OFFICIAL STATEMENT
Dated July 30, 2007

NEW ISSUE - BOOK-ENTRY ONLY RATINGS: (See "RATINGS" herein)

$28,855,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE AND REFUNDING BONDS, SERIES 2007

Dated Date: August 1, 2007 **Due: December 1, as shown herein**
Interest Accrual Date: Date of Delivery

The bonds described herein (the "Bonds") are issued by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"). The Bonds are payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION (AS DEFINED HEREIN) WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."**

The proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, equipping and furnishing a student recreation and health facility, (ii) improving, renovating, enlarging and/or equipping Fowler Hall, (iii) improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum, (iv) refunding the Refunded Bonds (as defined herein) set forth on Schedule I hereto, and (v) paying the costs of issuance related thereto. See "PLAN OF FINANCING - Purpose."

Interest on the Bonds will accrue from the date of delivery, and is payable on December 1, 2007 and each June 1 and December 1 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by The Bank of New York Trust Company, National Association, Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the bonds. See "DESCRIPTION OF THE BONDS - Book-Entry Only System."

mbia WISDOM IN ACTION℠

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA INSURANCE CORPORATION. See "BOND INSURANCE".

See Inside Cover Page for Maturity Schedule

The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS - Redemption."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of Fulbright & Jaworski L.L.P., Dallas, Texas, as to the validity of the issuance of the Bonds under the Constitution and the laws of the State of Texas and to the effect that, assuming continuing compliance by the Authority and the Board with certain requirements contained in the Resolution of the Authority and the Board authorizing the Bonds and subject to certain matters discussed under "TAX MATTERS" herein, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of owners thereof who are individuals or, except as herein described, corporations. See "TAX MATTERS" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas. The Bonds are expected to be available for delivery through DTC on or about August 22, 2007.

RBC CAPITAL MARKETS

A.G. EDWARDS **ESTRADA HINOJOSA & COMPANY, INC.**

MATURITY SCHEDULE [1]

$25,385,000 Serial Bonds

Due December 1	Maturing Amounts	Interest Rates	Initial Yield	CUSIP[2]
2008	$680,000	4.000%	3.700%	882756 YB 9
2009	1,145,000	4.000%	3.750%	882756 YC 7
2010	1,185,000	4.000%	3.800%	882756 YD 5
2011	1,240,000	4.000%	3.830%	882756 YE 3
2012	1,290,000	4.000%	3.880%	882756 YF 0
2013	1,350,000	4.000%	3.930%	882756 YG 8
2014	1,400,000	4.000%	3.990%	882756 YH 6
2015	1,455,000	4.250%	4.050%	882756 YJ 2
2016	1,515,000	4.000%	4.110%	882756 YK 9
2017	1,580,000	4.000%	4.190%	882756 YL 7
2018	1,640,000	4.125%	4.310%	882756 YM 5
2019	1,010,000	4.250%	4.420%	882756 YN 3
2020	1,050,000	4.375%	4.510%	882756 YP 8
2021	1,100,000	4.375%	4.560%	882756 YQ 6
2022	1,155,000	4.400%	4.590%	882756 YR 4
2023	1,200,000	4.400%	4.620%	882756 YS 2
2024	1,255,000	4.500%	4.650%	882756 YT 0
2025	1,315,000	4.500%	4.670%	882756 YU 7
2026	1,380,000	4.500%	4.690%	882756 YV 5
2027	1,440,000	4.500%	4.710%	882756 YW 3

$1,455,000 4.625% Term Bonds, Due December 1, 2029, Price 98.286%, CUSIP No. 882756 YY 9[2]

$2,015,000 4.625% Term Bonds, Due December 1, 2032, Price 97.589%, CUSIP No. 882756 ZB 8 [2]

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(1) The Bonds maturing on or after December 1, 2017, are subject to redemption at the option of the Authority, upon the request of the Board, in whole or in part on December 1, 2016, or any date thereafter, as more fully described herein. In addition, the Bonds maturing on December 1 in each of the years 2029 and 2032 have been designated as Term Bonds that are subject to Mandatory Sinking Fund Redemption prior to their stated maturity, as more fully described herein. See "DESCRIPTION OF THE BONDS – Redemption."

(2) CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. Neither the Authority, the University nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Certain Appointed Officers

Kimberly K. Edwards, Executive Director
Judith Porras, General Counsel

MIDWESTERN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Mr. Mac W. Cannedy, Jr., Chairperson	Wichita Falls	February 25, 2006
Mr. Munir A. Lalani	Wichita Falls	February 25, 2010
Ms. Pat Haywood	Wichita Falls	February 25, 2008
Mr. Don Ross Malone	Vernon	February 25, 2008
Ms. Charlye O. Farris	Wichita Falls	February 25, 2012
Ms. Pamela Gough	Graham	February 25, 2008
Ms. Carol Carlson Gunn	Graford	February 25, 2012
Mr. Stephen A. Gustafson	Wichita Falls	February 25, 2010
Mr. Ben Wible	Sherman	February 25, 2010
Mr. Jason A. York (Student Regent)	Wichita Falls	February 2, 2008

Certain Appointed Officials

Name	Title	Length of Service
Dr. Jesse W. Rogers	President	39 Years
Mr. Juan Sandoval	Vice President, Administration and Finance	2 Years
Ms. Gail Ferguson	Controller	18 Years

Consultants

Financial Advisor	Bond Counsel
First Southwest Company	Fulbright & Jaworski L.L.P.
Dallas, Texas	Dallas, Texas

For additional information regarding Midwestern State University, please contact:

Mr. Juan Sandoval
Vice President, Administration and Finance
Midwestern State University
3410 Taft Boulevard
Wichita Falls, Texas 76308-2099
(940) 397-4105

Mr. Michael Bartolotta
First Southwest Company
1021 Main Street, Suite 2200
Houston, Texas 77002
(713) 654-8641

This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

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

The Authority has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds after their sale by the Authority. Information regarding reoffering yields or prices is the responsibility of the Underwriters.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the Authority, the Board nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system.

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OFFICIAL STATEMENT
relating to

$28,855,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE AND REFUNDING BONDS, SERIES 2007

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, schedules and the appendices hereto, is to provide certain information regarding the issuance by the Texas Public Finance Authority (the "Authority"), on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"), of a series of its bonds entitled "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007" (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in APPENDIX A, except as otherwise indicated herein.

The University was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an institution of higher education. For the 2006 Fall Semester, the University had a total enrollment of approximately 6,038 students. The 2006-2007 budget of the University is approximately $60,528,922. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University, see "MIDWESTERN STATE UNIVERSITY" herein.

The Authority is the issuer of bonds for the benefit of the University pursuant to an act of the Texas Legislature adopted in 1997. This Official Statement contains summaries and descriptions of the plan of financing, the Bonds, the University, the Authority and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President for Administration and Finance, Midwestern State University, 3410 Taft Boulevard, Wichita Falls, Texas 76308-2099; (940) 397-4105. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, including Chapter 54, Texas Education Code, as amended (including particularly Section 54.5441), Chapter 55, Texas Education Code, as amended (including particularly Sections 55.13(c) and 55.1757, Texas Education Code, as amended), Chapter 1232, Texas Government Code, as amended (the "Enabling Act") (including particularly Section 1232.101 of the Enabling Act ("Section 1232.101")), Chapter 1201, Texas Government Code, as amended, Chapter 1207, Texas Government Code, as amended, and additionally pursuant to a resolution (the "Resolution") adopted by both the Board and the Authority's board.

Pursuant to Section 1232.101, the Authority has the exclusive authority to issue bonds on behalf of the University. Further, Section 55.13(c) of the Texas Education Code, as amended, provides that the Authority must exercise the authority of the Board to issue bonds on behalf of the University, and the Authority has all the rights and duties granted or assigned to and is subject to the same conditions as the Board under Chapter 55, Texas Education Code. The University submitted to the Authority, and the Authority approved, a request for financing.

Purpose

Proceeds of the Bonds will be used for the purpose of (i) constructing, equipping and furnishing a student recreation and health facility, (ii) improving, renovating, enlarging and/or equipping Fowler Hall, (iii) improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum, (iv) refunding all or a portion of the outstanding Board of Regents of Midwestern State University Revenue Financing System, Texas Public Finance Authority Revenue Refunding and Improvement Bonds, Series 1998, as set forth in Schedule I hereto (the "Refunded Bonds"), (v) capitalizing approximately fifteen months' interest on the Bonds for the student recreation and health facility and (vi) paying the costs of issuance related thereto.

Payment of Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such obligations, as applicable, from funds to be deposited pursuant to an Escrow Agreement for the Refunded Bonds (the "Escrow Agreement"), by and among the Authority, the University and The Bank of New York Trust Company, National Association (the "Escrow Agent"). A portion of the proceeds of the sale of the Bonds will be deposited with the Escrow Agent in an amount necessary, together with a cash contribution from the University, to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a separate special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Grant Thornton LLP, a firm of independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriters the arithmetical accuracy of the schedules that demonstrate the Escrowed Securities purchased with the proceeds of the Bonds will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on such Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities, and other uninvested funds in the Escrow Fund, will not be available to pay the Bonds. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS."

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the University will have entered into firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds in accordance with applicable law. Bond Counsel will render an opinion to the effect that, as a result of such firm banking and financial arrangements, and in reliance upon the Verification Report of Grant Thornton LLP, such Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in said Escrow Fund.

The University has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, of any additional amounts required to pay the principal of and interest on such Refunded Bonds if, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Bonds	$28,855,000.00
Net Original Issue Discount	(308,590.35)
Total	$28,546,409.65
Uses of Funds	
Deposit to Project Account	$22,521,508.81
Deposit to Escrow Fund	5,608,478.96
Costs of Issuance*	416,421.88
Total	$28,546,409.65

*Includes Underwriters' Discount and Bond Insurance Premium.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount within a stated maturity, will be dated August 1, 2007, will accrue interest from the date of delivery, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on December 1 and June 1 of each year, commencing December 1, 2007, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on December 1, in the years and in the principal amounts set forth on the inside cover page hereof.

