing Date:	June 21, 2007
True Interest Cost (TIC):	4.74%
Net Interest Cost (NIC):	4.80%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	403,613	0.40
Financial Advisor	RBC Capital Markets	No	80,062	0.08
Printing	Image Master	No	2,906	-
Paying Agent/Registrar	Wells Fargo Bank NA	No	200	-
Disclosure Counsel	Andrews Kurth LLP	No	33,400	0.03
Attorney General		N/A	9,500	0.01
Rating Agencies	**Rating**			
Moody's	Aa1		64,317	0.06
Standard & Poor's	AA		74,200	0.07
Fitch	AA+		60,000	0.06
Subtotal			**$ 728,198**	**$ 0.72**
Additional COI			-	-
Total			**$ 728,198**	**$ 0.72**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	3,505,092	3.48
Spread Expenses	271,835	0.27
Total	**$ 3,776,927**	**$ 3.75**

	Firm	HUB	Fees
Underwriter's Counsel	Greenberg Traurig LLP	No	$ 94,343

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Stanley	No	50.00%	0%	-	50.86%	1,782,702
Southwest Securities Inc.	No	10.00%	0%	-	11.71%	410,508
M.R. Beal & Co.	BA	5.00%	0%	-	2.28%	79,793
Morgan Keegan & Co.	No	5.00%	0%	-	4.51%	158,119
Estrada Hinojosa & Co.	HA	5.00%	0%	-	0.33%	11,725
Ramirez & Co.	HA	5.00%	0%	-	3.65%	128,070
First Southwest Company	No	5.00%	0%	-	4.02%	140,941
Loop Capital Markets LLC	BA	5.00%	0%	-	5.54%	194,141
Siebert Brandford Shank & Co.	BA	5.00%	0%	-	6.02%	210,970
UBS Securities LLC	No	5.00%	0%	-	11.08%	388,123
Total		**100%**	**0%**	**$ -**	**100%**	**$ 3,505,092**

TEXAS VETERANS' LAND BOARD

Issue: State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2006D

Purpose: The proceeds of the bonds were deposited into the Veterans' Housing Assistance Fund II, a fund administered by the Veterans' Land Board of the state of Texas, and made available to make home loans to eligible Texas Veterans.

Par:	$50,000,000
Method of Sale:	Negotiated
Board Approval:	August 31, 2006
Negotiated Sale:	September 14, 2006
Closing Date:	September 20, 2006
True Interest Cost (TIC):	Floating
Net Interest Cost (NIC):	Floating

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	55,000	1.10
Co-Bond Counsel	Lannen & Oliver PC	BA	13,561	0.27
Financial Advisor	RBC Capital Markets	No	18,500	0.37
Printing	Helms Financial Graphics Inc.	No	1,380	0.03
Liquidity Provider	DEPFA Bank PLC	No	-	-
Liquidity Provider's Counsel	Andrews Kurth LLP	No	20,000	0.40
Paying Agent/Registrar	Texas Comptroller of Public Accounts	N/A	-	-
Attorney General		N/A	9,500	0.19
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		15,550	0.31
Standard & Poor's	AA/A-1+		17,220	0.34
Fitch	AA+/F1+		11,000	0.22
Subtotal			**$ 161,711**	**$ 3.23**

Additional COI			-	-
Total			**$ 161,711**	**$ 3.23**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	62,500	1.25
Spread Expenses	35,057	0.70
Total	**$ 97,557**	**$ 1.95**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 25,000
Co-Underwriter's Counsel	Bates & Coleman PC	BA	$ 7,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
UBS Investment Bank	No	52.00%	0%	-	52.00%	32,500
Bear Stearns & Co.	No	16.00%	0%	-	16.00%	10,000
First Albany Capital Inc.	No	16.00%	0%	-	16.00%	10,000
Estrada Hinojosa & Co.	HA	16.00%	0%	-	16.00%	10,000
Total		**100%**	**0%**	**$ -**	**100%**	**$ 62,500**

TEXAS VETERANS' LAND BOARD

Issue: State of Texas General Obligation Bonds Veterans' Land Refunding Bonds, Taxable Series 2006C

Purpose: The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Series 1996A.

Par:	$41,050,000
Method of Sale:	Negotiated
Board Approval:	September 14, 2006
Negotiated Sale:	November 8, 2006
Closing Date:	November 15, 2006
True Interest Cost (TIC):	Floating
Net Interest Cost (NIC):	Floating

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	24,542	0.60
Co-Bond Counsel	Lannen & Oliver PC	BA	11,331	0.28
Financial Advisor	RBC Dain Rauscher Inc.	No	15,368	0.37
Printing	Island Printing	No	1,059	0.03
Paying Agent/Registrar	Texas Comptroller of Public Accounts	N/A	-	-
Liquidity Provider's Counsel	Chapman and Culter LLP	No	8,500	0.21
Liquidity Provider's Foreign Counsel	Jeantet & Associes	No	3,100	0.08
Attorney General		N/A	9,500	0.23
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		9,375	0.23
Standard & Poor's	AA/A-1+		12,000	0.29
Fitch	AA+/F1+		9,000	0.22
Subtotal			**$ 103,775**	**$ 2.53**

Additional COI			-	-
Total			**$ 103,775**	**$ 2.53**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	51,313	1.25
Spread Expenses	27,292	0.66
Total	**$ 78,605**	**$ 1.91**

	Firm	HUB	Fees
Underwriter's Counsel	Locke Liddell & Sapp LLP	No	$ 23,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
JPMorgan	No	62.00%	0%	-	62.00%	31,815
Loop Capital Markets LLC	BA	19.00%	0%	-	19.00%	9,749
Morgan Stanley	No	19.00%	0%	-	19.00%	9,749
Total		**100%**	**0%**	**$ -**	**100%**	**$ 51,313**

TEXAS VETERANS' LAND BOARD

Issue: State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2006E Taxable Refunding Bonds

Purpose: The proceeds of the bonds were used to refund the outstanding State of Texas Veterans' Housing Assistance Program Fund II, Series 1995E Refunding Bonds.

Par: $39,560,000
Method of Sale: Negotiated
Board Approval: September 14, 2006
Negotiated Sale: November 8, 2006
Closing Date: November 15, 2006
True Interest Cost (TIC): Floating
Net Interest Cost (NIC): Floating

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	60,000	1.52
Co-Bond Counsel	Lannen & Oliver PC	BA	10,929	0.28
Financial Advisor	RBC Capital Markets	No	14,846	0.38
Printing	Island Printing	No	1,047	0.03
Paying Agent/Registrar	Comptroller of Public Accounts	No	-	-
Liquidity Provider's Counsel	Chapman and Culter LLP	No	8,500	0.21
Liquidity Provider's Foreign Counsel	Jeantet & Associes	No	3,100	0.08
Attorney General		N/A	9,500	0.24
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		9,375	0.24
Standard & Poor's	AA/A-1+		12,000	0.30
Fitch	AA+/F1+		9,000	0.23
Subtotal			**$ 138,297**	**$ 3.50**

Additional COI			-	-
Total			**$ 138,297**	**$ 3.50**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	49,450	1.25
Spread Expenses	27,251	0.69
Total	**$ 76,701**	**$ 1.94**

	Firm	HUB	Fees
Underwriter's Counsel	Locke Liddell & Sapp LLP	No	$ 23,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
JP Morgan	No	62.00%	0%	-	62.00%	30,658
Goldman Sachs	No	19.00%	0%	-	19.00%	9,396
Siebert Brandford Shank & Co.	BA	19.00%	0%	-	19.00%	9,396
Total		**100%**	**0%**	**$ -**	**100%**	**$ 49,450**

TEXAS VETERANS' LAND BOARD

Issue: State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2007A

Purpose: The proceeds of the bonds were deposited into the Veterans' Housing Assistance Fund II, a fund administered by the Veterans' Land Board of the state of Texas, and made available to make home loans to eligible Texas Veterans.

Par: $50,000,000
Method of Sale: Negotiated
Board Approval: February 1, 2007
Negotiated Sale: February 14, 2007
Closing Date: February 22, 2007
True Interest Cost (TIC): Floating
Net Interest Cost (NIC): Floating

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	55,000	1.10
Co-Bond Counsel	Lannen & Oliver PC	BA	13,551	0.27
Financial Advisor	RBC Capital Markets	No	18,500	0.37
Printing	Helms Financial Graphics Inc.	No	1,146	0.02
Paying Agent/Registrar	Texas Comptroller of Public Accounts	N/A	-	-
Liquidity Provider's Counsel	Andrews Kurth LLP	No	10,000	0.20
Attorney General		N/A	9,500	0.19
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		15,000	0.30
Standard & Poor's	AA/A-1+		17,220	0.34
Fitch	AA+/F1+		11,000	0.22
Subtotal			**$ 150,917**	**$ 3.02**

Additional COI			-	-
Total			**$ 150,917**	**$ 3.02**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	62,500	1.25
Spread Expenses	29,025	0.58
Total	**$ 91,525**	**$ 1.83**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 25,000

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Goldman Sachs	No	52.00%	0%	-	52.00%	32,500
Lehman Brothers	No	16.00%	0%	-	16.00%	10,000
Loop Capital Markets LLC	BA	16.00%	0%	-	16.00%	10,000
Morgan Keegan & Co.	No	16.00%	0%	-	16.00%	10,000
Total		**100%**	**0%**	**$ -**	**100%**	**$ 62,500**

TEXAS VETERANS' LAND BOARD

Issue: State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2007B

Purpose: The proceeds of the bonds were deposited into the Veterans' Housing Assistance Fund II, a fund administered by the Veterans' Land Board of the state of Texas, and made available to make home loans to eligible Texas Veterans.

Par:	$50,000,000
Method of Sale:	Negotiated
Board Approval:	June 6, 2007
Negotiated Sale:	June 21, 2007
Closing Date:	June 26, 2007
True Interest Cost (TIC):	Floating
Net Interest Cost (NIC):	Floating

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	55,000	1.10
Co-Bond Counsel	Lannen & Oliver PC	BA	13,547	0.27
Financial Advisor	RBC Capital Markets	No	18,500	0.37
Printing	Island Printing	No	1,094	0.02
Paying Agent/Registrar	Texas Comptroller of Public Accounts	N/A	-	-
Liquidity Provider's Counsel	Chapman and Culter LLP	No	8,500	0.17
Liquidity Provider's Foreign Counsel	Dexia Credit Local	No	1,500	0.03
Attorney General		N/A	9,500	0.19
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		15,000	0.30
Standard & Poor's	AA/A-1+		17,220	0.34
Fitch	AA+/F1+		15,000	0.30
Subtotal			**$ 154,861**	**$ 3.10**

Additional COI			-	-
Total			**$ 154,861**	**$ 3.10**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	62,500	1.25
Spread Expenses	29,058	0.58
Total	**$ 91,558**	**$ 1.83**

	Firm	HUB	Fees
Underwriter's Counsel	Locke Liddell & Sapp LLP	No	$ 25,000

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Bear Stearns & Co.	No	52.00%	0%	-	52.00%	32,500
First Albany Capital Inc.	No	16.00%	0%	-	16.00%	10,000
Merrill Lynch & Co.	No	16.00%	0%	-	16.00%	10,000
Jackson Securities Inc.	BA	16.00%	0%	-	16.00%	10,000
Total		**100%**	**0%**	**$ -**	**100%**	**$ 62,500**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, State Revolving Fund Subordinate Lien Revenue Bonds (Variable Rate Refunding), Series 2007A

Purpose: Proceeds from the Series 2007A and 2007B bonds were used to refund the TWDB's Series 1996A, 1996B, 1997A and 1997B fixed-rate bonds, Series 2005 variable-rate bonds and to pay costs of issuance.

