

First Supplement to Bond Appendix Dated August 2011

This First Supplement dated August 19, 2011 to the Bond Appendix (“Appendix A”) dated August 2011 is included as an update of recent litigation.

The LITIGATION section of Appendix A (page A-72) is supplemented by including the following text after the last paragraph under that caption:

Further, the following summary is a tax law proceeding in which the State Comptroller of Public Accounts is a party and that if finally decided against the State is not anticipated to have a materially adverse effect on the long term financial condition of the State; however, if the Texas Supreme Court issues an order that is applied to a significant portion of the tax, the State has legal options available to mitigate any potential impact on the financial condition of the State. See “FISCAL MATTERS--Non-legislative Powers with Respect to Appropriations.”

In re Allcat Claims Service, L.P. & John Weakly. On July 29, 2011, the plaintiffs filed suit to challenge the constitutionality of the State’s franchise tax assessed on partnerships. The Plaintiffs allege that applying the franchise tax to partnerships owned by individuals violates Article VIII, §24(a) of the Texas Constitution, which forbids the Legislature from imposing a tax on the net incomes of natural persons, including a person’s share of partnership and unincorporated association income, unless the tax is approved by the voters in a statewide referendum. *In re Allcat Claims Service, L.P. & John Weakly*, is an original proceeding pending before the Texas Supreme Court, and the court must rule on the constitutional challenge within 120 days of its filing.