If the specified date for any payment of principal of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the city of the Designated Trust Office for the Paying Agent/Registrar for the Bonds, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Trust Office described herein, the Authority will execute, and the Paying Agent/Registrar, initially The Bank of New York Trust Company, National Association, Dallas, Texas will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denomination, and of a like aggregate principal amount. At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denomination, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Paying Agent/Registrar

The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board and not less than 30 days notice to each Holder specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar. Every Paying Agent/Registrar appointed will at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission, and having an office designated in the notice to Holders as the place of payment. The Designated Trust Office for the initial Paying Agent/Registrar is in Dallas, Texas (the “Designated Trust Office”).

Record Date for Interest Payment

The regular record date (“Regular Record Date”) for the interest payable on any interest payment date means the close of business on the 15th calendar day of the month preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within ten days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the Person in whose name such Bond is registered on such Regular Record Date, and will be paid to the Person in whose name such Bond (or one or more Predecessor Bonds) is registered at the close of business on a

Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Holders of the Bonds not less than 15 days prior to the Special Record Date.

Redemption

Optional Redemption

The Bonds scheduled to mature on and after December 1, 2017 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on December 1, 2016 or on any date thereafter, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and, if in part within a maturity, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

Mandatory Sinking Fund Redemption

The Bonds maturing on December 1 in each of the years 2029 and 2032 (the "Term Bonds") are also subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the following schedule:

Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
December 1, 2028	$710,000	December 1, 2030	$780,000
December 1, 2029*	745,000	December 1, 2031	815,000
		December 1, 2032*	420,000

* Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following December 1 from money set aside for that purpose in the debt service fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Authority, by the principal amount of Term Bonds of like Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date, (1) shall have been acquired by the Authority and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption will be sent by the Paying Agent/Registrar to the registered owner of each Bond to be redeemed at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and the Resolution specifically provides that the publication of such notice as required above is the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof.

In addition, the Paying Agent/Registrar will give notice of redemption of Bonds by mail, first-class postage prepaid at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the Bonds to be redeemed, including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed, including a contact person and telephone number.

Book-Entry Only System

This section describes how ownership of the bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act initially as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

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

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DEBT SERVICE SCHEDULE

Fiscal Year Ended August 31	Previously Issued Parity Obligations [(1)]	The Bonds Principal	Interest	Total	Total Debt Service
2007	$2,498,179	--	--	--	$2,498,179
2008	2,233,306	--	$952,113	$952,113	3,185,418
2009	2,232,302	$680,000	1,214,933	1,894,933	4,127,234
2010	1,805,995	1,145,000	1,178,433	2,323,433	4,129,428
2011	1,809,331	1,185,000	1,131,833	2,316,833	4,126,163
2012	1,808,874	1,240,000	1,083,333	2,323,333	4,132,206
2013	1,810,031	1,290,000	1,032,733	2,322,733	4,132,763
2014	1,809,136	1,350,000	979,933	2,329,933	4,139,069
2015	1,811,119	1,400,000	924,933	2,324,933	4,136,051
2016	1,544,496	1,455,000	866,014	2,321,014	3,865,510
2017	1,373,028	1,515,000	804,795	2,319,795	3,692,823
2018	1,371,191	1,580,000	742,895	2,322,895	3,694,086
2019	1,376,135	1,640,000	677,470	2,317,470	3,693,605
2020	1,378,469	1,010,000	622,183	1,632,183	3,010,651
2021	1,376,728	1,050,000	577,751	1,627,751	3,004,479
2022	1,376,000	1,100,000	530,720	1,630,720	3,006,720
2023	679,750	1,155,000	481,248	1,636,248	2,315,998
2024	679,000	1,200,000	429,438	1,629,438	2,308,438
2025	681,625	1,255,000	374,800	1,629,800	2,311,425
2026	--	1,315,000	316,975	1,631,975	1,631,975
2027	--	1,380,000	256,338	1,636,338	1,636,338
2028	--	1,440,000	192,888	1,632,888	1,632,888
2029	--	710,000	144,069	854,069	854,069
2030	--	745,000	110,422	855,422	855,422
2031	--	780,000	75,156	855,156	855,156
2032	--	815,000	38,272	853,272	853,272
2033	--	420,000	9,713	429,713	429,713
	$29,654,691	**$28,855,000**	**$15,749,384**	**$44,604,384**	**$74,259,075**

(1) Excludes debt service on the Refunded Bonds. The debt service for Previously Issued Parity Obligations for Fiscal Year Ending 2007 has been paid. This estimated debt service schedule sets forth debt service in respect of Parity Obligations secured by the Pledged Revenues. See "SECURITY FOR THE BONDS – The Revenue Financing System" and "Table 4 – Outstanding Indebtedness."

SECURITY FOR THE BONDS

The Revenue Financing System

The Resolution confirms the creation in 1998 of the Midwestern State University Revenue Financing System (the "Revenue Financing System") to provide a financing structure for revenue supported indebtedness of the University and any research and service agencies or other components of the University which may thereunder be included, by Board action, as participants in the Revenue Financing System ("Participants"). The Revenue Financing System is intended to facilitate the assembling of all of the University's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. Presently, only the University is a Participant. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board or the Authority, on behalf of the Board, may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on a parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant which were outstanding on the date such entity became a Participant in the Revenue Financing System. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A - DEFINITIONS".

Pledge Under Resolution

The Bonds and any additional obligations previously or hereafter issued on a parity with the Bonds (referred to herein collectively as "Parity Obligations") are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below.

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for the payment of Parity Obligations. Revenue Funds includes the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges; provided, however, that the following will not be included in Pledged Revenues unless and to the extent set forth in a supplement to the Resolution; (a) amounts received on behalf of any Participant under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto (see "SELECTED FINANCIAL INFORMATION – State Appropriations") and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas (the "Texas Legislature") (see "SELECTED FINANCIAL INFORMATION"). All legally available funds of the University, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under "TABLE 1 - Pledged Revenues" and "SELECTED FINANCIAL INFORMATION" (see also "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A - DEFINITIONS").

The Board has covenanted in the Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Obligations for such fiscal year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue-supported debt obligations which benefit components of the University as Parity Obligations under the Resolution.

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

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Table 1 - Pledged Revenues

The following table sets forth the Pledged Revenues for the Fiscal Years ending August 31, 2002 through August 31, 2006, including pledged unappropriated fund balances available at the beginning of the year. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Assistance Funds; and, student service fees and private gifts in the Auxiliary Fund Group, as such terms are used in "APPENDIX B - Financial Report". See "SELECTED FINANCIAL INFORMATION" and "SECURITY FOR THE BONDS".

	2002	2003	2004	2005	2006
Available Pledged Revenues Not Including Fund Balances [(1)]	$20,296,579	$22,633,104	$24,708,886	$26,986,759	$31,974,883
Pledged Unappropriated Funds and Reserve Balances[(1)]	$11,793,066	$12,000,562	$11,259,817	$12,489,787	$13,133,928
Total Pledged Revenues	$32,089,645	$34,633,666	$35,968,703	$39,476,546	$45,108,811

(1) In addition to current year Pledged Revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year's debt service.

Maximum annual debt service over the life of the Outstanding Parity Obligations and the Bonds is $4,139,069.

Additional Obligations

The Board has previously entered into certain obligations related to a student housing facility. See "SELECTED FINANCIAL INFORMATION."

Parity Obligations

The Board reserves the right to issue or incur, or request that the Authority, on its behalf, issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board or the Authority acting on behalf of the Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board and the Authority a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SELECTED FINANCIAL INFORMATION – Debt Management."

Nonrecourse Debt and Subordinate Debt

Nonrecourse Debt and Subordinated Debt may be incurred by the Board, or the Authority on behalf of the Board, without limitation.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix D for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE ". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of $10.9 billion (audited), total liabilities of $6.9 billion (audited), and total capital and surplus of $4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of $11.2 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

THE AUTHORITY

The Authority is a public authority and body politic and corporate originally created as the Texas Public Building Authority in 1984 by an act of the Legislature. In 1987, the Legislature enacted legislation that changed the name of the Texas Public Building Authority to the Texas Public Finance Authority, and ratified and confirmed all projects previously approved. Such legislation also provided that the ownership of all property of, and all lease and rental contracts entered into by, the Texas Public Building Authority, and all of the obligations contracted or assumed by the Texas Public Building Authority became obligations of the Authority.

The Authority is currently governed by a board of directors (the "Authority Board") composed of seven members appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. The Governor designates one member to serve as Chair at the will of the Governor. Board members whose terms have expired continue to serve on the Authority Board, until a successor therefor has qualified for office. The current members of the Authority Board, the office held by each member, and the date on which each member's term expires are as follows:

Name	Position	Term Expires (February 1)
R. David Kelly	Chair	2007
H.L. Bert Mijares, Jr.	Vice-Chair	2009
Ruth C. Schiermeyer	Secretary	2007
Carin M. Barth	Member	2009
Linda McKenna	Member	2011
D. Joseph Meister	Member	2013
Robert T. Roddy, Jr.	Member	2013

The Authority employs an executive director (the "Executive Director") who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. The Executive Director is Kimberly K. Edwards, who has been employed in that position since March 1997.

Pursuant to the Enabling Act and Chapters 1401 and 1403, Texas Government Code, as amended, the Authority issues general obligation and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers three commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a General Obligation commercial paper program for certain general State government construction projects; and a General Obligation commercial paper program for the Colonia Roadway program. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code.

The Authority has issued revenue bonds on behalf of the Parks & Wildlife Department, the Building and Procurement Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Health & Human Services Commission, the Texas Department of Agriculture, the Department of State Health Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission, the Texas Historical Commission, Stephen F. Austin University, Texas Southern University and the University. It has also issued general obligation bonds for the Parks & Wildlife Department, the Building and Procurement Commission, the Department of State Health Services, the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, and the Texas Juvenile Probation Commission.

Before the Authority may issue obligations for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the obligations are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of obligations. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox*, 686 S.W.2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation, or political subdivision of the State and are not a pledge of the full faith and credit of any of them.