Par:	$309,240,000
Method of Sale:	Negotiated
Board Approval:	March 27, 2007
Negotiated Sale:	April 11, 2007
Closing Date:	May 1, 2007
True Interest Cost (TIC):	3.80%
Net Interest Cost (NIC):	3.71%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	43,896	0.14
Financial Advisor	First Southwest Company	No	122,717	0.40
Printing	Image Master	No	2,568	0.01
Paying Agent/Registrar	Bank of New York Trust Co.	No	1,125	-
Escrow Agent	Bank of New York Trust Co.	No	100	-
Escrow Verification	Grant Thornton LLP	No	1,250	0.01
Liquidity Provider's Counsel	Fulbright & Jaworski LLP	No	22,500	0.07
Attorney General		N/A	9,500	0.03
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		25,000	0.08
Standard & Poor's	AAA/A-1+		48,203	0.16
Fitch	AA+/F1+		41,500	0.13
Subtotal			**$ 318,359**	**$ 1.03**
Additional COI			3,830	0.01
Total			**$ 322,189**	**$ 1.04**

Underwriting Spread	Amount	Per $1,000
Management Fee	40,924	0.13
Gross Takedown	309,240	1.00
Spread Expenses	84,888	0.28
Total	**$ 435,052**	**$ 1.41**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 45,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Stanley	No	100%	100%	40,924	100%	309,240
Total		**100%**	**100%**	**$ 40,924**	**100%**	**$ 309,240**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, State Revolving Fund Subordinate Lien Revenue Bonds (Fixed Rate Refunding), Series 2007B

Purpose: Proceeds from the Series 2007A and 2007B bonds were used to refund the TWDB's Series 1996A, 1996B, 1997A and 1997B fixed-rate bonds, Series 2005 variable-rate bonds and to pay costs of issuance.

Par:	$211,620,000
Method of Sale:	Negotiated
Board Approval:	March 27, 2007
Negotiated Sale:	April 17, 2007
Closing Date:	May 1, 2007
True Interest Cost (TIC):	4.30%
Net Interest Cost (NIC):	4.39%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	34,727	0.16
Financial Advisor	First Southwest Company	No	93,431	0.44
Printing	Image Master	No	3,509	0.02
Paying Agent/Registrar	Bank of New York Trust Co.	No	375	-
Escrow Agent	Bank of New York Trust Co.	No	100	-
Escrow Verification	Grant Thornton LLP	No	1,250	0.01
Attorney General		N/A	9,500	0.04
Rating Agencies	**Rating**			
Moody's	Aaa		20,043	0.09
Standard & Poor's	AAA		33,497	0.16
Fitch	AAA		30,000	0.14
Subtotal			**$ 226,432**	**$ 1.07**
Additional COI			3,830	0.02
Total			**$ 230,262**	**$ 1.09**

Underwriting Spread	Amount	Per $1,000
Management Fee	63,486	0.30
Gross Takedown	835,347	3.95
Spread Expenses	84,549	0.40
Total	**$ 983,382**	**$ 4.65**

	Firm	HUB	Fees
Underwriter's Counsel	Andrews Kurth LLP	No	$ 45,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
UBS Securities LLC	No	40.00%	63.00%	40,000	58.61%	489,682
Cabrera Capital Markets Inc.	HA	10.00%	7.85%	4,986	6.39%	53,372
Loop Capital Markets LLP	BA	10.00%	5.83%	3,700	7.40%	61,836
Piper Jaffray	No	10.00%	5.83%	3,700	9.47%	79,084
Ramirez & Co.	HA	10.00%	5.83%	3,700	5.53%	46,170
Southwest Securities Inc.	No	10.00%	5.83%	3,700	10.97%	91,614
Walton Johnson & Co.	BA	10.00%	5.83%	3,700	1.63%	13,590
Total		**100%**	**100%**	**$ 63,486**	**100%**	**$ 835,348**

THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of The Texas A&M University System, Revenue Financing System Note (2007 TIPS Project)

Purpose: The proceeds of the note were used to fund a portion of the cost of facilities and the operation of the Texas Institute for Pre-Clinical Studies (TIPS) within Texas A&M University located in College Station.

Par: $4,000,000
Method of Sale: Private Placement
Board Approval: June 14, 2007
Private Placement Sale: July 1, 2007
Closing Date: July 12, 2007
True Interest Cost (TIC): 2.00%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	20,632	5.16
Paying Agent/Registar	Wells Fargo Bank NA	No	1,200	0.30
Attorney General		N/A	4,000	1.00
Rating Agencies	N/A			
Subtotal			**$ 25,832**	**$ 6.46**
Additional COI			-	-
Total			**$ 25,832**	**$ 6.46**
Private Placement Fee			N/A	N/A
Private Placement Counsel			N/A	N/A
Total Private Placement Fees			**$ -**	**$ -**

THE UNIVERSITY OF NORTH TEXAS SYSTEM

Issue: Board of Regents of The University of North Texas System, Revenue Financing System Bonds, Series 2007

Purpose: The proceeds of the bonds were used to provide funds to construct two residence halls at the Denton campus; to purchase and renovate property to be used for academic and administrative purposes located at 1901 Main Street and 1900 Elm Street in Dallas, Texas; to refund Commerical Paper Notes issued as interim financing for the projects; to fund capitalized interest and to pay costs of issuance.

Par: $56,050,000
Method of Sale: Negotiated
Board Approval: November 2, 2006
Negotiated Sale: January 8, 2007
Closing Date: February 7, 2007
True Interest Cost (TIC): 4.50%
Net Interest Cost (NIC): 4.57%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	25,171	0.45
Financial Advisor	First Southwest Company	No	29,025	0.52
Printing	i-Deal/Island Printing	No	2,422	0.04
Paying Agent/Registrar	Bank of New York Trust Co.	No	500	0.01
Attorney General		N/A	9,500	0.17
Issuer Expenses		N/A	32,322	0.58
Rating Agencies	**Rating**			
Moody's	Aaa/A1		28,500	0.51
Fitch	AAA/AA-		25,000	0.45
Subtotal			**$ 152,440**	**$ 2.72**

Additional COI			-	-
Total			**$ 152,440**	**$ 2.72**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	271,282	4.84
Spread Expenses	49,324	0.88
Total	**$ 320,606**	**$ 5.72**

	Firm	HUB	Fees
Underwriter's Counsel	Locke Liddell & Sapp LLP	No	$ 35,000

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Southwest Securities Inc.	No	30.00%	0%	-	58.96%	148,379
Estrada Hinojosa & Co.	HA	25.00%	0%	-	8.30%	20,885
First Albany Capital Inc.	No	22.50%	0%	-	16.68%	41,979
Morgan Keegan & Co.	No	22.50%	0%	-	16.06%	40,415
Total		**100.00%**	**0%**	**-**	**100%**	**$ 251,658**

THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2006C&D and Revenue Financing Bonds, Series 2006E&F

Purpose: The proceeds of the sale of the bonds, together with other available moneys of the Board were used to 1) refinance the Board's Revenue Financing System Commercial Paper Notes, Series A; 2) refund certain parity debt obligations; 3) finance the costs of campus improvements of certain members of the System; and 4) pay certain costs of issuance

Par: $896,465,000
Method of Sale: Negotiated
Board Approval: November 20, 2006
Negotiated Sale: November 30, 2006
Closing Date: January 4, 2007
True Interest Cost (TIC): 16 68%
Net Interest Cost (NIC): 4 32%

Issuance Costs	Firm	HUB Type	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	280,584	0 31
Printing	Bowne	No	5,586	0 01
Paying Agent/Registrar	Regions Bank	No	4,200	-
Escrow Agent	Regions Bank	No	2,500	-
Escrow Verification	Grant Thornton LLP	No	4,000	-
Disclosure Counsel	McCall Parkhurst & Horton LLP	No	30,000	0 03
Attorney General		N/A	38,000	0 04
Rating Agencies	**Rating**			
Moody's	Aaa		60,000	0 07
Standard & Poor's	AAA		77,000	0 09
Fitch	AAA		25,000	0 03
Miscellaneous			3,159	-
Subtotal			**$ 530,029**	**$ 0.58**
Additional COI			-	-
Total			**$ 530,029**	**$ 0.58**

Underwriting Spread	Amount	Per $1,000
Gross Takedown	3,088,835	3 45
Spread Expenses	215,786	0 24
Total	**$ 3,304,621**	**$ 3.69**

	Firm	HUB	Fees
Underwriter's Counsel	Fulbright & Jaworski LLP	No	$ 63,500

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Series 2006C&E						
Goldman Sachs	No	50 00%	0%	-	51 08%	407,840
Bear Stearns & Co	No	8 33%	0%	-	18 19%	145,250
Cabrera Capital Markets	HA	8 33%	0%	-	1 94%	15,513
Loop Capital Markets LLC	BA	8 33%	0%	-	4 46%	35,603
Morgan Keegan & Co	No	8 33%	0%	-	18 98%	151,541
Popular Securities	HA	8 33%	0%	-	2 11%	16,888
Seasongood & Mayer	No	8 33%	0%	-	3 24%	25,867
Total		**100%**	**0%**	**-**	**100%**	**$ 798,502**
Syndicate Firms' Gross Takedown & Share Profit / Loss		**Risk**	**Management Fee**		**Takedown**	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Series 2006D&F						
JPMorgan	No	50 00%	0%	-	52 62%	1,205,145
AG Edwards	No	6 25%	0%	-	5 62%	128,734
Citigroup	No	6 25%	0%	-	8 16%	186,832
Merrill Lynch	No	6 25%	0%	-	10 41%	238,363
Piper Jaffray & Co	No	6 25%	0%	-	3 38%	77,300
Ramirez & Co	HA	6 25%	0%	-	2 99%	68,421
RBC Capital Markets	No	6 25%	0%	-	6 78%	155,331
Siebert Brandford Shank & Co	BA	6 25%	0%	-	6 63%	151,942
Southwest Securities Inc	No	6 25%	0%	-	3 42%	78,267
Total		**100%**	**0%**	**-**	**100%**	**$2,290,335**

State Commercial Paper and Variable-Rate Note Program

Several state agencies and institutions of higher education have established variable-rate debt financing programs that provide financing for equipment or capital projects or provide loans to eligible entities.

As of August 31, 2007, a total of $3.58 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $1.46 billion was outstanding as of the end of fiscal 2007 *(Table 18),* an increase of approximately $209 million over fiscal year 2006.

A brief summary of each variable-rate debt program is provided below:

Texas Department of Agriculture

In 1991, the Texas Agricultural Finance Authority (TAFA), a public authority within the Texas Department of Agriculture, was authorized to establish a taxable commercial paper note program. The TAFA issues commercial paper to purchase and guarantee loans made to businesses involved in the production, processing, marketing and exporting of Texas agricultural products. The commercial paper notes are a general obligation of the state; however, the program is designed to be self-supporting.

During fiscal 1995, TAFA established a second general obligation taxable commercial paper note. Proceeds from this program are used to make funds available for the Farm and Ranch Finance Program. The program was established to provide loans and other financial assistance through local lending institutions to eligible borrowers for the purchase of farm or ranch land.