Sunset Review

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The next scheduled review of the Authority is during the legislative session in 2009. The Enabling Act, as amended by the 75^{th} Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

Authority's Enabling Act; Payment and Approval of the Bonds

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Board to carry out its statutory authority, including its authority to construct buildings. The Enabling Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of any of the projects of the University.

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

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Texas Bond Review Board and approved on July 19, 2007. In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are also reviewed or approved by the Texas Higher Education Coordinating Board (the "Coordinating Board"). The projects (that exceed two million dollars) to be financed by the Bonds were approved by the Coordinating Board as required by law.

MIDWESTERN STATE UNIVERSITY

History and Organization

Midwestern State University is a public co-educational institution. It originated in 1922 as Wichita Falls Junior College, the first municipal junior college in Texas. In 1937, in honor of a gift to the institution by Mr. and Mrs. John G. Hardin, Wichita Falls Junior College was renamed Hardin Junior College. When the senior college division was established in 1946, the name of the institution became Hardin College. In January 1950, the name was changed to Midwestern University. On September 1, 1961, Midwestern University became a part of the Texas colleges and universities system and the junior college division was dissolved. The institution became Midwestern State University in 1975.

The University is organized into six colleges of academic structure. These colleges are Business Administration, Education, Fine Arts, Health Sciences, Liberal Arts, and Science and Mathematics. In addition to the academic divisions, the university graduate council administers graduate programs of the university. The graduate council is composed of the graduate program coordinators of each academic division. The council is chaired by the Vice President for Academic Affairs. The university's colleges offer 14 undergraduate degrees in 40 majors and master's degrees in 23 majors.

Location and Physical Facilities

The University is located in Wichita Falls, Texas, a city approximately 120 miles northwest of the Dallas/Ft. Worth metroplex. The original campus consisted of 40 acres of land given to the institution by W.B. Hamilton and Anne H. Martin. Later, the University campus was expanded to 100 acres by the addition of a 60-acre tract, and a 1970 acquisition added approximately 67 acres directly south of the campus. An additional 4.5 acres were acquired as a part of the purchase of the property on the southwest corner of the campus in 1989. An approximate ½-acre tract was included in the purchase of the Bridwell Court Apartments in 1991.

There are approximately 30 buildings on the main campus. All buildings on the main campus have a planned architectural harmony. All classes are held in air-conditioned facilities. Residence halls consist of modern facilities for both men and women. In addition to the instructional buildings and residence halls, other university facilities include the Clark Student Center, Daniel Building which houses maintenance shops, Vinson Health Center, University Supply, Central Power Plant, Business Administration Annex, and Bridwell Courts.

Control

The University is governed by a Board of nine Regents who serve without pay and are appointed by the governor of Texas with the approval of the Texas Senate. The Board appoints the president and is legally responsible for the establishment and control of the University's policies.

Accreditation

The University is fully accredited by its national accrediting body, the Council of Public Liberal Arts Colleges, as well as its regional accrediting body, the Southern Association of Colleges and Schools. All academic programs of the University are fully accredited. Various departments of the university are fully accredited with their respective professional associations.

Retirement Systems

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas (TRS). The contributory percentages of participant salaries currently provided by the State and by each participant are 6% and 6.4%, respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the Retirement System's annual financial report.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the state and each participant, respectively. The state's contribution is comprised of 6.00% from the ORP's appropriation and 2.5% from other funding sources. The 6.00% contribution is mandatory with the other contributions being at the discretion of the Board of Regents. The Board of Regents has approved the additional contributions for employees of the University. The contributory percentages on salaries for participants entering the program after August 31, 1995 are 6.00% and 6.65% by the state and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The total retirement expense to the State for the University was $1,246,540 for the fiscal year ended August 31, 2006. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the University. The total retirement expenses from the University's institutional funds was $589,426.

Financial Support

As a State institution, the University receives approximately 35% of its operating funds from State appropriations. Other operating funds are derived from student tuition and fees and auxiliary enterprises such as dormitories and dining halls. For financial information concerning the State of Texas, reference is made to "APPENDIX A" published by the Comptroller of Public Accounts of the State of Texas which is filed quarterly with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and State Information Depository ("SID"). See "SELECTED FINANCIAL INFORMATION – Funding for the University".

Table 2 - Enrollment Data

Headcount enrollment at the University has been as follows:

			Summer Session	
Scholastic Year	Fall Semester	Spring Semester	First Term	Second Term
1996-97	5,642	5,447	2,046	1,455
1997-98	5,770	5,460	2,181	1,530
1998-99	5,687	5,350	1,971	1,578
1999-00	5,717	5.498	2,090	1,623
2000-01	5,809	5,468	2,230	1,722
2001-02	5,999	5,798	2,568	1,899
2002-03	6,235	6,034	2,762	1,998
2003-04	6,480	6,039	2,901	2,037
2004-05	6,343	5,957	2,682	1,809
2005-06	6,274	5,884	2,638	1,872
2006-07	6,038	5,688	N/A	N/A

Deposits and Investments

The University invests its funds under authority of provisions of the Texas Education Code, the Texas Property Code and the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"). At August 31, 2006, the carrying amount of the University's deposits was $611,959 and total cash balances equaled $1,179,095. Bank balances of $100,951 were covered by federal depository insurance and $1,078,144 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Federal Home Loan Bank of Dallas acting as Custodian for the university and the bank.

Investments

As of August 31, 2006 and 2005, the fair value of the University's investments were as follows:

	2006	2005
U.S. Goverment		
U.S. Treasury Note	$ 0	$990,160
U.S. Agency Obligation	20,895,774	31,068,082
Equity	103,357	101,950
Other Commingled Funds – Texpool	8,143,095	5,870,370
Other Commingled Funds -- LOGIC	430,430	411,597
Other Commingled Fund – JPMorgan	1,026,963	0
Total	$30,599,619	$38,442,159

Source: Annual Financial Report for the year ended August 31, 2006

Credit Risk

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondarily, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. As of August 31, 2006, the University's credit quality distribution for securities with credit risk exposure was as follows:

U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$20,895,774	Rated "AAA"
Commingled Funds -- Texpool	8,143,095	Rated "AAA"
Commingled Funds -- LOGIC	430,430	Rated "AAA"
Commingled Funds -- JPMorgan	1,026,963	Not Rated (Collateralized)

Source: Annual Financial Report for the year ended August 31, 2006

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2006, the University's concentration of credit risk is as follows:

Issuer	Carrying Value	% of Total Portfolio
Federal Home Loan Bank	$10,729,051	35%
Federal Home Loan Mortgage Corp.	2,991,602	10%
Texpool—Commingled Funds	8,143,095	27%
Federal National Mortgage Assn.	6,170,556	20%

Source: Annual Financial Report for the year ended August 31, 2006

SELECTED FINANCIAL INFORMATION

Unaudited Annual Financial Reports

The State issues audited financial statements, prepared in accordance with generally accepted accounting principles for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor's Office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units including those of the University. The scope of the State Auditor's audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State and its component agencies and institutions. Supplementary schedules are included in the State financial statements providing for each bond issue information related to the pledged revenues and expenditures, coverage of debt service requirements, restricted account balances, and/or other relevant information that may be feasibly incorporated. The State Auditor does not express an opinion on such schedules in relation to the basic financial statements taken as a whole.

Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit.

Annually, not later than within 90 days of the end of the State's fiscal year (about November 20), an unaudited financial report dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University, and in so doing examines the financial records at each of the University's component institutions. No outside audit in support of this detailed review is required or obtained by the University.

The financial statements of the University are prepared on a modified accrual basis consistent with principles recommended in College and University Business Administration, Fourth Edition (1982).

The fiscal year of the State and the University begins on September 1 of each year. The University is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the combined primary financial reports are in accordance with 'Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. Historically, these requirements follow, as near as practicable, the AICPA Industry Audit Guide *Audits* *of Colleges and Universities, 1996*, as amended by *AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities*, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section CO5, Colleges and Universities. The requirements were also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of College and University Business Officers (NACUBO).

During Fiscal Year 2002, the State and the University adopted GASB Statement Nos. 34 and 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (collectively, "GASB 35"). The implementation of GASB 35 is required to be undertaken by colleges and universities with total annual revenues in excess of $100 million for fiscal periods beginning after June 15, 2001. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the entity as a whole. Previous financial statement presentation focused on the combined fund group perspective.

GASB 35 has materially affected the University's financial data accumulation and financial statement presentation processes. Following is a list of significant changes to the University's financial statements mandated by GASB 35, including certain changes mandated by the revised Financial Reporting Requirements of the State Comptroller of Public Accounts.

(1) The University's financial information is reported under GASB 35 as a Business-Type Activity.

(2) The measurement focus and basis of accounting is presented in full accrual, consistent with the accounting method used by private-sector institutions. All current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or disbursed.

(3) Resources are classified for accounting and reporting purposes into the following four net asset categories: invested in capital assets – net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

(4) Revenues and expenses are categorized as operating or non-operating. Previously, a measure of operations was not presented. Significant recurring sources of the University's revenues, including State appropriations, gift contributions and investment income (loss), are considered non-operating.

(5) Depreciation of capital assets is now recognized. Previously, the historical costs of capital assets were not systematically expensed to reflect use of these assets over time. Accumulated depreciation for prior periods is reflected as a restatement to net assets, and current year's depreciation expense is shown as an operating expense, on the Combined Statement of Revenues, Expenses and Changes in Net Assets.

(6) Capitalization thresholds have increased for the 2002 and 2003 financial statements. These thresholds are personal property $5,000, buildings and improvements $100,000, and infrastructure $500,000. The University's financial statements reflect a restatement for those capital assets that no longer meet the capitalization thresholds.

(7) Receivables, cash advances and unearned revenues for sponsored programs and student tuition and fees are now recorded as deferred revenues. Previously, only unearned cash receipts were recognized as deferred revenue.

Audits and Financial Reports

The State of Texas issues audited financial statements, prepared in accordance with generally accepted accounting principles for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor's Office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units including those of the University. The scope of the State Auditor's audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State and its component agencies and institutions. Supplementary schedules are included in the State financial statements providing for each bond issue information related to the pledged revenues and expenditures, coverage of debt service requirements, restricted account balances, and/or other relevant information that may be feasibly incorporated. The State Auditor does not express an opinion on such schedules in relation to the basic financial statements taken as a whole.

Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit.

Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University, and in so doing examines the financial records at each of the University's component institutions. No outside audit in support of this detailed review is required or obtained by the University.

The Fiscal Year of the State and the University begins on September 1 of each year. The University is an agency of the State of Texas and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the combined primary financial reports are in accordance with the requirements established by the "Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements." Historically, these requirements follow, as nearly as practicable, the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999. Due to the significant changes related to these statements, the Comptroller of Public Accounts does not require the annual financial report to be in compliance with GAAP. See "Appendix B – FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2006—Management's Discussion and Analysis."

Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets

The table on the following page presents the Statement of Revenues, Expenses and Changes in Net Assets (Unaudited) for Fiscal Years 2004, 2005 and 2006.

Comparative Statement of Revenues, Expenses, and Changes in Net Assets

For the Years Ended August 31

REVENUES	**2006**	**2005**	**2004**
Operating Revenues			
Student Tuition and fees (net of scholarship allowances of $3,719,227, $3,335,737 and $2,783,714 respectively)	$21,980,309	$19,007,023	18,408,377
Federal Grants	613,849	621,178	722,102
Federal Pass-Through Grants	120,647	94,516	127,424
State Pass-Through Grants	427,778	617,055	57,245
Other Grants and Contracts	60,203	162,642	429,562
Sales and Services of Educational Activities	1,242,442	954,217	901,203
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $410,160, $432,338 and $396,790 respectively)	4,948,811	3,981,844	3,496,213
Other operating revenues	581,668	583,756	348,233
Total Operating Revenues	**$29,975,707**	**$26,022,231**	**24,490,359**
EXPENSES			
Operating Expenses			
Salaries and Wages	30,441,072	28,464,541	27,151,301
Payroll Related Costs	7,862,133	7,179,972	6,813,535
Professional Fees and Services	2,399,182	2,096,201	2,386,888
Travel	1,061,538	868,701	769,866
Materials and Supplies	5,509,763	4,606,513	4,249,796
Communications and Utilities	2,615,103	2,188,433	2,208,398
Repairs and Maintenance	1,210,359	1,303,473	1,083,854
Rentals and Leases	382,816	460,181	426,306

Printing and Reproduction	400,878	348,402	313,311
Depreciation	4,974,273	4,139,839	3,333,577
Bad Debt Expense	301,731	143,461	142,247
Interest	329	213	1,220
Scholarships	6,390,722	5,799,313	6,151,519
Total Operating Expenses	**$63,549,899**	**$57,599,243**	**55,031,818**
Operating Income (Loss)	**($33,574,192)**	**($31,577,012)**	**(30,541,459)**
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	18,448,281	17,229,737	17,130,992
Additional State Appropriations	4,396,656	3,711,419	3,722,188
State Grants	1,209,143	1,184,644	1,119,417
Federal Grants	4,685,460	4,816,537	4,548,547
Federal Grants-Pass Through the State	54,152	--	
Gifts	3,281,833	2,509,958	2,293,662
Other Non-operating Revenues (Expenses)	(4,491)	22,805	6,020
Investment income	1,192,907	1,087,051	643,243
Net Increase (Decrease) in Fair Value of Investments	132,857	(152,282)	26,981
Gain (Loss) on Sale of Capital Assets	--	(246,703)	(16,372)
Net Book Value of Capital Asset Disposals	(28,383)	(125,370)	(89,492)
Interest Expense on Capital Asset Financing	(1,494,389)	(816,339)	(754,373)
Total Non-Operating Revenues	**$31,874,026**	**$29,221,457**	**28,630,813**
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,700,166)	(2,355,555)	(1,910,646)
Capital Contributions	50,000	4,968,525	1,500,000
HEAF Appropriation	2,289,565	3,007,669	3,007,669
Additions to Endowments	182,014	410,487	338,086
Transfers In	4,089,540	5,586	
Transfers Out	(349,194)	(25,894)	(8,314)
Increase (Decrease) in Net Assets	**4,561,759**	**6,010,818**	**2,926,795**
Net Assets - Beginning of Year	**$67,733,630**	**$68,932,630**	**77,731,108**
Restatements	304,372	(7,209,818)	(11,725,273)
Net Assets – Beginning of Year, as Restated	**$68,038,002**	**$61,722,812**	**66,005,835**
Net Assets - End of Year	**$72,599,761**	**$67,733,630**	**$68,932,630**

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2006 consisted of State appropriations; tuition and student fees; gifts, grants, and scholarships; sales, services, and other sources; designated funds; and auxiliary enterprises. As shown below, the amounts and the sources of such funding vary from year to year, there is no guarantee that the source or amounts of such funding will remain the same in future years.

State Appropriations

The operations of the University are heavily dependent upon the continued support of the State through biennial appropriations of general revenues. The University receives a significant portion of its operating funds from State appropriations. The Board has no assurance that the Texas Legislature will continue to appropriate to the University the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

For fiscal years 2005 and 2006, State appropriations comprised approximately 35% of the Revenue Funds (as defined in the Resolution) of the University. See "Table 3 - Statement of Revenues, Expenses and Changes in Net Assets". The State Legislature finished its last regular session on May 28, 2007. State appropriations to most institutions of higher education (including the University) were flat compared to prior years. Final results for the University indicate appropriations in the following amounts for Fiscal Years 2008 and 2009: $18,871,699 and $19,174,314, plus other miscellaneous allocations, including that for Higher Education Assistance Funds, as shown below. The State Legislature commences its next biennial regular session in January, 2009.

In addition to the appropriation of general revenues of the State, the University receives a portion of an annual appropriation of funds made by the State Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution (the "Higher Education Assistance Funds"). The allocation of Higher Education Assistance Funds is made by the State in accordance with an equitable allocation formula. In 2005, the State Legislature approved a 10 year annual allocation (beginning in 2006-2007) to the University. The annual allocation to the University for 2007 was $2,289,565 and will be $3,434,348 in 2008 and 2009.

The University may use the Higher Education Assistance Funds for capital improvements and renovations to the campus facilities, other than auxiliary enterprises. In addition, the University may issue bonds against such Higher Education Assistance Funds and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds.

Tuition and Fees

Each Texas public university granting degrees charges tuition and fee as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Total tuition charges are comprised of "State Mandated Tuition," "Board Designated Tuition" and "Board Authorized Tuition," as further described below.

State Mandated Tuition. Section 54.0512, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to $50.00 per semester credit hour for the 2007-08 academic year; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2006-07 academic year, the Coordinating Board has computed $325 per semester credit hour for nonresident undergraduate tuition.

Board Designated Tuition. During the previous regular session of the 78th Texas Legislature that ended June 2, 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a board of regents could independently charge students was capped at the levels described above with respect to State Mandated tuition. Effective with the tuition that is charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to herein as "Board Designated tuition") that it considers necessary for the effective operation of the institution. The new legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the Board to develop a tuition schedule that assists in meeting the strategic objectives of each Participant in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board will authorize any changes in Board Designated tuition only after they have been thoroughly evaluated by the administration. The Board has authorized the Board Designated tuition rate for the 2007 fall semester at $82.00 per semester credit hour for all undergraduate students. No less than 20% of the Board Designated tuition charged in excess of $46 per semester hour shall be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code, which were contained in House Bill 3015.

Board Authorized Tuition. Section 54.008 of the Texas Education Code permits the governing board of each institution to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State mandated tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board has set $30.00 per semester credit hour in addition to the State mandated tuition, or $80.00 per credit hour for graduate programs.

Set forth below is a table showing the State Mandated tuition, Board Designated tuition, mandatory fees, and the amount set aside for financial assistance to resident undergraduate students for a full-time student based on 15 semester credit hours, and 9 semester credit hours for a graduate student for the 2007 fall session.

State Mandated Tuition, Board Designated Tuition,
Board Authorized Tuition, Mandatory Fees, and Financial Set-Aside
2007-2008 Academic Year

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside[(1)]
Resident Undergraduate	$750.00	$1,230.00	N/A	$1,002.75	$2,982.75	$220.50
Non-Resident Undergraduate [(1)]	4,920.00	1,230.00	N/A	1,002.75	7,152.75	147.60
Resident Masters	450.00	738.00	$270.00	605.25	2,063.25	116.10
Non-Resident Masters	2,952.00	738.00	270.00	605.25	4,565.25	88.56
Resident Doctoral	N/A	N/A	N/A	N/A	N/A	N/A
Non-Resident Doctoral	N/A	N/A	N/A	N/A	N/A	N/A

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(1) Total tuition and fees includes amounts required to be set aside for financial assistance according to Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); $2 for each semester hour for which a doctoral student is enrolled is set aside for the Doctoral Loan Incentive Program (Section 56.095); from Board Designated tuition no less than 20% charged to resident undergraduate students in excess of $46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of $46 per semester hour is set aside for financial assistance (Section 56.012). Of the set-aside from Board Designated tuition for resident undergraduate students, 5% is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465).

The Board is authorized by Chapter 55 of the Texas Education Code to set the Pledged General Tuition and any other necessary fees, rentals, rates, or other revenue funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Pledged Revenues."

Endowments

Although not pledged to the payment of debt obligations, the University controls or is benefited by endowments valued, as of August 31, 2006, of approximately $43,097,038 As of August 31, 2006, endowment funds under the direct control of the University had a book value of $4,453,671 and consisted of marketable securities and investments, land, and other real estate holdings and mineral rights. Such land, real estate, and mineral rights are valued at their book value as of the date of acquisition of such property.

Debt Management

Debt management of the University is the responsibility of the Vice President for Administration and Finance. The University evaluates its financing needs pursuant to a debt capacity analysis and annual funding requirements determined by the capital budget. It then submits a request for financing to the Authority. Issuance of debt requires approval of the Board, the Authority, and the Texas Bond Review Board.