Table 18
TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS
as of August 31, 2007

ISSUER	TYPE OF PROGRAM	AMOUNT AUTHORIZED	AMOUNT ISSUED FISCAL 2007	AMOUNT OUTSTANDING
Texas Department of Agriculture*				
TAFA	Commercial Paper - Series A	$50,000,000	$0	$25,000,000
Farm and Ranch Loans	Commercial Paper - Series B	$25,000,000	$0	$0
Texas Dept. of Housing & Community Affairs	Commercial Paper	$75,000,000	$9,735,000	$32,869,000
Texas Department of Transportation	Commercial Paper - Series A	$500,000,000	$170,000,000	$158,000,000
Texas Economic Dev & Tourism Office**	Commercial Paper	$25,000,000	$0	$8,232,000
Texas Public Finance Authority				
Revenue	Commercial Paper	$150,000,000	$31,000,000	$110,800,000
General Obligation	Commercial Paper - 2002A	$881,000,000	$105,500,000	$89,900,000
General Obligation	Commercial Paper - 2002B	$150,000,000	$15,000,000	$15,000,000
Texas Tech University System				
Revenue Financing System	Commercial Paper	$100,000,000	$36,599,000	$36,599,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	$125,000,000	$0	$5,000,000
Revenue Financing System	Commercial Paper	$200,000,000	$75,000,000	$151,170,000
The University of North Texas System				
Revenue Financing System	Commercial Paper	$50,000,000	$159,550,000	$20,783,000
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	$400,000,000	$100,000,000	$100,000,000
Revenue Financing System	Commercial Paper - Series A	$750,000,000	$611,902,000	$680,816,000
Revenue Financing System	Commercial Paper - Series B	$50,000,000	$16,800,000	$26,313,000
University of Houston System				
Revenue Financing System	Commercial Paper	$50,000,000	$0	$0
Total		**$3,581,000,000**	**$1,331,086,000**	**$1,460,482,000**

Source: Texas Bond Review Board - Bond Finance Office.

* Represents the maximum amount authorized by the Bond Review Board; however, the Texas Agricultural Finance Authority (Department of Agriculture) has approved a $100 million program amount.

**Represents the maximum amount authorized by the Bond Review Board; however, the program has a $300 million program amount.

Texas Department of Housing and Community Affairs

The Texas Department of Housing and Community Affairs (TDHCA) established a single family mortgage revenue commercial paper program in 1994. The program enables the TDHCA to capture mortgage payments and prepayments and recycle them into mortgage loans. By issuing commercial paper notes to satisfy the mandatory redemption provisions of outstanding single family mortgage revenue bonds instead of using the payments and prepayments to redeem bonds, the TDHCA is able to preserve the private activity volume cap and generate new mortgage loans. Commercial paper refunding bonds are issued from time to time to pay off the commercial paper notes, and the payments and prepayments are used to make new mortgage loans, the revenues from which are used to repay the principal and interest on commercial paper refunding bonds.

Texas Department of Transportation

In July 2005, the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), authorized a commercial paper program. TxDOT is authorized to issue up to $500 million in notes to carry out the functions of the Department.

Texas Economic Development and Tourism Office

In 1992, the Department of Commerce, subsequently the Texas Economic Development and Tourism Office (the "Office") was granted $300 million of authority to issue commercial paper to fund loans to Texas businesses under three programs. Under the first program marketed as the Texas Leverage Fund, the Office approves loans to local industrial development corporations. Revenues from an optional local half-cent sales tax for economic development secure these loans. The second program provides for the purchase of small business loans which are fully guaranteed by the Small Business Administration. A third program may make loans directly to businesses from program reserves. The program is designed to be self-supporting, and the commercial paper issued by the Office is taxable. The Bond Review Board has authorized a maximum authority of $25 million for the Texas Leverage Fund.

Texas Public Finance Authority

In 1992, the Texas Public Finance Authority (TPFA) established a Master Lease Purchase Program (MLPP) that is funded through commercial paper. The commercial paper issued to date has primarily been used to finance the purchase of equipment such as computers and telecommunications equipment. The TPFA also has the authority to use the commercial paper to provide interim financing for capital projects undertaken on behalf of state agencies. The MLPP commercial paper is a special revenue obligation of the state, payable only from legislative appropriations to the participating agencies for lease payments.

During fiscal 1993, TPFA established a variable-rate financing program that is secured by the state's general obligation pledge. The proceeds are used to provide interim financing for capital projects that are authorized by the legislature and financed through general obligation bonds. In 2002, TPFA established a commercial paper program that is also secured by the state's general obligation pledge to provide financial assistance to border counties for roadways in colonias.

Texas Tech University System and Texas Tech University Health Sciences Center

In November 1997, the Board of Regents of Texas Tech University (TTU) authorized a Revenue Financing System commercial paper program in an amount not to exceed $100 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of TTU. The commercial paper is secured by a pledge of all legally available revenues of TTU, including pledged tuition fees, general fees and other revenue sources.

The Texas A&M University System

The Texas A&M University System (the "A&M System") has also authorized two variable-rate financing programs: a flexible-rate note program

secured by the Permanent University Fund (PUF) and a commercial paper program secured by the A&M System revenues. The Texas A&M PUF Note Program was established in 1988 to provide interim financing and equipping of facilities for eligible construction projects. The A&M System's outstanding PUF flexible rate notes may not exceed $125 million in principal amount at any time.

The Texas A&M University's Revenue Financing System Commercial Paper Program was established in 1992 to provide interim financing for capital projects, including construction, acquisition, and renovation or equipping of facilities throughout the A&M System. Outstanding RFS commercial paper may not exceed $200 million in principal amount at any time and is secured by a pledge of all legally available revenues to the A&M System, including pledged tuition revenue and fees, general fees and other revenue sources. The A&M System has a self-liquidity facility for this program.

The University of North Texas System

In May 2004, the Board of Regents of The University of North Texas System (the "System") authorized a Revenue Financing System commercial paper program in an amount not to exceed $50 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the System. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees and other revenue sources.

The University of Texas System

The University of Texas System (the "System") has authorized two variable-rate financing programs: a flexible-rate note program secured by distributions from the total return on all investment assets of the Permanent University Fund (PUF) and a commercial paper program secured by the revenues of the System.

The System's PUF Flexible Rate Note Program provides interim financing for permanent improvements at various eligible component institutions of the System. The PUF Flexible Rate Note Program replaced a similar program established in 1985 that became obsolete when an amendment to the Texas Constitution was adopted on November 2, 1999, altering the source and method for determining distributions from the PUF. The System's outstanding PUF flexible rate notes may not exceed $400 million in principal amount at any time.

The System's Revenue Financing System (RFS) Commercial Paper Note Program was established in 1990 to provide interim financing for capital projects, including construction, acquisition and renovation or equipping of facilities. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees and other revenue sources. The System's outstanding RFS commercial paper notes may not exceed $800 million in principal amount at any time.

University of Houston System

In August 2006, the Board of Regents of the University of Houston System (the "System") authorized a Revenue Financing System commercial paper program in an amount not to exceed $50 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the System. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees and other revenue sources.

Other State Issuers of Variable-Rate Debt

Several other state issuers have the authority to issue debt in variable-rate form. State issuers may utilize variable-rate debt in order to diversify their debt portfolio and to take advantage of lower short-term interest rates that may be available.

The Veterans Land Board is one example of a state issuer that has issued variable-rate housing assistance bonds to diversify its debt portfolio. Similarly, the Texas Water Development Board is authorized to issue subordinate-lien variable-rate-demand revenue bonds (VRDBs) as part of the State Revolving Fund program.

In June 2007, the Texas State Affordable Housing Corporation (TSAHC) was given authority for a single family mortgage revenue refunding drawdown bond program with a maximum authority of $100 million. This program allows TSAHC to capture mortgage payments and prepayments and recycle them into additional mortgage loans.

Comptroller of Public Accounts Liquidity Facility Provider Duties

The 73rd Legislature passed legislation that authorized the Comptroller of Public Accounts - Treasury Operations to enter into agreements to provide liquidity for obligations issued for governmental purposes by an agency of the state as long as the agreements did not conflict with the liquidity needs of the Treasury. Eligible obligations include commercial paper, variable-rate demand obligations and bonds.

Appendix C
State Issuers' Use of Swaps

Interest rate swaps are part of a larger class of financial instruments called derivatives whose value is based on the performance of an underlying financial asset, index or other investment. While a variety of derivative products are available, Texas issuers most often use interest rate swaps. Swaps do not represent additional debt of the state, but are used as tools for financial management to reduce interest expense and hedge against interest rate, tax, basis and other risks described below. Swaps can also increase financial flexibility and are used to achieve objectives consistent with the issuer's overall program goals and financial policies.

Swaps

An interest rate swap is created when a debt issuer and a financial institution, each referred to as a counterparty, enter into a contract to exchange interest payments. The two types of swaps most often utilized by Texas issuers are pay-fixed, receive-variable and pay-variable, receive-fixed interest rate swaps. As of August 31, 2007, pay-fixed, receive-variable swaps comprised approximately 62% of the state's $2.89 billion in total notional amount of swaps outstanding.

Pay-fixed, receive-variable swap (synthetic fixed-rate swap)

By accepting certain risks with pay-fixed, receive-variable swaps, issuers may be able to lower their borrowing costs compared to issuing traditional, fixed-rate bonds. Under this arrangement which creates *synthetic fixed-rate debt,* the issuer agrees to make fixed-rate payments to the swap counterparty and the swap counterparty agrees to pay the issuer variable, index-based rate payments that are expected to be comparable to the rates payable on the variable-rate debt associated with the swap agreement. This swap program is illustrated below.

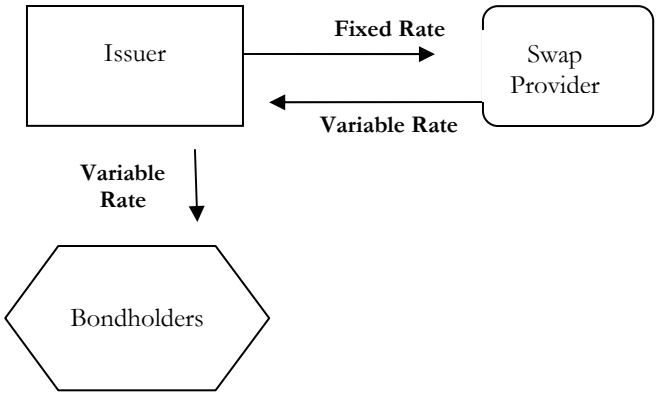
To structure such a transaction, issuers must analyze the impact of issuing either natural or synthetic fixed-rate debt. If the spread between the two is sufficient to compensate the issuer for accepting certain risks associated with synthetic fixed-rate debt, the issuer will execute the swap and issue the associated variable-rate debt. The issuer remains obligated to make debt-service payments to the variable-rate bond holders, even if the variable-rate payment received from the swap counterparty does not cover the variable-rate payment due on the associated bonds (see Basis Risk below).

The variable rates received under most of Texas' pay-fixed, receive-variable interest rate swaps are based on various *taxable* London Interbank Offered Rates (LIBOR). A *tax-exempt* index often used in the swap market is the Securities Industry and Financial Markets Association Swap Index (SIFMA) formerly known as the BMA Swap Index produced by Municipal Market Data. The variable-rate payment received may also be tied to the issuer's cost of funds.

Pay-variable, receive-fixed swap (synthetic floating-rate swap)

Conversely, *synthetic floating-rate debt* is created when the issuer sells fixed-rate debt and enters into a fixed-to-floating rate swap. The issuer agrees to pay

Synthetic Fixed-Rate Debt Swap



variable-rate payments to the counterparty and in exchange receives a fixed-rate payment from the swap counterparty. As with synthetic fixed-rate debt, the rate to be paid is tied to an underlying reference index such as the *taxable* LIBOR or the *tax-exempt* SIFMA Index. As of August 31, 2007, synthetic floating-rate debt swaps comprised less than 1% of the state's total notional amount of swaps outstanding. This swap program is illustrated below.

Pay-variable, receive-variable swap (basis swap)
Four of the five Veterans' Land Board (VLB) pay-variable, receive-variable swaps (called *basis* swaps) are LIBOR-to-SIFMA basis swaps that effectively convert the variable rate on the associated taxable variable-rate bond issues from a *taxable* LIBOR-based rate to a *tax-exempt* SIFMA-based rate. The fifth swap is a LIBOR Constant Maturity Swap (CMS) that is expected to increase the cash flow on the associated taxable fixed-rate and synthetic fixed-rate bonds due to projected changes in the relationship between short- and long-term interest rates. As of August 31, 2007, basis swaps comprised approximately 37% of the state's total notional amount of swaps outstanding.

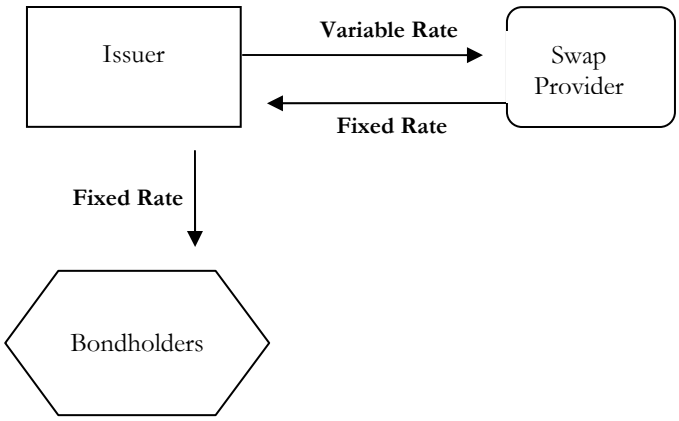
Risk Analysis
State issuers considering entering into an interest-rate swap agreement must assess the risks associated with the transaction. Some issuers include contractual limitations or options that assist in reducing those risks. For example, the VLB has the option to terminate its swap agreements at any time at its option. Generally, the risks associated with interest rate swaps fall into the following categories:

Termination Risk – the risk that an interest rate swap could be terminated prior to its scheduled termination date as a result of any of several events relating to either the issuer or its counterparty. The issuer or the counterparty may terminate a swap if the other party fails to perform under the terms of the swap agreement. If a swap has a negative fair value, the issuer would owe the respective counterparty a termination payment equal to the swap's fair value at the time of termination. (See Fair Value discussion below.)

Credit Risk – the risk that either the counterparty or the issuer will not fulfill its obligations specified by the terms of the swap agreement. State issuers mitigate this risk by entering into transactions with highly-rated counterparties. The issuers also mitigate concentrations of credit risk by diversifying their swap portfolios among different counterparties. Credit risk also includes the risk of the occurrence of an event that would modify the credit rating of an issuer or its counterparty.

Basis Risk – the risk of a shortfall between the interest payment received and the interest payment paid on the related debt issue. An issuer mitigates this risk by: 1) matching the swap's notional amount and amortization schedule to the associated bond issue's principal amount and amortization schedule and 2) selecting a variable-rate leg for the swap that

Synthetic Floating-Rate Debt Swap



is reasonably expected to match the interest rate on the associated variable-rate bonds over the life of the bond issue.

Rollover Risk – the risk associated with the counterparty's option to terminate the swap. If the swap is terminated by the counterparty, the associated variable-rate bonds would no longer have a synthetic fixed rate and would be subject to interest rate risk to the extent the variable-rate bonds were not hedged with another swap or with variable-rate assets on the issuer's balance sheet.

Tax Risk – the risk associated with potential changes in the taxation of the issuer's tax-exempt, variable-rate bonds as a result of changes in marginal income tax rates and other changes in the federal and state tax systems.

Fair Value – the value of a swap estimated by using market-standard practice that includes a calculation of future net settlement payments required by the swap based on market expectations implied by the current yield curve for interest rate transactions. For a swap with embedded options, additional calculations are made to determine the value of the options.

Additional Derivative Products

In addition to interest rate swaps, additional derivative products used by Texas issuers include the following:

Options on swaps – sale or purchase of options to commence or cancel interest rate swaps. Several of the VLB swaps contain embedded options called barrier options that provide for the VLB to be "knocked out" of the swaps by the respective counterparties for varying periods of time upon the breach of certain predetermined barriers. In each of these cases, the respective counterparties paid the VLB an up-front premium for the option.

Interest rate caps – financial contracts called caps, collars or floors limit or bound exposure to interest rate volatility.

Rate locks – rate locks are often based on interest rate swaps and may be used to hedge against a rise in interest rates for an upcoming fixed-rate bond issue.

Derivatives Management Policy

State issuers with swap transactions outstanding or those issuers contemplating entering into swap agreements have adopted derivative or swap-management policies outlining the objectives, management, oversight, monitoring, selection and restrictions for their derivative or swap agreements.

Texas Interest Rate Swaps

Due to the general reduction in interest rates over the last several years, the net fair value of the state's outstanding swaps was negative at August 31, 2007, indicating that the issuers would be liable for the fair values of the swaps in the unlikely event of termination. However, it is important to note that issuers have achieved significant savings in interest costs over the last several years by use of interest rate swaps.

When the fair value of a swap is positive, the counterparty is liable to the issuer for that fair value in the event of termination of the swap. In this instance the issuer is exposed to counterparty credit risk; however, issuer swap agreements contain varying collateral agreements and insurance policies with counterparties to mitigate credit risk.

Table 19 below provides the terms, counterparty credit ratings and fair values for the state's swaps outstanding at August 31, 2007. *Table 20* provides the estimated debt-service requirements for the state's variable-rate debt outstanding and interest rate swap payments excluding pay-variable, receive-variable (basis) swaps. *Table 21* provides the same information for basis swaps only.

Table 19 - TEXAS INTEREST RATE SWAPS
As of August 31, 2007 (Unaudited)
(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE (Synthetic Fixed Rate) Bond Issue	Original Notional Amount	8/31/2007 Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Fair Value
TDHCA SF Variable Rate MRB Ser 2004B	53,000	53,000	09/01/2004	09/01/2034	3.84%	63% of LIBOR + .30%	Aa2/AA+/AA+	-379
TDHCA SF Variable Rate MRB Ser 2004D	35,000	35,000	01/01/2005	03/01/2035	3.61%	*	Aa3/A+/AA-	-96
TDHCA SF Variable Rate MRB Ser 2005A	100,000	98,145	08/01/2005	09/01/2036	3.99%	*	AAA/AAA	-4,580
TDHCA SF Variable Rate MRB Ser 2006HA	36,000	36,000	11/15/2006	09/01/2025	3.86%	63% of LIBOR + .30%	Aa2/AA+/AA+	-554
TDHCA SF Variable Rate MRB Ser 2007A	143,005	143,005	06/05/2007	09/01/2038	4.01%	*	AAA/AAA	-3,223
UT RFS Refunding Bonds, Ser 2001A	81,000	23,000	05/17/2001	08/15/2013	4.63%	67% of 1M LIBOR	Aaa/AA	-978
UT RFS - TBD	155,000	155,000	02/15/2008	08/15/2036	3.84%	SIFMA	Aaa/AA	3,369
UT RFS - TBD	155,000	155,000	02/15/2008	08/15/2036	3.84%	SIFMA	Aa3/AA-	3,391
Vet Hsg Ref Bds Ser 1995	88,490	61,275	11/29/1995	12/01/2016	5.52%	Actual Bond Rate	AAA/Aaa	-6,589
Vet Land Ref Bds Ser 1999A	40,025	30,470	06/01/1999	12/01/2018	5.11%	68% of 6M LIBOR	AAA/Aaa	-2,748
Vet Land Tax Ref Bds Ser 1999B	36,720	20,245	12/01/1999	12/01/2009	5.13%	100% of 6M LIBOR	AA+/Aaa	-158
Vet Land Tax Ref Bds Ser 2000	39,960	39,960	12/01/2000	12/01/2020	6.11%	100% of 6M LIBOR	AA+/Aaa	-3,597
Vet Hsg Fund II Bds Ser 2001A-2	20,000	20,000	12/03/2001	12/01/2029	4.30%	68% of 1M LIBOR	AA-/Aa1	-1,458
Vet Hsg Fund II Bds Ser 2001C-2	25,000	25,000	12/18/2001	12/01/2033	4.37%	68% of 1M LIBOR	AA+/Aaa	-2,429
Vet Land Bds Ser 2002	20,000	18,610	02/21/2002	12/01/2032	4.14%	68% of 1M LIBOR	AA-/Aa3	-1,069
Vet Hsg Fund II Bds Ser 2002A-2	38,300	28,760	07/10/2002	06/01/2033	3.87%	68% of 1M LIBOR	AAA/Aaa	-825
Vet Land Tax Ref Bds Ser 2002	27,685	27,685	12/01/2002	12/01/2021	4.94%	100% of 6M LIBOR	AA-/Aa3	-453
Vet Hsg Fund I Tax Ref Bds Ser 2002B	22,605	19,780	12/01/2002	06/01/2023	4.91%	100% of 6M LIBOR	AA+/Aaa	-335
Vet Hsg Fund II Bds Ser 2003A	50,000	43,010	03/04/2003	06/01/2034	3.30%	68% of 1M LIBOR	AA-/Aa3	775
Vet Hsg Fund II Bds Ser 2003B	50,000	44,215	12/01/2003	06/01/2034	3.40%	64.5% of 1M LIBOR	AAA/Aaa	43
Vet Land Tax Ref Bds Ser 2003	29,285	26,465	12/01/2003	12/01/2023	5.12%	100% of 1M LIBOR	AA-/Aa3	-824
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865	47,865	12/01/2003	06/01/2021	5.19%	100% of 6M LIBOR	AA+/Aaa	-1,583
Vet Hsg Fund II Bds Ser 2004A	50,000	44,820	04/07/2004	12/01/2034	3.31%	68% of 1M LIBOR	AAA/Aaa	787
Vet Hsg Fund II Tax Ref Bds Ser 2004A	19,550	16,535	06/01/2004	12/01/2024	5.45%	100% of 6M LIBOR	AAA/Aaa	-1,024
Vet Hsg Fund II Bds Ser 2004B	50,000	47,315	09/15/2004	12/01/2034	3.68%	68% of 1M LIBOR	AAA/Aaa	-553
Vet Land Tax Ref Bds Ser 2004	24,755	23,710	12/01/2004	12/01/2024	5.46%	100% of 6M LIBOR	AA-/Aa3	-1,438
Vet Hsg Fund II Tax Ref Bds Ser 2004C,D,E	43,870	38,385	12/01/2004	06/01/2020	5.35%	100% of 1M LIBOR	AA-/Aa3	-1,716
Vet Hsg Fund II Bds Ser 2005A	50,000	47,030	02/24/2005	06/01/2035	3.28%	68% of 1M LIBOR	AAA/Aaa	1,005
Vet Hsg Fund II Bds Ser 2005B	50,000	47,695	08/09/2005	06/01/2036	3.09%	68% of 1M LIBOR	AAA/Aaa	1,769
Vet Land Tax Ref Bds Ser 2005	22,795	22,210	12/01/2005	12/01/2026	6.52%	100% of 6M LIBOR	AAA/Aaa	-3,064
Vet Hsg Fund I/II Tax Ref Bds Ser 2005A,B,C	24,885	24,400	12/01/2005	06/01/2026	5.15%	100% of 1M LIBOR	AA-/Aa3	-1,661
Vet Hsg Fund I Tax Ref Bds Ser 2005D	19,860	18,970	12/01/2005	12/01/2023	4.93%	100% of 1M LIBOR	AA-/Aa3	-673
Vet Hsg Fund I Tax Ref Bds Ser 2005E	8,525	4,980	12/01/2005	12/01/2009	4.33%	100% of 1M LIBOR	AA-/Aa3	49
Vet Hsg Fund II Bds Ser 2006A	50,000	48,705	06/01/2006	12/01/2036	3.52%	68% of 1M LIBOR	AAA/Aaa	350
Vet Land Tax Ref Bds Ser 2006A	31,030	30,380	06/01/2006	12/01/2027	6.54%	100% of 6M LIBOR	AAA/Aaa	-4,234
Vet Hsg Fund II Tax Ref Bds Ser 2006C	22,325	21,865	06/01/2006	12/01/2027	5.79%	100% of 6M LIBOR	AAA/Aaa	-1,803
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570	38,570	06/01/2006	12/01/2026	5.83%	100% of 1M LIBOR	AA-/Aa3	-3,984
Vet Land Tax Ref Bds Ser 2006B	24,035	23,520	06/01/2006	12/01/2026	4.61%	100% of 6M LIBOR	AAA/Aaa	71
Vet Hsg Fund II Bds Ser 2006D	50,000	49,630	09/20/2006	12/01/2036	3.69%	68% of 1M LIBOR	AA+/Aa2	-405
Vet Land Tax Ref Bds Ser 2006C	41,050	40,325	12/01/2006	12/01/2027	6.51%	100% of 1M LIBOR	AA-/Aa3	-5,635
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560	39,560	12/01/2006	12/01/2026	5.46%	100% of 1M LIBOR	AA-/Aa3	-4,057
Vet Hsg Fund II Tax Ref Bds Ser 2007	54,160	54,160	12/01/2007	06/01/2029	4.66%	100% of 1M LIBOR	AA-/Aa3	-1,831
Vet Hsg Fund II Bds Ser 2007A	50,000	50,000	02/22/2007	06/01/2037	3.65%	68% of 1M LIBOR	AAA/Aaa	-453
Vet Hsg Fund II Bds Ser 2007B	50,000	50,000	06/26/2007	06/01/2038	3.71%	68% of 1M LIBOR	AAA/Aaa	-742
Vet Hsg Fund II Tax Ref Bds Ser 2009	16,950	16,950	12/01/2009	12/01/2021	6.22%	100% of 6M LIBOR	AAA/Aaa	-1,167
Vet Hsg Fund II Tax Ref Bds Ser 2009A	65,845	65,845	12/01/2009	06/01/2031	5.45%	100% of 6M LIBOR	AAA/Aaa	-3,674
Vet Hsg Fund II Tax Ref Bds Ser 2010	66,720	66,720	06/01/2010	12/01/2031	5.40%	100% of 1M LIBOR	AA-/Aa3	-6,183
Vet Land Tax Ref Bds Ser 2010	16,480	16,480	12/01/2010	12/01/2030	5.21%	100% of 1M LIBOR	AA-/Aa3	-1,181
Vet Homes Rev Ref Bds, Ser 2012	21,795	21,795	08/01/2012	08/01/2035	3.76%	68% of 1M LIBOR	AAA/Aaa	-959
Pay-Fixed, Receive-Variable Total	**$2,296,700**	**$2,122,045**						**-$66,706**