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Table 4 - Outstanding Indebtedness

After the delivery of the Bonds, the University will have outstanding the following described indebtedness:

General Obligation Bonds	
Constitutional Appropriation Bonds, Series 2004	$ 9,165,000
Revenue Financing System	
Revenue Refunding and Improvement Bonds, Series 1998*	$ 825,000
Revenue Financing System Bonds, Series 2002	7,450,000
Revenue Financing System Revenue and Refunding Bonds, Series 2003	11,330,000
Revenue Financing System Revenue and Refunding Bonds, Series 2007	28,855,000
TOTAL REVENUE BONDS	$48,460,000

* Excludes the Refunded Bonds.

Student Housing Project

The University has entered into an agreement with the Texas Student Housing Corporation - MSU Project, a Texas non-profit corporation (the "Corporation"), in connection with the construction of additional student housing for use by students and faculty at the University. The Project was financed in August 2002 with the issuance of $14,540,000 of revenue bonds issued by the Corporation. The Corporation entered into an agreement with Collegiate Development Service, L.P. with respect to the construction of the student housing project, an apartment-style housing development which consists of approximately 336 beds (the "Project"). The Project is located on the University campus on land owned by the University. The University and the Corporation entered into a ground lease with a term commensurate with the term of the bonds issued by the Corporation. The Corporation owns the Project, and the University operates and manages the Project in accordance with the terms of the ground lease. The bonds are secured only by the revenues generated from the Project and not by the University's general revenues. The University's only potential financial liability with respect to the financing is to pay operating and management expenses of the Project to the extent that the Project does not generate sufficient funds to pay such expenses.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such documents which is summarized elsewhere in this Official Statement under the captions "PLAN OF FINANCING," "DESCRIPTION OF THE BONDS," and "SECURITY FOR BONDS." This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, which may be examined at the offices of the Authority or copies of which may be obtained from the Authority at 300 W. 15th Street, Suite 411, Austin, Texas 78701.

Establishment of Revenue Financing System

The Revenue Financing System has been established to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants which are or will be included as part of the Revenue Financing System. The University is the only current Participant, but the Revenue Financing System may include other entities that are hereafter included as part of the University but only upon affirmative official action of the Board. Each issue or series of Parity Obligations is to be provided for under a separate resolution consistent with the provisions of the Resolution.

Security and Pledge; Membership in the Revenue Financing System

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations issued under the Resolution are payable from and secured by a lien on all Pledged Revenues. The Authority (on behalf of the Board) has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Obligations and to the establishment and maintenance of any funds that may be created under the Resolution or a supplemental resolution to secure the repayment of Parity Obligations. The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

If an additional institution hereafter becomes a component of the University, the Board may include the new component as a Participant of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Resolution and effective when such institution becomes a Participant of the Revenue Financing System will apply to the revenues, funds, and balances of such Participant that constitute Pledged Revenues; provided, however, that if at the time a new Participant is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations secured by a lien on the portion of the Pledged Revenues providing such security which is superior to the lien established by the Resolution on behalf of Parity Obligations. The Board has reserved the right to refund Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations. Otherwise, while any Parity Obligations are outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

Annual and Direct Obligation of Participants

The Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Resolution that in establishing the annual budget for each Participant of the Revenue Financing System, it will provide for the satisfaction by each Participant to its Annual Obligation.

Pledged Revenues

Tuition and Other Pledged Revenues

Subject to the provisions of the resolutions authorizing the Prior Encumbered Obligations and to the other provisions of the Resolution and any resolution authorizing the issuance of Parity Obligations, the Board has covenanted and agreed at all times to fix, levy, charge, and collect at each Participant from each student enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Obligations then outstanding when and as required. Students exempt by law or the Board may be excluded from the requirement to pay student tuition. Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues will be adjusted, if and when permitted or required by the Resolution, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with the Parity Obligations then outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Participants, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Participant, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with the Parity Obligations then outstanding. All changes in the tuition charged students at each Participant must be made by a resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

Student Recreational and Health Facilities Fees

The Board has covenanted and agreed to fix, levy, charge and collect student recreational and health facilities fees required or authorized by law to be imposed on students pursuant to Section 54.5441 of the Texas Education Code for the purpose of paying debt service on that portion of the Bonds used to finance a new student recreational and health center to be located at the University; provided however, that such student recreational and health facilities fees shall be used only to finance, construct, operate, renovate or maintain recreational and wellness facilities and programs at the University.

Annual Obligation

If, in the judgment of the Board, any Participant has been or will be unable to satisfy its Annual Obligation, the Board must fix, levy, charge, and collect tuition, rentals, rates, fees, and charges for goods and services furnished by such Participant and, with respect to the Participants with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions discussed below), together with other legally available funds, including other Pledged Revenues attributable to such Participant, to enable it to make its Annual Obligation payments.

Anticipated Deficit

If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be sufficient legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Revenue Financing System, including the deposits and payments due on or with respect to the Parity Obligations outstanding at that time as the same mature or come due or (ii) that any Participant will be unable to pay its Annual Direct Obligation in full, then the Board must fix, levy, charge, and collect such rentals, rates, fees, tuition, or other charges, at each Participant with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided below), as will be at least sufficient to provide, together with other legally available funds, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits due on or with respect to outstanding Parity Obligations when and as required by the Resolution.

Economic Effect of Adjustments

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues at any of the Participants pursuant to the provisions described above will be based upon a certificate and recommendation of a Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant) which will be anticipated to result in (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits and payments due on or in connection with outstanding Parity Obligations when and as required by the Resolution.

Payment and Funds

The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Resolution allows the Board to establish one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt

In the Resolution, the Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law. The Board may incur, assume, guarantee, or otherwise become liable in respect of additional Parity Obligations if the Board determines that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any supplemental resolution authorizing outstanding Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt which expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations.

Participants

Combination or Release of Participants

The Resolution recognizes that the State may combine or divide Participant institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action must not violate the Resolution or require any amendment thereof. The Resolution also provides that subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Resolution provided:

(1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be outstanding to meet the financial obligations of the Revenue Financing System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(2) the Board and the Authority have received an Opinion of Counsel which states that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and

(3)(A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations; or (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

Disposition of Assets

In the Resolution, the Board has reserved the right to convey, sell, or otherwise dispose of any properties of the Board attributable to a Participant of the Revenue Financing System, provided that:

(1) such disposition must occur in the ordinary course of business of the Participants of the Revenue Financing System responsible for such properties; or

(2) the Board determines that after the disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Admission of Participants

If, after the date of the adoption of the Resolution, the Board desires for a university or agency governed by the Board to become a Participant of the Revenue Financing System, it may include said university or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of an amendment to the Resolution.

Certain Covenants

Rate Covenant

In each Fiscal Year, the Board must establish, charge, and use its reasonable efforts to collect at each Participant the Pledged Revenues which, if collected would be sufficient to meet all financial obligations of the Board for such Fiscal Year relating to the Revenue Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

Tuition

The Board covenants and agrees in the Resolution to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, must pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant must be made by resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

General Covenants

The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities which comprise the University and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property of the Revenue Financing System; (vi) not to incur any additional debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report, to the Authority, appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable time to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Special Obligations

The Resolution provides that all Parity Obligations and the interest thereon constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Resolution out of the Pledged Revenues is absolute, irrevocable, complete, and unconditional, and the amount, manner and time of payment of such amounts may not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

Waiver of Covenants

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant, its covenants relating to issuance of Parity Obligations, its covenants governing disposition of Participant assets, or its covenants relating to admission and release of Participants if the holders of at least 51% of all Parity Obligations outstanding waive such compliance.

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or default in the payment of said obligations, or of any interest due thereof, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, the Authority, or any appropriate official of the State of Texas. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property which may be levied or foreclosed against.

Amendment of Resolution

Amendment Without Consent

The Resolution and the rights and obligations of the Authority, the Board and of the owners of the Outstanding Parity Obligations may be modified or amended at any time without notice to or the consent of any owner of the Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board or the Authority contained in the Resolution, other covenants and agreement thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board or the Authority in the Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board and the Authority of any approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

(iii) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues which results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of the Parity Obligations;

(v) To make such changes, modifications, or amendments as may be necessary or desirable, which will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations;

(vi) To make such other changes in the provisions of the Resolution as the Board and the Authority may deem necessary or desirable and which does not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or

(vii) To make such other amendments as necessary to comply with Rule 15c2-12.

Amendments With Consent

Subject to the other provisions of the Resolution, the owners of Parity Obligations aggregating 51% in Outstanding Principal Amounts have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Resolution, which may be deemed necessary or desirable by the Board; provided, however, that no provision may permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

(i) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;

(ii) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;

(iv) Make any change in the maturity of the Outstanding Bonds;

(v) Reduce the rate of interest borne by the Outstanding Bonds;

(vi) Reduce the amount of principal payable on the Outstanding Bonds; or

(vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment.