PAY-VARIABLE, RECEIVE FIXED (Synthetic Floating Rate) Bond Issue	Original Notional Amount	8/31/2007 Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Fixed-Rate Received	Counterparty Credit Ratings	Fair Value
Vet Land Tax Ref Bds Ser 2006B	**$24,035**	**$24,035**	06/01/2006	12/01/2026	100% of 6M LIBOR	4.61%	AAA/Aaa	**-$563**

PAY-VARIABLE, RECEIVE-VARIABLE (Basis Swap) Bond Issue	Original Notional Amount	8/31/2007 Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Fair Value
Vet Hsg Fund II Tax Bds Ser 1997B-2	25,000	25,000	09/27/2002	12/01/2010	132.60% of BMA	100% of 3M LIBOR	AA-/Aa3	316
Vet Hsg Fund II Tax Bds Ser 1999A-2	90,000	90,000	08/05/2002	09/01/2011	134.40% of BMA	100% of 1M LIBOR	AAA/Aaa	974
Vet Hsg Fund II Tax Bds Ser 1999A-2	60,000	60,000	08/05/2002	09/01/2011	134.40% of BMA	100% of 1M LIBOR	AA+/Aaa	644
Vet Land Tax Bds Ser 2000A/2002A	40,000	37,240	08/05/2002	12/01/2032	131.25% of BMA	100% of 1M LIBOR	AA-/Aa3	322
Various Vet Land & Hsg Fd I & Fd II Tax Bds	217,860	217,860	05/10/2006	05/01/2014	3M LIBOR	10Y ISDA - 42.5 bp	AAA/Aaa	1,436
Various Vet Land & Hsg Fd I & Fd II Tax Bds	249,465	249,465	09/01/2006	12/01/2027	100% of SIFMA	10Y SIFMA CMS - 54 bp	AAA/Aaa	-958
GO Mobility Ser 2006A	200,000	200,000	09/01/2007	09/01/2027	SIFMA/BMA	69.42% of 10 yr Libor	Aaa/AA/AA-	832
GO Mobility Ser 2006A	100,000	100,000	09/01/2007	09/01/2027	SIFMA/BMA	69.42% of 10 yr Libor	Aaa/AAA	416
GO Mobility Ser 2006A	100,000	100,000	09/01/2007	09/01/2027	SIFMA/BMA	69.42% of 10 yr Libor	Aa3/A+/AA-	416
Pay-Variable, Receive-Variable Total	**$1,082,325**	**$1,079,565**						**$4,398**
TOTAL INTEREST RATE SWAPS	**$3,403,060**	**$3,225,645**						**-$62,871**

*Lessor of a) the greater of 65% of LIBOR or 56% of LIBOR + .45% and b) 1M LIBOR

Sources: Texas Veterans' Land Board, The University of Texas System, the Texas Department of Housing and Community Affairs (TDHCA) and Texas Transportation Commission.

Table 20
ESTIMATED DEBT-SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET INTEREST RATE SWAP PAYMENTS
(EXCLUDES PAY-VARIABLE, RECEIVE-VARIABLE (BASIS) SWAPS)
As of August 31, 2007
(amounts in thousands)
UNAUDITED

Texas Department of Housing and Community Affairs

Fiscal Year Ending 8/31/07	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2008	850	12,687	1,148	14,685
2009	4,345	14,048	1,344	19,737
2010	4,540	13,876	1,321	19,737
2011	4,755	13,696	1,295	19,746
2012	4,990	13,508	1,269	19,767
2013-2017	38,205	63,805	5,903	107,913
2018-2022	59,600	53,850	4,985	118,435
2023-2027	74,360	40,758	3,808	118,926
2028-2032	84,915	24,851	2,355	112,121
2033-2037	81,475	8,574	916	90,965
2038-2042	$7,115	$200	$26	7,341
Total Debt Service and Net Interest Rate Swap Payments	**$365,150**	**$259,853**	**$24,370**	**$649,373**

Source: Texas Department of Housing and Community Affairs

The University of Texas System

Fiscal Year Ending 8/31/07	Variable Rate Bonds Principal	Variable Rate Bonds Interest (1)	Interest Rate Swaps, Net (2)	Total
2008	3,800	936	205	4,941
2009	4,000	787	172	4,959
2010	4,300	629	137	5,066
2011	4,600	460	100	5,160
2012	3,400	278	61	3,739
2013-2017	3,665	144	31	3,840
Total Debt Service and Net Interest Rate Swap Payments	**$23,765**	**$3,234**	**$706**	**$27,705**

(1) Reflects estimated interest cost based on interest rate as of August 31, 2007 of 3 94% on RFS Bonds, Series 2001A
(2) Reflects estimated net swap receipts calculated as the difference between the fixed-payer rate of 4 633% and 67% of the 1M LIBOR rate in effect as of August 31, 2007 of 5 61125% applied on the notional amount of the swap

Source: The University of Texas System

Veterans' Land Board

Fiscal Year Ending 8/31/07	Fixed and Variable-Rate Bonds Principal	Fixed and Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2008	39,915	55,019	302	95,236
2009	44,130	53,131	296	97,557
2010	47,855	51,083	299	99,237
2011	38,815	49,049	270	88,134
2012	40,035	47,340	209	87,584
2013-2017	282,380	203,534	-318	485,596
2018-2022	308,125	127,284	-1,598	433,811
2023-2027	222,250	60,525	-981	281,794
2028-2032	110,240	22,804	-978	132,066
2033-2037	54,285	4,454	-223	58,516
2038-2042	1,090	31	-1	1,120
Total Debt Service and Net Interest Rate Swap Payments	**$1,189,120**	**$674,254**	**-$2,723**	**$1,860,651**

Source: Veterans' Land Board

Table 21

ESTIMATED DEBT-SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET INTEREST RATE SWAP PAYMENTS

(PAY-VARIABLE, RECEIVE-VARIABLE (BASIS) SWAPS ONLY)

As of August 31, 2007

(amounts in thousands)

UNAUDITED

Texas Transportation Commission

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/07	Principal	Interest	Swaps, Net (1)	Total
2008	0	49,795	-4,682	45,112
2009	375	49,795	-5,108	45,062
2010	1,325	49,780	-5,108	45,997
2011	2,275	49,727	-5,108	46,894
2012	3,215	49,636	-5,108	47,743
2013-2017	31,195	245,489	-25,540	251,144
2018-2022	102,985	232,640	-25,540	310,085
2023-2027	223,925	195,722	-25,540	394,107
2028-2032	381,200	127,826	-426	508,600
2033-2037	293,585	26,330	0	319,915
Total Debt Service and Net Interest Rate Swap Payments	**1,040,080**	**1,076,740**	**-102,160**	**2,014,659**

(1) Swap payments projected using the historical average annual spread differential, which is assumed to be 1.277%, between BMA and 69.42% of 10-Year USD-ISDA-Swap Rate since 1985.

Source: Texas Department of Transportation

Veterans' Land Board

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/07	Principal	Interest	Swaps, Net	Total
2008	660	11,867	400	12,927
2009	700	11,830	404	12,934
2010	745	11,790	408	12,943
2011	790	11,748	453	12,991
2012	845	11,704	797	13,346
2013-2017	5,055	57,748	1,617	64,420
2018-2022	9,230	56,107	-675	64,662
2023-2027	23,250	51,655	-461	74,444
2028-2032	169,595	23,702	-176	193,121
2033-2037	1,370	37	-4	1,403
2037-2042	0	0	0	0
Total Debt Service and Net Interest Rate Swap Payments	**$212,240**	**$248,188**	**$2,763**	**$463,191**

Source: Veterans' Land Board

Appendix D
Texas State Debt Programs

COLLEGE STUDENT LOAN BONDS

Statutory/Constitutional Authority: Article III, Sections 50b and 50b-1, 50b-2, 50b-3, 50b-4 and 50b-5 of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995 and 1999, authorize the issuance of general obligation bonds by the Texas Higher Education Coordinating Board. In 1991, legislation was enacted giving the Coordinating Board authority to issue revenue bonds. The Board is required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance and to register its bonds with the Comptroller of Public Accounts.

The 80th Legislature authorized $500 million for student loans contingent on voter approval of SJR 57 at the November 2007 general elections.

Purpose: Proceeds from the sale of bonds are used to make loans to eligible students attending public or private colleges and universities in Texas.

Security: The first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the general obligation bonds. Revenue bonds will be repaid solely from program revenues. Approximately 30% of the loans made are guaranteed by the Texas Guaranteed Student Loan Corporation, the U.S. Department of Education and the U.S. Department of Health and Human Services.