Defeasance

The Resolution provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Resolution, except to the extent provided below for the Paying Agent to continue payments and for the Authority to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent for such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent for the payment of its services until after all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged as provided in the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of a Bond when proper notice of redemption of such Bond shall have been given, in accordance with the Resolution. Any money so deposited with the Paying Agent may at the discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Resolution, and all income from such Defeasance Securities received by the Paying Agent that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Authority.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Obligations the same as if they had not been defeased, and the Authority shall make proper arrangements to provide and pay for such services as required by the Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

To the extent that, upon the defeasance of any Defeased Obligation to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Obligation for redemption in accordance with the provisions of the order authorizing its issuance, the Authority may call such Defeased Obligation for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as through it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Any escrow agreement or other instrument entered into between the Authority and the Paying Agent pursuant to which money and/or Defeasance Securities are held by the Paying Agent for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Authority.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1993, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for qualification of the bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Authority issued on behalf of the University secured by and payable from the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of certain of the Pledged Revenues securing any outstanding Prior Encumbered Obligations, and the approving legal opinion of Fulbright & Jaworski L.L.P., Dallas, Texas, Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The form of Bond Counsel's opinion is attached hereto as Appendix C. Bond Counsel was engaged by, and only represents, the Authority. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions "PLAN OF FINANCING (except under the subcaption "Sources and Uses of Funds"), "DESCRIPTION OF THE BONDS" (except under the subcaption "Book Entry Only System"), "SECURITY FOR THE BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds and the Resolution and are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the University, that are not purely historical, are forward-looking statements, including statements regarding the University's expectations, hopes, intentions or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the University on the date hereof, and the University and the Authority assume no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the University and the Authority made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the University and the Authority with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the University and the Authority with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof for Federal income taxes from date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the University and the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the University and the Authority may have different or conflicting interests from the Owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social

Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investments Act ("PFIA"), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

Neither the Authority nor the University has made any investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. Neither the Authority nor the University has made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy will be issued by MBIA Insurance Corporation. In addition, the Bonds were assigned ratings by Moody's and Fitch of "A2" and "A+", respectively, before the commitment for the aforesaid bond insurance policy for the Bonds was issued. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board and the Authority make no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Board, as the obligated party on the Bonds, has made the following agreement for the benefit of the Authority and the holders and beneficial owners of the Bonds. The Board is required to observe its agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The Board will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1 - Pledged Revenues", "MIDWESTERN STATE UNIVERSITY" and "SELECTED FINANCIAL INFORMATION" and in APPENDIX B. The Board will update and provide this information within 180 days after the end of each Fiscal Year. The Board will provide the updated information to the Authority and each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include annual audited financial statements for the University, if the Board commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited statements and audited financial statements when and if such audited financial statements become available. Any such financial statements of the University will be prepared in accordance with the accounting principles described in Appendix B hereof or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation. It is not expected that the Board will commission an audit. Hence, unaudited financial statements, as shown in Appendix B, are expected to be provided. However, the University is audited as part of the State of Texas audit, but separate financial statements are not available.

The State's current fiscal year end is August 31. Accordingly, the Board must provide updated information within 180 days following August 31 of each year, unless the State changes its fiscal year. If the State changes its fiscal year, the Board will notify each NRMSIR and any SID of the change.

Material Event Notices

The Board will also provide timely notices of certain events to certain information vendors. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Resolution make any provision for credit enhancement or liquidity enhancement. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial reports in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The Board has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State as a SID and the SEC staff has determined that the MAC is a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the Board. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The Board may utilize DisclosureUSA for the filing of information relating to the Bonds.

Limitations and Amendments

The Board has agreed to update information and to provide notices of material events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Board disclaims any contractual or tort liability of damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Board may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of said rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the Board so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements

The Board became obligated to make annual disclosure of certain financial information by filing with the state information depository ("SID") and each nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 1998. Due to an administrative oversight, the fiscal years ending 2002 and 2003 audited financial statements were not timely filed with each NRMSIR. The information was sent on or before the due date, but received later. Certain financial information was not timely filed for fiscal years ending 2004 through 2006 with the SID and each NRMSIR. All financial information has since been filed, including a notice of late filing. The Board has implemented procedures to ensure timely filing of all future financial information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority, to purchase the Bonds at a purchase price of $28,359,737.77 (which represents the par amount of the Bonds, less a net original issue discount of $308,590.35 and less an underwriting discount of $186,671.88). The bond purchase agreement pertaining to the Bonds provides that the Underwriters will purchase all of the Bonds, if any are purchased. The senior managing underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets.

FINANCIAL ADVISOR

First Southwest Company has acted as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, they have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's and the University's records and from other sources which are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters and reviewed by the Authority and its representatives relating to (a) computation of anticipated receipts of principal and interest on the Escrowed Securities and the anticipated payments of principal and interest to defease the Refunded Bonds, and (b) computation of the yields on the Bonds and the Escrowed Securities was verified by Grant Thornton LLP (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by the Underwriters and reviewed by the Authority and its representatives. The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events. Such verification will be relied upon by Bond Counsel in rendering its opinion with respect to the tax exemption of interest on the Bonds and with respect to defeasance of the Refunded Bonds, if any. The verification report to be prepared by the Verification Agent will state that the Verification Agent has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

LITIGATION

The University is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the University, would have a material adverse effect on the financial statements or operations of the University.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Board's and the Authority's records, unaudited financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

/s/ KIMBERLY K. EDWARDS
Kimberly K. Edwards, Executive Director
Texas Public Finance Authority

/s/ JUAN SANDOVAL
Juan Sandoval, Vice President for
Administration and Finance
Midwestern State University

SCHEDULE I

Schedule of Refunded Bonds
Board of Regents of Midwestern State University
Texas Public Finance Authority
Revenue Refunding and Improvement Bonds, Series 1998

Maturity	Principal Amount	Interest Rate	Redemption Date	Redemption Price
December 1, 2009	$440,000	4.50%	December 1, 2008	100%
December 1, 2010	460,000	4.60%	December 1, 2008	100%
December 1, 2011	485,000	4.70%	December 1, 2008	100%
December 1, 2012	510,000	4.80%	December 1, 2008	100%
December 1, 2013	535,000	4.85%	December 1, 2008	100%
December 1, 2014	560,000	4.90%	December 1, 2008	100%
December 1, 2015	585,000	5.00%	December 1, 2008	100%
December 1, 2016	390,000	5.00%	December 1, 2008	100%
* * *	* * *	* * *	* * *	* * *
December 1, 2018	1,560,000	5.00%	December 1, 2008	100%

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APPENDIX A
DEFINITIONS

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As used in this Official Statement the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"*Annual Debt Service Requirements*" means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) *Committed Take Out*. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) *Balloon Debt*. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) *Consent Sinking Fund*. In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the Board and the Authority an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) *Prepaid Debt*. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) *Variable Rate*. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond

Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

(6) *Guarantee*. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of Annual Debt Service Requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) *Commercial Paper*. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) *Credit Agreement Payments*. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or, the Authority on behalf of the Board, as the case may be, or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"*Annual Direct Obligation*" means the amount budgeted each Fiscal Year by the Board with respect to each Participant in the Financing System to satisfy said Participant's proportion of debt service (calculated based on said Participant's Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

"*Annual Obligation*" means, with respect to each Participant in the Financing System and for each Fiscal Year, said Participant's Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said Participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

"*Authority*" means the Texas Public Finance Authority, or any successor thereto.

"*Board*" means the Board of Regents of Midwestern State University, acting as the governing body of the University, or any successor thereto.

"*Bond Counsel*" means Fulbright & Jaworski L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Board with the approval of the Authority.

"*Bonds*" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007, issued pursuant to the terms of the Resolution and the Pricing Certificate, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term "Bond" means any of the Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Credit Agreement*" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board or the Authority on behalf of the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

"*Credit Provider*" means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

"*DTC*" means The Depository Trust Company, New York, New York, or any successor securities depository.

"*DTC Participant*" means the securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants.

"*Debt*" means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

"*Defeasance Securities*" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

"*Designated Financial Officer*" means the Vice President for Administration and Finance of the University, or such other official of the University appointed by the Board to carry out the functions of the Designated Financial Officer specified herein.

"*Designated Trust Office*" means Dallas, Texas for the initial Paying Agent/Registrar.

"*Direct Obligation*" means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each Participant in the Financing System.

"*Executive Director*" means the duly acting Executive Director of the Authority, and any person authorized by the Board of Directors of the Authority to serve in the capacity of and perform the duties and obligations of the Executive Director.

"*Federal Securities*" as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"*Fiscal Year*" means the fiscal year of the Board which currently ends on August 31 of each year.

"*Funded Debt*" means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

"*Holder*" or "*Bondholder*" or "*Owner*" means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

"*Maturity*", when used with respect to any Debt, means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*NRMSIR*" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"*Non-Recourse Debt*" means any debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a Participant.

"*Officer's Certificate*" means a certificate executed by the Designated Financial Officer.

"*Opinion of Counsel*" means a written opinion of counsel, which counsel shall be acceptable to the Authority and the Board.

"*Outstanding*" when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under the Resolution and any resolution hereafter adopted authorizing the issuance of Parity Obligations, except:

(1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 19 of the Resolution or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution; and

(4) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

"*Outstanding Principal Amount*" means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Resolution.

"*Parity Obligations*" means all Debt of the Board which may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations. For purposes of this definition, the Previously Issued Parity Obligations and the Bonds constitute Parity Obligations.

"*Participant in the Financing System*" and "*Participant*" means each of the agencies, institutions and branches of the University and such agencies, institutions and branches hereafter designated by the Board to be a participant in the Financing System. Currently, the University is the only Participant in the Financing System.

"*Paying Agent/Registrar*", "*Paying Agent*" or "*Registrar*" means each of the agents (one or more) appointed pursuant to the Resolution, or any successor to any such agent.

"*Pledged Revenues*" means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a resolution authorizing the issuance of Parity Obligations: (a) amounts received by the University under Article VII, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

"*Previously Issued Parity Obligations"* means the Series 1998 Bonds, the Series 2002 Bonds and the Series 2003 Bonds.

"*Pricing Certificate"* means the Pricing Certificate of the Authority's pricing committee executed and delivered pursuant to the Resolution in connection with the Bonds.

"*Prior Encumbered Obligations*" means (i) the Outstanding Revenue Bonds and (ii) those outstanding bonds or other obligations of an institution which becomes a Participant of the Financing System after the date of adoption of the Resolution, which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues which are hereafter designated by the Board as a Pledged Revenue.

"*Prior Encumbered Revenues*" means (i) the revenues pledged to the payment of Prior Encumbered Obligations of the University and (ii) the revenues of any revenue producing system or facility of an institution or agency which hereafter becomes a Participant of the Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution or agency becomes a Participant of the Financing System.

"*Record Date*" means, with respect to the Bonds, the last business day of each month preceding an interest payment date.

"*Refunded Bonds*" means the Outstanding Revenue Bonds set forth in Schedule I of this Official Statement, to be refunded with the proceeds of the Bonds.

"*Registration Books*" means the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to the Resolution.

"*Resolution*" means the Resolution authorizing the sale of the Bonds.

"*Revenue Financing System*" or "*Financing System*" means the "Midwestern State University Revenue Financing System", currently for the benefit of the University, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a Participant of the Revenue Financing System by specific action of the Board.

"*Revenue Funds*" means the "revenue funds" of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. To the extent authorized by law, the definition for "Revenue Funds" includes student recreational and health facilities fees authorized by Section 54.5441, Texas Education Code; provided that such fees may be used only for recreation and wellness facilities and programs at the University. The term "Revenue Funds" does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, rates, fees, or other charges.

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"*SEC*" means the United States Securities and Exchange Commission.

"*Series 1998 Bonds*" means the Board of Regents of Midwestern State University Revenue Financing System, Texas Public Finance Authority Revenue Refunding and Improvement Bonds, Series 1998, issued in the aggregate principal amount of $9,860,000.

"*Series 2002 Bonds*" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2002, issued in the original aggregate principal amount of $8,965,000 pursuant to the terms of the underlying Resolution.

"*Series 2003 Bonds*" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007, issued in the original aggregate principal amount of $14,000,000 pursuant to the terms of the underlying Resolution.

"*SID*" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"*Stated Maturity*" when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"*Subordinated Debt*" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

"*Term of Issue*" means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

"*University*" means Midwestern State University, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of Midwestern State University pursuant to law.

APPENDIX B
FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY
FOR THE YEAR ENDED AUGUST 31, 2006

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Midwestern State University

Financial Report
(unaudited)
For the Year Ended
August 31, 2006

ANNUAL FINANCIAL REPORT

MIDWESTERN STATE UNIVERSITY

WICHITA FALLS, TEXAS

ANNUAL FINANCIAL REPORT
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2006

History

Since its founding in 1922, Midwestern State University has grown from a local junior college to a regional state university serving a wide and varied public.

Created in 1922 as Wichita Falls Junior College, the second municipal junior college in Texas, its earliest home was in Wichita Falls High School with which it shared both the building and faculty. Later, a legislative act and a vote of the people of Wichita Falls set up a separate tax district to support the junior college.

In 1937, the college acquired a new, forty-acre campus of its own on the south side of town. Rising above pastures and wheat fields was the recently finished Hardin Building, an impressive Spanish colonial structure which was presided over by a lofty bell tower. Also in that year the college was renamed Hardin Junior College in honor of Mr. and Mrs. John G. Hardin.

During World War II, the establishment of Sheppard Field, later renamed Sheppard Air Force Base, added to the college's public. Since that time, air base personnel and their families have been continuing participants in the campus academic programs.

The post World War II years brought more change in the school's mission and in its name. In 1946, the senior college division was added and accordingly the name was altered to Hardin College. In January 1950, the name changed to Midwestern University, the junior college division remaining Hardin Junior College. In these years, wider recognition came to the school. In March 1948, the University became a member of the Association of Colleges and Secondary Schools. In January 1959, the University added a Graduate School which received full approval from the State Board of Education in August of that year.

A further change in the school's status came September 1, 1961, when by action of the 56th Legislature of the State of Texas, Midwestern University became part of the Texas Colleges and Universities System and the junior college division was dissolved. In 1975, the Texas Legislature changed the name to Midwestern State University.

From its beginnings as a municipal junior college housed in a high school building, Midwestern has become a state university whose campus of 179 acres and 48 buildings offers a wide variety of academic programs in liberal and fine

Mission Statement

Midwestern State University aspires to be the public liberal arts university of the state of Texas. Faculty, administrators, staff, and students actively participate in an academic community that focuses, refines, and continuously challenges points of understanding. Liberal arts form the basis of the education provided in both traditional liberal arts areas and professional disciplines at the undergraduate and graduate levels.

The university is dedicated to excellence in teaching, enhanced by significant research, creative discovery, and service. Curricular and co-curricular activities support students' intellectual, emotional, ethical, social, and physical growth and foster the ability to see the past clearly, to examine the present fairly, and to act with judiciousness.

The university offers an affordable, nurturing, and challenging learning environment that serves citizens of Texas, other states, and many countries. The university strives to prepare its graduates to set high goals, be productive members of the global society, understand and relate to people and ideas different from their own, and continue to learn throughout their lives.

Accreditation

Midwestern State University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS) and has recently been accepted as a member of the Council of Public Liberal Arts Colleges (COPLAC), making MSU the only university in Texas to become an affiliate of this national organization.

MIDWESTERN STATE UNIVERSITY

ANNUAL FINANCIAL REPORT

Year Ended 8-31-2006 (UNAUDITED)

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ORGANIZATIONAL DATA
August 31, 2006

THE BOARD OF REGENTS

Term Expires February 25, 2006

Mr. Mac W. Cannedy, Jr., Chairman	Wichita Falls
Mr. John C. Bridgman	Wichita Falls
Mr. David L. Stephens	Plano

Term Expires February 2, 2007

Mr. James W. Morefield, Student Regent	Wichita Falls

Term Expires February 25, 2008

Ms. Pamela Odom Gough	Graham
Ms. Pat Haywood	Wichita Falls
Mr. Don Ross Malone	Vernon

Term Expires February 25, 2010

Mr. Stephen A. Gustafson	Wichita Falls
Mr. Munir A. Lalani	Wichita Falls
Mr. Ben F. Wible	Sherman

Mr. Kathryn A. Yeager, Regent Emeritus

PRESIDENT

Dr. Jesse W. Rogers

UNIVERSITY FISCAL OFFICERS

Mr. Juan R. Sandoval	Vice President for Administration and Finance
Ms. Gail Ferguson	Controller

The objective of Management's Discussion and Analysis is to help readers of Midwestern State University's financial statements better understand the financial position and operating activities of the university for the fiscal years ended August 31, 2006 and 2005.

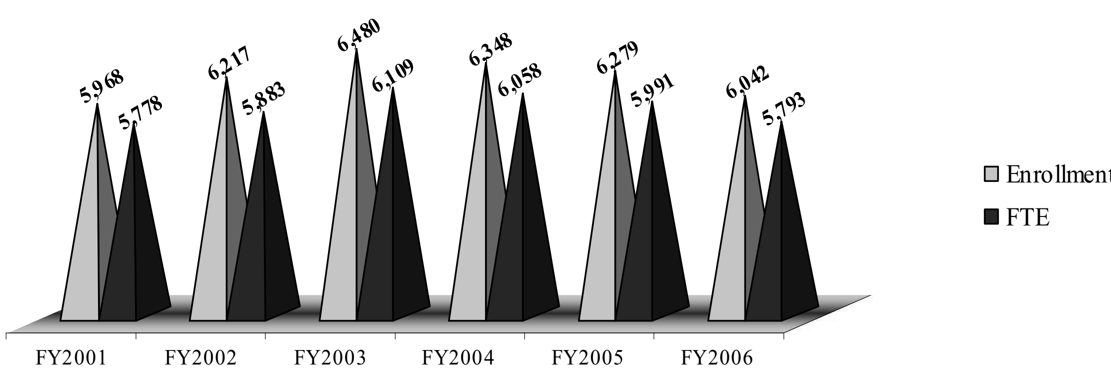
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

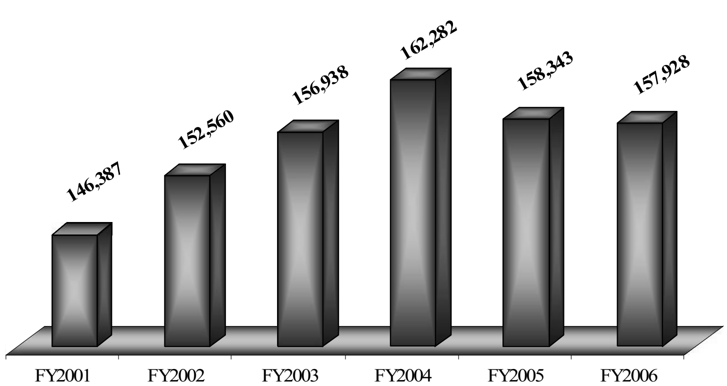
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2001. The decline in student enrollment over the past couple of years can possibly be attributed to increasing tuition costs, a decline in the unemployment rate, and less graduating high school seniors in the North Texas area.

The slight dip in total enrollment over the past year can specifically be linked to the university's strengthening of its admissions standards. Of the 265 beginning freshmen that were denied admission for the fall of 2006, 137 students met the criteria from the previous academic year. Although the tougher admissions requirements contributed to a dip in total enrollment, the administration is confident that the higher academic standards will not only ensure that incoming freshmen are better prepared for college, but will also improve the university's graduation rates.

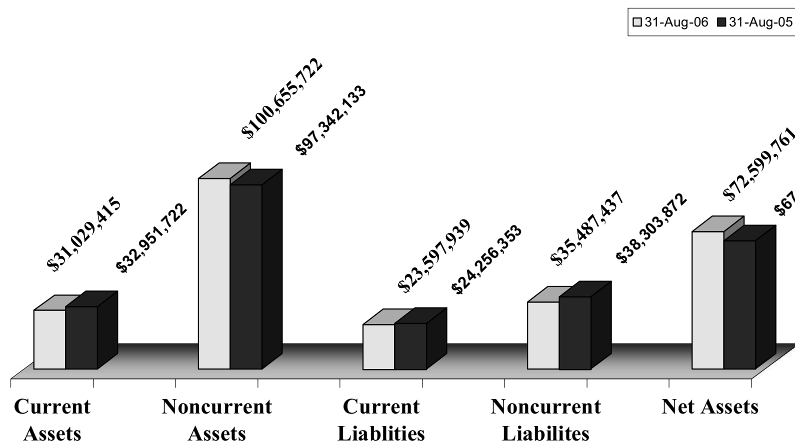
Fall Headcount vs FTE



Total Enrolled Semester Credit Hours



The University's Financial Position



The Statement of Net Assets

By reporting information on the university as a whole, these comparative statements highlight for the reader whether or not the year's activities strengthened or weakened the university's financial position. When revenues and other support exceed expenses, the result is an increase in net assets. The relationship between revenues and expenses may be thought of as the university's operating results.