Dedicated/Project Revenue: Principal and interest payments on the loans are pledged to pay debt service on the bonds issued by the Coordinating Board. No draw on general revenue is anticipated.

Contact:
Dan Weaver
Assistant Commissioner for Business and Support Services
Texas Higher Education Coordinating Board
(512) 427-6165
dan.weaver@thecb.state.tx.us

COLLEGE AND UNIVERSITY REVENUE BONDS

Statutory Authority: Section 55.13 of the Texas Education Code authorizes the governing boards of institutions of higher education to issue revenue bonds to provide funds to acquire, construct, improve, enlarge and equip property, buildings, structures or facilities.

In 1997, the 75th Legislature passed HB 1077, designating the Texas Public Finance Authority as the exclusive issuer for Midwestern State University, Stephen F. Austin State University and Texas Southern University.

Legislative approval is not required for specific projects or for each bond issue, but certain capital projects must be approved by the Texas Higher Education Coordinating Board in accordance with Chapter 61, Texas Education Code. The governing boards are required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and are required to register their bonds with the Comptroller of Public Accounts.

Purpose: Proceeds are used to acquire, purchase, construct, improve, enlarge and/or equip property, buildings, structures, activities, services, operations or other facilities.

Security: The revenue bonds issued by the institutions' governing boards are secured by the income of the institutions and are not an obligation of the state of Texas. Neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds.

Dedicated/Project Revenue: Bonds are repaid with income from pledged revenues. Pledged revenues include the pledged tuition and any or all of the revenues, funds and balances lawfully available to the governing boards and derived from or attributable to any member of the Revenue Financing System.

Contact:
Individual colleges and universities.

FARM AND RANCH LOAN BONDS

Statutory/Constitutional Authority: Article III, Section 49-f, of the Texas Constitution, adopted in 1985, authorizes the issuance of general obligation bonds by the Veterans Land Board. The program was transferred in 1993 from the Veterans Land Board to the Texas Agricultural Finance Authority with the passage of HB 1684 by the 73rd Legislature. In 1995, a constitutional amendment was approved that expended the use of existing bond authority and allows no more than $200

million of the authority to be used for the purposes defined in Article III, Section 49-i, of the Texas Constitution and for other rural economic development programs. In 1997, HB 2499, 75th Legislature increased the maximum loan amount available through the program to $250,000. In 2001, SB 716, 77th Legislature authorized the Authority to provide a guarantee to a local lender for an eligible applicant.

Purpose: Proceeds from the sale of the general obligation bonds may be used to make loans of up to $250,000 to each eligible Texan for the purchase of farms and ranches.

Security: The bonds are general obligations of the state of Texas. The first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the bonds.

Dedicated/Project Revenue: Principal and interest payments on the farm and ranch loans are pledged to pay debt service on the bonds issued by the Texas Agricultural Finance Authority. The program is designed to be self-supporting; therefore, no draw on general revenue is anticipated.

Contact:
Rick Rhodes
Assistant Commissioner
Rural Economic Development Division
Texas Department of Agriculture
(512) 463-7577
rick.rhodes@agr.state.tx.us

HIGHER EDUCATION CONSTITUTIONAL BONDS

Statutory/Constitutional Authority: Article VII, Section 17, of the Texas Constitution, adopted in 1985, authorizes the issuance of constitutional appropriation bonds (generally referred to as Higher Education Assistance Fund or HEF bonds) by institutions of higher education not eligible to issue bonds payable from and secured by the income of the Permanent University Fund (PUF). Legislative approval of bond issues is not required; however, approval of the Bond Review Board and the Attorney General is required and the bonds must be registered with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used by qualified institutions for library materials, land acquisition, new construction, major repairs and renovations or equipment.

Security: The first $175 million coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, goes to qualified institutions of higher education to fund certain land acquisition, construction and repair projects. In 2005, the Legislature increased the total allocation to qualified institutions to $262.5 million beginning in fiscal year 2008. Fifty (50) percent of this amount may be pledged to pay debt service on any bonds or notes issued. While not explicitly a general obligation or full faith and credit bond, the stated pledge has the same effect.

Dedicated/Project Revenue: Debt service is payable solely from state General Revenue Fund appropriations to institutions of higher education.

Contact:
Individual colleges and universities.

PERMANENT UNIVERSITY FUND BONDS

Statutory/Constitutional Authority: Article VII, Section 18, of the Texas Constitution, initially adopted in 1947, as amended in November 1984, authorizes the Boards of Regents of The University of Texas and The Texas A&M University Systems to issue revenue bonds payable from and secured by the income of the Permanent University Fund (PUF). The constitutional amendment approved by voters on November 2, 1999, allows for distributions from the PUF to be based on the "total return" on all PUF investment assets, including current income as well as capital gains. Neither legislative approval nor Bond Review Board approval is required. Approval of the Attorney General is required, however, and the bonds must be registered with the Comptroller of Public Accounts.

Purpose: Proceeds are used for acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials and refunding PUF bonds or PUF notes.

Security: Bonds are equally and ratably secured by and payable from a first lien on and pledge of the interest of the UT System or the A&M System in the Available University Fund. The total amount of PUF bonds is subject to the constitutional limitation in that the aggregate amount of bonds payable from the Available University Fund cannot, at the time of issuance, exceed 30 percent of the cost value of investments and other assets of the PUF, exclusive of real estate.

The PUF bonds do not constitute general obligations of the UT Board or A&M Board, the Systems, the state of Texas or any political subdivision of the state of Texas. Neither Board has taxing power, and neither the credit nor the taxing power of the state of Texas or any political subdivision thereof is pledged as security for the bonds.

Dedicated/Project Revenue: Bonds are repaid from the Available University Fund which consists of distributions from the "total return" on all investment assets of the PUF including the net income attributable to the surface of PUF land, in amounts determined by the Board.

Contacts:
Terry Hull
Director of Finance
The University of Texas System
(512) 499-4494
thull@utsystem.edu

Greg Anderson
Associate Vice Chancellor and Treasurer
The Texas A&M University System
(979) 458-6330
anderson@tamu.edu

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

Statutory/Constitutional Authority: The Texas Agricultural Finance Authority (the "Authority") was created in 1987 (Texas Agriculture Code, Chapter 58) and given the authority to issue revenue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds under Article III, Section 49-i, of the Texas Constitution was approved. In 1993, a constitutional amendment authorized the issuance of general obligation bonds under Article III, Section 49-f, of the Texas Constitution in an amount not to exceed $200 million. Legislative approval is not required for each bond issue; however, the Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and is required to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to acquire or make loans to eligible agricultural businesses, to make or acquire loans from lenders, to insure loans, to guarantee loans, and to administer or participate in programs to provide financial assistance to eligible agricultural businesses and to provide financial assistance to other rural economic development projects.

Security: Revenue bonds are obligations of the Authority and are payable from revenues, income and property of the Authority and its programs. The Authority's revenue bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds. The Authority is also authorized to issue general obligation debt which is payable from revenues and income of the Authority. In the event that such income is insufficient to repay the debt, the first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise appropriated by the Constitution, are pledged to repay the bonds.

Dedicated/Project Revenue: Mortgages or other interests in financed property; repayments of financial assistance; investment earnings; any fees and charges; and appropriations, grants, subsidies, or contributions are pledged to the payment of principal and interest on the Authority's bonds. The program is designed to be self-supporting; therefore, no draw on general revenue is anticipated.

Contact:
Rick Rhodes
Assistant Commissioner
Rural Economic Development Division
Texas Department of Agriculture
(512) 463-7577
rick.rhodes@agr.state.tx.us

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Statutory Authority: The Texas Low-Level Radioactive Waste Disposal Authority (the "Authority") was created

in 1981 (Texas Health and Safety Code, Chapter 402), and authorized to issue revenue bonds in 1987 to finance certain costs related to the creation of a radioactive waste disposal site. The Authority was required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance and to register its bonds with the Comptroller of Public Accounts. In 1997, HB 1077, 75th Legislature authorized the Texas Public Finance Authority to issue the bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority.

The 76th Legislature abolished the Authority effective September 1, 1999, and transferred all of its duties, responsibilities and resources to the Texas Natural Resource Conservation Commission ("the Commission") that was renamed the Texas Commission on Environmental Quality.

Although the statutory authority remains, it is unlikely that any such bonds will be issued.

Contact:
Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kim.edwards@tpfa.state.tx.us

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BONDS

Statutory Authority: The Texas Department of Housing and Community Affairs (the "Department") was created pursuant to Chapter 762, 1991 Tex.Sess.Law Serv. 2672, the Act, codified as Chapter 2306, Texas Government Code. The Department is the successor agency to the Texas Housing Agency (THA) and the Texas Department of Community Affairs, both of which were abolished by the Act with their functions and obligations transferred to the Department.

Pursuant to the Act, the Department may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the THA, the Department or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the THA become revenue bonds of the Department. Legislative approval of bond issues is not required; however, the Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to provide assistance to individuals and families of low, very low and moderate income and persons with special needs to obtain decent, safe and sanitary housing.

Security: Any bonds issued are obligations of the Department and are payable solely from the revenues and funds pledged for the payment thereof. The Department's bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of the Department's bonds.

Dedicated/Project Revenue: Revenue received by the Department from the repayment of loans and investment of bond proceeds is pledged to the payment of principal and interest on bonds issued.

Contacts:
Matt Pogor
Director of Bond Finance
Texas Department of Housing and Community Affairs
(512) 475-3987
matt.pogor@tdhca.state.tx.us

Robbye Meyer
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
(512) 475-2213
robbye.meyer@tdhca.state.tx.us

TEXAS DEPARTMENT OF TRANSPORTATION BONDS

Statutory Authority: The Texas Turnpike Authority ("Authority") was created as a division of the Texas Department of Transportation ("Department") by SB 370, 75th Legislature (Texas Transportation Code, Chapter 361). SB 370 also established the North Texas Tollway Authority, consisting of Collin, Dallas, Denton and Tarrant counties as a successor agency to the previous Texas Turnpike Authority. The North Texas Tollway Authority does not require Bond Review Board approval to issue bonds.

The Authority is authorized to study, design, construct, operate or enlarge turnpike roads. The Department is also authorized to create a State Infrastructure Bank

(SIB) to be funded by federal funds, state matching funds and the proceeds of revenue bonds. The SIB will be used to fund transportation infrastructure development projects such as interchanges, off-system bridges, collector roads, toll roads, utility adjustments, right-of-way acquisitions and other eligible projects.

The Department is authorized to issue revenue bonds payable from the income and receipt of the revenues of the SIB including principal and interest on obligations acquired and held by the SIB. Legislative approval is not required for specific projects or for each bond issue. The Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to bond issuance and to register its bonds with the Comptroller of Public Accounts. The Authority is authorized to issue turnpike revenue bonds pursuant to Sec. 361.171 of the Texas Transportation Code and turnpike revenue refunding bonds pursuant to Sec. 361.175.

The Texas Mobility Fund was created under SB 4, 77th Legislature, and the constitutional amendment voters approved in November 2001 identified as Proposition 15. In particular, Article III, Section 49-k of the Texas Constitution created the Texas Mobility Fund within the state treasury. This allows the Department to issue bonds secured by future revenue.

The State Highway Fund was created under Transportation Code, Chapter 222, Subchapter A. The maximum principal amount of bonds and other public securities to be issued may not exceed $6 billion with no more than $1.5 billion issued per year.

With voter approval at the general election in November 2007, SJR 64, 80th Legislature, would allow the Legislature to authorize an amount not to exceed $5 billion for transportation projects.

Purpose: Proceeds from the sale of bonds to fund the SIB can be used to encourage public and private investment in transportation facilities, to develop financing techniques to expand the availability of funding transportation projects and to maximize private and local participation in financing projects. SIB assistance may include direct loans, credit enhancements, development of a capital reserve for bond financing, subsidized interest rates, ensuring the issuance of a letter of credit, financing a purchase or lease agreement, providing security for bonds or providing various methods of leveraging money approved by the United States Secretary of Transportation. Proceeds from the sale of turnpike revenue bonds by the Authority may be used to pay for all or part of the cost of a turnpike project provided that they are only used to pay costs of the project for which they are issued. The Texas Mobility Fund will provide funding for the acquisition, construction, maintenance, reconstruction and expansion of state highways, and the participation by the state in the costs of constructing publicly owned toll roads.

Security: Bonds issued are obligations of the Department and are payable from income from the SIB and other project revenues. Bonds issued by the Authority are payable from project revenues and other identified revenue sources. Bonds issued by the Authority are not obligations of the state or a pledge of the full faith and credit of the state. Only the bonds secured by the Texas Mobility Fund carry the state's full faith and credit, and the state's taxing power is pledged toward payment of the bonds. The Transportation Commission may guarantee on behalf of the state the payment of any obligations by pledging the full faith and credit of the state if the dedicated revenues are insufficient.

Dedicated/Project Revenue: Debt for bonds is paid from income from the State Infrastructure Bank and other project revenues with the exception of debt paid for bonds secured by the Texas Mobility Fund. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources. The Texas Mobility Fund obligations are secured by and payable from a pledge of and lien on all or part of the money in the Fund.

Contacts:
James Bass
Director — Finance Division
Texas Department of Transportation
(512) 463-8684
jbass@dot.state.tx.us

For turnpike-related matters:
Phillip E. Russell, P.E.
Director — Turnpike Authority Division
Texas Department of Transportation
(512) 936-0903
prussel@dot.state.tx.us

TEXAS ECONOMIC DEVELOPMENT AND TOURISM BONDS

Statutory/Constitutional Authority: As the successor Office to the Texas Department of Economic Development, the Economic Development and Tourism Office within the Office of the Governor (the "Office") was created by SB 275, 78th Legislature and authorizes the Office to issue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Although legislative approval of bond issues is not required, the Office is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to provide financial assistance to export businesses, to promote domestic business development and to provide loans to finance the commercialization of new and improved products and processes.

Security: Revenue bonds are obligations of the Office and are payable from funds of the Office. The revenue bonds are not obligations of the state of Texas and neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds. The Office is also authorized to issue general obligation debt which is payable from revenues received by the Office. HB 1, 75th Legislature, Rider 6, specifically prohibits the use of general revenue for debt service on the general obligation bonds issued by the Office; therefore, any general obligation bonds issued by the Office are required to be self-supporting.

Dedicated/Project Revenue: Revenue of the Office, primarily from the repayment of loans and the disposition of debt instruments is pledged to the payment of principal and interest on bonds issued.

Contact:
Michael Chrobak
Director of the Economic Development Bank
Office of the Governor
(512) 936-0101
mchrobak@governor.state.tx.us

TEXAS MILITARY FACILITIES COMMISSION BONDS

Statutory Authority: The Texas Military Facilities Commission (the "Commission") was created in 1997 by SB 352, 75th Legislature, as the successor agency to the National Guard Armory Board which was created as a state agency in 1935 (Texas Government Code, Chapter 435) and authorized to issue long-term debt. Legislative approval of bond issues is not required; however, the Commission is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

In 1991, SB 3, 72nd Legislature, authorized the Texas Public Finance Authority (the "Authority") to issue bonds on behalf of the Texas Military Facilities Commission (Texas Government Code, Sec. 435.041).

SB 1724, Acts of the 80th Legislature (2007) abolished the Commission and transferred all its duties, responsibilities, property and assets to the Adjutant General's Department. To preserve the pledged revenue stream and meet the state's obligations under the bonds, the Commission's title to facilities, the rental and other income of which is pledged to the bonds, was transferred to the Texas Public Finance Authority effective September 1, 2007. The Authority will continue leasing the facilities to the Adjutant General's Department which is obligated to continue making rental payments, until the bonds are fully paid. After the bond obligations are fully discharged, the Authority will transfer title to the facilities to the Adjutant General.

Purpose: Proceeds from the sale of bonds are used to acquire land, to construct, remodel, repair or equip buildings for the Texas National Guard.

Security: Any bonds issued are obligations of the Authority and are payable from "rents, issues, and profits" of the facilities leased to the Adjutant General's Department. The bonds are not general obligations of the state of Texas and neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds.

Dedicated/Project Revenue: The rent payments used to retire the bonds are paid by the Adjutant General's Department primarily with general revenue funds appropriated by the legislature. Independent project revenue, in the form of other income from properties

owned by the Adjutant General's Department is also used to pay a small portion of debt service.

Contacts:
Michael Blalock
Deputy Executive Director
Adjutant General's Department
(512) 782-5253
michael.blalock@agd.state.tx.us

Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kim.edwards@tpfa.state.tx.us

TEXAS PARKS AND WILDLIFE DEPARTMENT BONDS

Statutory/Constitutional Authority: Article III, Section 49-e, of the Texas Constitution, adopted in 1967, authorized the Texas Parks and Wildlife Department (the "Department") to issue general obligation bonds to acquire and develop state parks. In 1991, SB 3, 72nd Legislature, authorized the Texas Public Finance Authority (the "Authority") to issue bonds on behalf of the Department. In 1997, HB 3189, 75th Legislature, codified in the Texas Parks and Wildlife Code, Section 13.0045, authorized the Authority to issue revenue bonds or other revenue obligations not to exceed $60 million in the aggregate on behalf of the Department for construction and renovation projects for parks and wildlife facilities.

Purpose: Proceeds from the sale of general obligation bonds are used to purchase and develop state park lands. Proceeds from the sale of revenue bonds are used to finance the repair, renovation, improvement and equipping of parks and wildlife facilities.

Security: General obligation debt issued on behalf of the Department is payable from revenues and income of the Department. In the event that such income is insufficient to repay the debt, the first monies coming into the Comptroller of Public Accounts – Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the bonds.

Revenue obligations issued on behalf of the Department are to be repaid from rent payments made by the Department to the Authority. The Department may receive legislative appropriations of general revenue for its required rental payments.

Dedicated/Project Revenue: Entrance fees to state parks are pledged to pay debt service on the general obligation park development bonds. Additionally, sporting goods sales tax revenue may also be used to pay debt service on general obligation park development bonds.

The Department's lease obligations to the Authority for revenue bonds are repaid from the Department's general revenue appropriation for lease payments.

Contacts:
Steve Whiston
Director of Infrastructure
Texas Parks and Wildlife Department
(512) 389-4741
stephen.whiston@tpwd.state.tx.us

Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kim.edwards@tpfa.state.tx.us

TEXAS PUBLIC FINANCE AUTHORITY BONDS

Statutory/Constitutional Authority: The Texas Public Finance Authority (the "Authority") is authorized to issue both revenue and general obligation bonds.

The Authority was initially created by the legislature in 1983, by Texas Revised Civil Statutes Ann., Article 601d (now Chapter 1232, Texas Government Code) and was authorized to issue revenue bonds to finance state office buildings.

Article III, Section 49h, of the Texas Constitution, adopted in 1987, authorized the Authority to issue general obligation bonds for correctional and mental health facilities.

In 1989, the Authority was authorized to establish a Master Lease Purchase Program. This program was created to finance the purchase of equipment on behalf of various state agencies at tax-exempt interest rates.

In 1991, the Authority was given the responsibility of issuing revenue bonds for the Texas Workers' Compensation Fund under Subchapter G, Chapter 5, of the Texas Insurance Code.

The 73rd Legislature authorized the Authority, effective January 1, 1992, to issue bonds on behalf of the Texas Military Facilities Commission, Texas National Research Laboratory Commission, Texas Parks and Wildlife Department and the Texas State Technical College. In 1993, the Authority was authorized to issue bonds or other obligations to finance alternative fuels equipment and infrastructure projects for state agencies, institutions of higher education and political subdivisions.

The 74th Legislature authorized the Authority to issue building revenue bonds on behalf of the Texas Department of State Health Services (formerly the Texas Department of Health) for financing a Public Health Laboratory in Travis County and to issue general obligation bonds on behalf of the Texas Juvenile Probation Commission.

The 75th Legislature authorized the Authority to issue bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority (see Texas Commission on Environmental Quality), Midwestern State University, Texas Southern University and Stephen F. Austin State University. Other legislation passed by the 75th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Health and Human Services Commission and the Texas Parks and Wildlife Department. The legislature also authorized the Authority to issue bonds to finance the Texas State History Museum on behalf of the State Preservation Board.

The 76th Legislature authorized revenue obligations to finance automated information systems for the Texas Department of Human Services' electronic benefits transfer (EBT) and integrated eligibility (TIERS) programs.

In 2001, constitutional amendments were adopted authorizing the issuance of: (1) up to $850 million of general obligation bonds to finance construction, renovation and equipment acquisitions for thirteen state agencies (Texas Constitution, Article III, Section 50-f); and (2) up to $175 million of general obligation bonds to finance assistance to border counties for roadways in colonias (Texas Constitution, Article III, Section 49-l). Additionally, the 77th Legislature authorized the Authority to issue bonds to finance nursing home liability insurance and to establish a corporation to issue bonds for charter schools. Bonds issued for charter schools do not constitute state debt.

In 2003, the 78th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Workforce Commission to fund the unemployment compensation program. (See Texas Labor Code, Chapter 203 et seq.) The 78th Legislature also authorized: (1) the Authority's issuance of general obligation bonds to finance assistance to local governments for economic development projects to enhance the military value of military facilities. Texas voters approved SJR55 on September 13, 2003 and amended the Texas Constitution, Article III, Section 49-n and Texas Government Code, Chapter 436; and (2) the Authority's issuance of up to $75 million of revenue bonds to fund the FAIR Plan which provides residential property insurance of last resort.

The 79th Legislature authorized the Authority to issue revenue bonds to finance building improvements for the Texas Department of Transportation and to refinance certain of the Texas Building and Procurement Commission's lease-purchase agreements (now the Texas Facilities Commission).

The 80th Legislature authorized the Authority to issue $3 billion of general obligation debt to finance cancer research and $1 billion to finance capital projects for certain state agencies, contingent on voter approval respectively of HJR90 and SJR65 at the November 2007 general election.

The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of general obligation bonds issued under Article III, Section 49-h are used to finance the cost of constructing, acquiring and/or renovating prison facilities, youth correction facilities and mental health/mental retardation facilities. Proceeds of obligations issued under Article III, Section 50-f are used for state agency renovation, construction and equipment acquisition projects. Proceeds of obligations issued under Article III, Section 49-l are used to provide assistance to border counties for colonia roadway

projects. Proceeds from the sale of building revenue bonds are used to purchase, construct, renovate and maintain state buildings. Proceeds of bonds issued under Article III, Section 49-m are used to fund the Texas Military Value Revolving Loan Fund to make loans to certain defense communities for improved military value or economic development projects. Proceeds from the sale of bonds for the Workers' Compensation Fund were used to fund the Workers' Compensation Insurance Fund. Proceeds from the issuance of commercial paper under the Master Lease Purchase Program are used to finance equipment purchases of state agencies. For a description of the use of funds for bonds issued on behalf of the Texas Military Facilities Commission, the Texas Parks and Wildlife Department and the Texas state colleges and universities that are clients of the Authority, see the applicable sections in this appendix. Proceeds of bonds issued on behalf of the Texas National Research Laboratory Commission were used to finance costs of the Superconducting Super Collider; however, the project was canceled in 1995. The revenue bonds issued for the project were defeased in 1995 and the general obligation bonds were economically defeased in November 1999.

Security: Issued building revenue bonds are obligations of the Authority and are payable from "rents, issues, and profits" resulting from leasing projects to the state. These sources of revenue come primarily from legislative appropriations. The general obligation bonds pledge the first monies not otherwise appropriated by the Constitution that come into the Comptroller of Public Accounts – Treasury Operations each fiscal year to pay debt service on the bonds. Revenue debt issued from the Unemployment Compensation Insurance Fund is secured by a special obligation assessment imposed on Texas employers by the Texas Workforce Commission. Revenue bonds issued for the Master Lease Purchase Program are secured by lease payments from state agencies which come from state appropriations.

Dedicated/Project Revenue: Debt service on all general obligation bonds, except the park development bonds is payable solely from the state's General Revenue Fund. Debt service on the general obligation bonds for park development is paid first from department revenues as described in the applicable section of this appendix. Debt service on the revenue bonds is payable from lease payments which are primarily general revenue funds appropriated to the respective agencies and institutions by the legislature. The legislature, however, has the option to appropriate lease payments to be used for debt service on the bonds from any other source of funds that is lawfully available. For example, debt service on the bonds issued on behalf of the Texas Department of State Health Services is appropriated from lab fees collected by the Department. Bonds issued on behalf of the Workers' Compensation Fund which are fully economically defeased and were paid in full in December 2006, were payable solely from maintenance tax surcharges authorized in Article 5.76 of the Texas Insurance Code. Issued university revenue bonds are repaid from pledged revenue such as tuition and fees. The university bonds are self-supporting and the state's credit is not pledged.

Contact:
Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kim.edwards@tpfa.state.tx.us

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

Statutory/Constitutional Authority: The Texas Public Finance Authority Charter School Finance Corporation ("Corporation" or "Issuer") is a public, non-profit corporation created by the Texas Public Finance Authority (the "Authority" or "Sponsoring Entity") and exists as an instrumentality of the State pursuant to Section 53.351 of the Texas Education Code, as amended (the "Act").

The Corporation is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" (as such term is defined in the Act) and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith.

Security: The bonds are special and limited obligations of the Issuer, payable solely from revenues to be derived under the loan agreement, the Issuer Master Notes, and

in certain circumstances, out of amounts secured through the exercise of remedies provided in the Indenture, the loan agreement, the deed of trust and the Issuer Master Notes. The bonds are not obligations of the state of Texas or any entity other than the issuer. None of the state, or any political corporation, subdivision or agency of the state shall be obligated to pay the bonds or the interest thereon, and neither the faith and credit nor the taxing power of the state, or any other political corporation, subdivision or agency of the state is pledged to the payment of the principal of, premium, if any or interest on the bonds. The Issuer has no taxing power.

Dedicated /Project Revenue: The Issuer issues the bonds and loans the proceeds to the Borrower (an eligible open-enrollment charter school) to finance education facilities of the Borrower. The Borrower's obligations under the Loan Agreement are expected to be paid primarily from the state general revenue allocation the Borrower receives as a charter school, pursuant to Chapter 12 of the Texas Education Code.

Contact:
Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kim.edwards@tpfa.state.tx.us

TEXAS SMALL BUSINESS INDUSTRIAL DEVELOPMENT CORPORATION BONDS

Statutory Authority: The Texas Small Business Industrial Development Corporation (TSBIDC) was created as a private non-profit corporation in 1983 (Title 83, Article 5190.6, Sections 4-37, Tex. Rev. Civ. Stat. Ann.) pursuant to the Development Corporation Act of 1979 and was authorized to issue revenue bonds. The authority of TSBIDC to issue bonds was repealed by the legislature, effective September 1, 1987.

Purpose: Proceeds from the sale of the TSBIDC bonds are used to provide financing to state and local governments and to businesses and non-profit corporations for the purchase of land, facilities and equipment for economic development.

Security: The bonds are obligations of the Corporation. The Corporation's bonds are not an obligation of the state of Texas or any political subdivision of the state, and neither the state's full faith and credit nor its taxing power is pledged toward payment of Corporation bonds.

Dedicated/Project Revenue: Debt service on bonds issued by the TSBIDC is payable from the repayment of loans made from bond proceeds and investment earnings on bond proceeds.

Contact:
Michael Chrobak
Director of the Economic Development Bank
Office of the Governor
(512) 936-0101
mchrobak@governor.state.tx.us

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Statutory Authority: Chapter 2306, Subchapter Y of the Texas Government Code, authorizes the Texas State Affordable Housing Corporation (the "Corporation") to issue revenue bonds. In accordance with the Texas Government Code, as amended, the Corporation is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under Section 2306.555 and qualified mortgage revenue bonds under the Professional Educators Home Loan Program as established under Section 2306.562. The 78th Legislature authorized the Fire Fighter and Police Officer Home Loan Program and has amended it to include security officers (79th Legislature) and Texas Youth Commission Correctional Officers and Emergency Medical Services Personnel (80th Legislature). The 79th Legislature established the Professional Nursing Program Faculty Member Home Loan Program under Section 2306.5622. The Home Sweet Texas Loan Program is specifically for individuals and families at or below 80% of the Annual Median Family Income.

The Corporation is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: The Corporation's primary public purpose is to facilitate the provision of housing and the making of affordable loans to individuals and families of low, very low and extremely low income for eligible participants under its programs. The Corporation is required to perform such activities and services that will promote and facilitate the public health, safety and welfare

through the provision of adequate, safe and sanitary housing for individuals and families of low, very low and extremely low income.

Security: Any bonds issued are payable solely from the revenues and funds pledged for the payment thereof. The Corporation's bonds are not obligations of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward the payment of the Corporation's bonds.

Dedicated/Project Revenue: Revenue received by the Corporation from the repayment of loans and investment of bond proceeds is pledged to the payment of principal and interest on the bonds issued.

Contact:
David Long
President
Texas State Affordable Housing Corporation
(512) 477-3555
dlong@tsahc.org

TEXAS WATER DEVELOPMENT BONDS

Statutory/Constitutional Authority: The Texas Water Development Board (the "Board") is authorized to issue both revenue and general obligation bonds.

Article III, Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-4, 49-d-6, 49-d-7, 49-d-8, 49-d-9, and 50-d of the Texas Constitution, initially adopted in 1957 contain the authorization for the issuance of general obligation bonds by the Board.

The Texas Water Resources Fund, administered by the Board was created in 1987 by the 70th Legislature (Texas Water Code, Sec. 17.853), to issue revenue bonds that facilitate the conservation of water resources.

The 71st Legislature (1989) passed comprehensive legislation that established the Economically Distressed Areas Program (EDAP). Article III, Section 49-d-7(b), provides for subsidized loans and grants from the proceeds of bonds authorized by this section.

The 80th Legislature authorized $250 million for the Economically Distressed Areas Program (EDAP) contingent upon voter approval of SJR 20 at the November 2007 general election.

Further legislative approval of specific bond issues is not required; however, the Board is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of revenue bonds are used to provide funds to the State Water Pollution Control Revolving Fund or any other state revolving funds, and to provide financial assistance to local government jurisdictions through the acquisition of their obligations. Proceeds from the sale of the general obligation bonds are used to make loans (and grants under the EDAP) to political subdivisions of Texas for the performance of various projects related to water conservation, transportation, storage and treatment.

Security: Any revenue bonds issued are obligations of the Board and are payable solely from the income of the program including the repayment of loans to political subdivisions. The general obligation bonds are secured by program revenues and the first monies coming into the Comptroller of Public Accounts - Treasury Operations not otherwise dedicated by the Constitution.

Dedicated/Project Revenue: Principal and interest payments on the loans to political subdivisions for water projects are pledged to pay debt service on the bonds issued by the Board. The Water Development Bond Programs, with the exception of the Economically Distressed Areas Program, the State Participation Program and the Agricultural Water Conservation Loan Program are designed to be self-supporting. No draw on general revenue has been made since 1980, and no future draws are anticipated except for the Economically Distressed Areas Program and the State Participation Program.

Contact:
Nancy Banks Marstiller
Development Fund Manager
Texas Water Development Board
(512) 475-2091
nancy.marstiller@twdb.state.tx.us

TEXAS WATER RESOURCES FINANCE AUTHORITY BONDS

Statutory Authority: The Texas Water Resources Finance Authority (the "Authority") was created in 1987 (Texas Water Code, Chapter 20) and given the authority

to issue revenue bonds. The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to finance the acquisition of the bonds of local government jurisdictions including local jurisdiction bonds that are owned by the Texas Water Development Board.

Security: Issued bonds are obligations of the Authority and are payable from funds of the Authority. The Authority's bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of Authority bonds.

Dedicated/Project Revenue: Revenue from the payment of principal and interest on local jurisdiction bonds acquired is pledged to the payment of principal and interest on bonds issued.

Contact:
Nancy Banks Marstiller
Development Fund Manager
Texas Water Development Board
(512) 475-2091
nancy.marstiller@twdb.state.tx.us

VETERANS' LAND AND HOUSING ASSISTANCE BONDS

Statutory/Constitutional Authority: Article III, Section 49-b, of the Texas Constitution, initially adopted in 1946, authorized the issuance of general obligation bonds to finance the Veterans Land Program. Article III, Section 49-b-1, of the Texas Constitution, adopted in 1983, authorized additional land bonds and created the Veterans' Housing Assistance Program and established the Veterans' Housing Assistance Fund within the program. Article III, Section 49-b-2, of the Texas Constitution, adopted in 1993, authorized additional land bonds and the issuance of general obligation bonds to finance the Veterans' Housing Assistance Program, Fund II. Article III, Section 49-b, amended in 2001 and 2003, also authorizes the Veterans Land Board to use assets from the Veterans' Land Fund, the Veterans' Housing Assistance Fund or the Veterans' Housing Assistance Fund II in connection with veterans' cemeteries and veterans' long-term care facilities. Chapter 164 of the Texas Natural Resources Code authorized the Veterans Land Board to issue revenue bonds for its programs including the financing of veterans' long-term care facilities.

Purpose: Proceeds from the sale of the general obligation bonds are loaned to eligible Texas veterans for the purchase of land, housing and home improvements. Proceeds from the sale of revenue bonds are used to make land loans to veterans, to make home mortgage loans to veterans or to provide for veterans' skilled nursing-care homes. Additionally, funds are used to provide cemeteries for veterans.

Security: The general obligation bonds pledge the first monies coming into the Comptroller of Public Accounts - Treasury Operations not otherwise dedicated by the Constitution in addition to program revenues. The revenue bonds issued under Chapter 164 are special obligations of the board and are payable only from and secured by the revenue and assets pledged to secure payment of the bonds under the Texas Constitution and Chapter 164. The revenue bonds do not create or constitute a pledge, gift, or loan of the full faith, credit or taxing authority of the state.

Dedicated/Project Revenue: Principal and interest payments on the loans to veterans are pledged to pay debt service on the general obligation bonds. The revenue bonds are paid from all available revenue from the projects financed which is pledged as security for the bonds. The programs are designed to be self-supporting and have never had to rely on the General Revenue Fund.

Contact:
Rusty Martin
Deputy Commissioner of Funds Management
Texas Veterans Land Board
(512) 463-5120
rusty.martin@glo.state.tx.us

The Texas Bond Review Board is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age or disability in employment, or in the provision of services, programs or activities.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by contacting or visiting the agency.

TEXAS BOND REVIEW BOARD
300 West 15th Street – Suite 409
P.O. Box 13292
Austin, TX 78711-3292

512-463-1741 or 800-732-6637
http://www.brb.state.tx.us