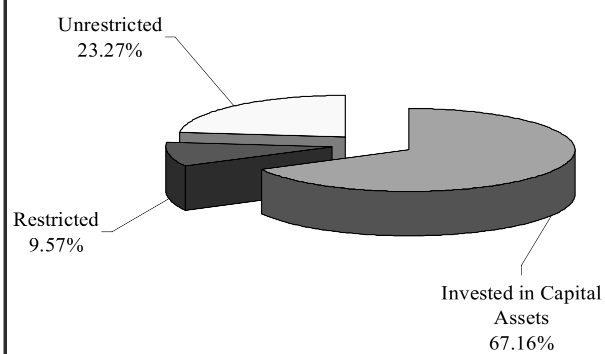
These comparative statements report the current status and changes to the university's net assets. Net assets, the difference between assets and liabilities, is one way to measure the university's financial position. Increases in net assets show an improvement in financial health while decreases often indicate declining financial stability. However, many other non-financial factors, such as the trend in admission applicants, enrollment, student retention, and condition of the buildings must be considered to accurately assess the overall health of the university.

As the statement shows below, the university's net assets increased from $67,733,630 in 2005 to $72,599,761 in 2006.

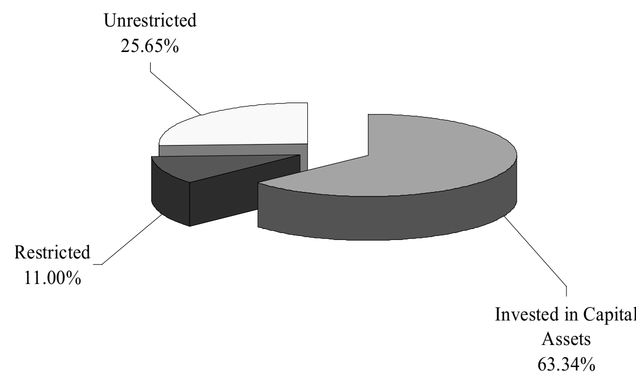
	2006	2005
Current Assets	$31,029,415	$32,951,722
Noncurrent Assets		
Capital Assets	85,545,210	74,724,922
Other	15,110,512	22,617,211
Total Assets	131,685,137	130,293,855
Current Liabilities	$23,597,939	$24,256,353
Noncurrent Liabilities	35,487,437	38,303,872
Total Liabilities	59,085,376	62,560,225
Net Assets:		
Invested in Capital Assets	48,758,888	42,905,812
Restricted – Debt Retirement		
Restricted – Nonexpendable	3,375,091	3,246,323
Expendable – Contributor Restricted	3,571,471	4,206,518
Unrestricted*(see next page)	16,894,311	17,374,977
Total Net Assets	72,599,761	67,733,630
Total Liabilities and Net Assets	$131,685,137	$130,293,855

The following charts indicate the changes in net assets for the year ended August 31, 2006 as compared to the previous year.

Net Assets - August 31, 2006

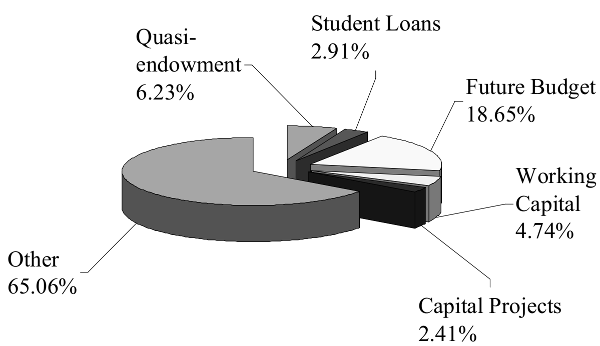


Net Assets - August 31, 2005

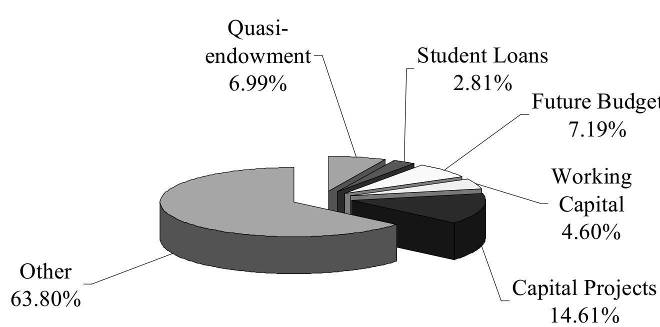


The university reports unrestricted net assets of 23.27% for the year ended August 31, 2006 and 25.65% for the prior year. The net decrease of $480,666 in unrestricted net assets was due to use of prior year HEAF funds to build the new Dillard College of Business Administration building and the purchase of a property from a quasi-endowment fund. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how funds have been allocated:

Allocation of Unrestricted Net Assets August 31, 2006



Allocation of Unrestricted Net Assets August 31, 2005



A N N U A L F I N A N C I A L R E P O R T

The University's Results of Operations

The statement of revenues, expenses, and changes in net assets reflects the university's operating results for the fiscal years ended August 31, 2006 and 2005. The statements below indicate the financial condition of the university, and comparatively analyze in what direction the university is moving. The following statements reveal the operating results of the university, as well as the non-operating revenues and expenditures. Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and food services. Certain federal, state, and private grants are considered operating revenues if they are not for capital purposes and are considered a contract for services. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

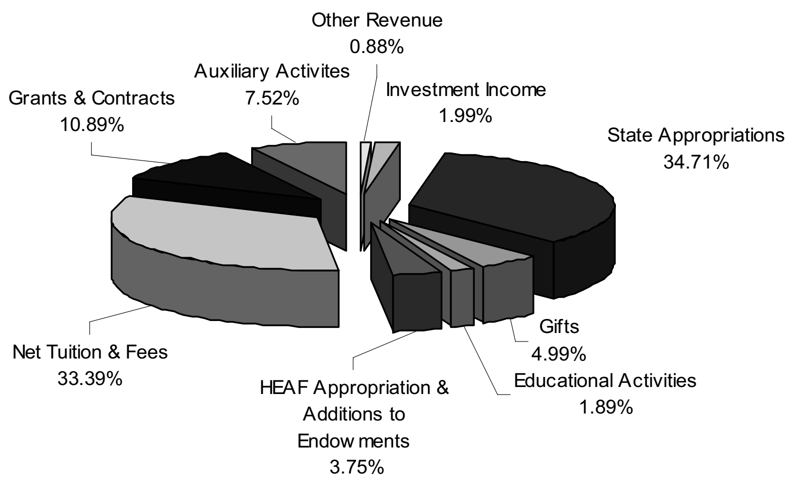
The statement below compares the operating results of the university for the years ended August 31, 2006 and 2005.

	2006	2005
Operating Revenue:		
Net tuition and fees	$21,980,309	$19,007,023
Grants and contracts	1,222,477	1,495,391
Sales and Services of Educational Activities	1,242,442	954,217
Sales and Services of Auxiliary Enterprises	4,948,811	3,981,844
Other	581,668	583,756
Total Operating Revenue	29,975,707	26,022,231
Operating Expenses	63,549,899	57,599,243
Operating Loss	(33,574,192)	(31,577,012
Nonoperating Revenues (Expenses):		
State Appropriations	22,844,937	20,941,156
Grants (Federal & State)	5,948,755	6,001,181
Gifts	3,281,833	2,509,958
Other Nonoperating Revenues	(4,491)	22,805
Investment Income	1,192,907	1,087,051
Investment Activities Expense		
Net Increase (Decrease) in Fair Value of Investments	132,857	(152,282)
Gain (Loss) on Sale of Capital Assets		(246,703)
Net Book Value of Capital Assets Disposals	(28,383)	(125,370)
Net Expenses Incurred on Bonds Issued		
Interest Expense on Capital Asset Financing	(1,494,389)	(816,339)
Total Nonoperating Revenue (Expense)	31,874,026	29,221,457
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,700,166)	(2,355,555)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	50,000	4,968,525
HEAF Appropriation	2,289,565	3,007,669
Additions to Endowments	182,014	410,487
Transfers In	4,089,540	5,586
Transfers Out	(349,194)	(25,894)
Increase (Decrease) in Net Assets	4,561,759	6,010,818
Net Assets, Beginning of Year, as Restated	68,038,002	61,722,812
Net Assets, End of Year	$72,599,761	$67,733,630

Year Ended 8-31-2006 (UNAUDITED)

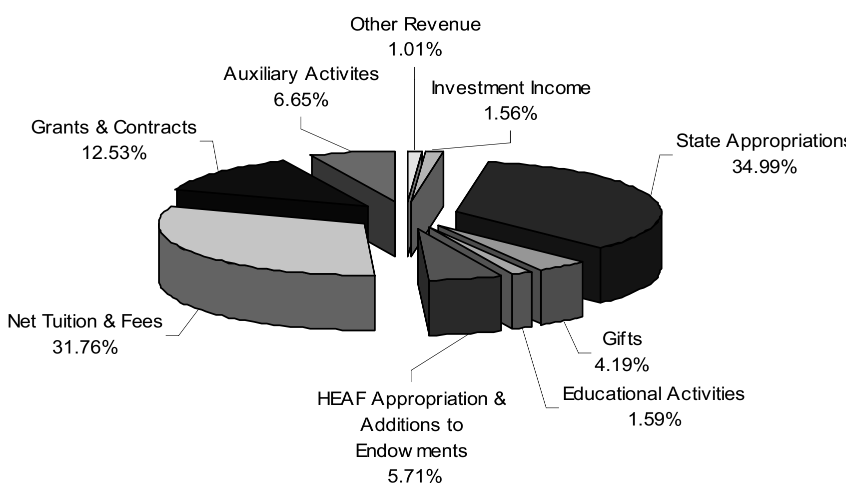
This chart identifies the components of total revenue for the year ended August 31, 2006:

Total Revenue — August 31, 2006



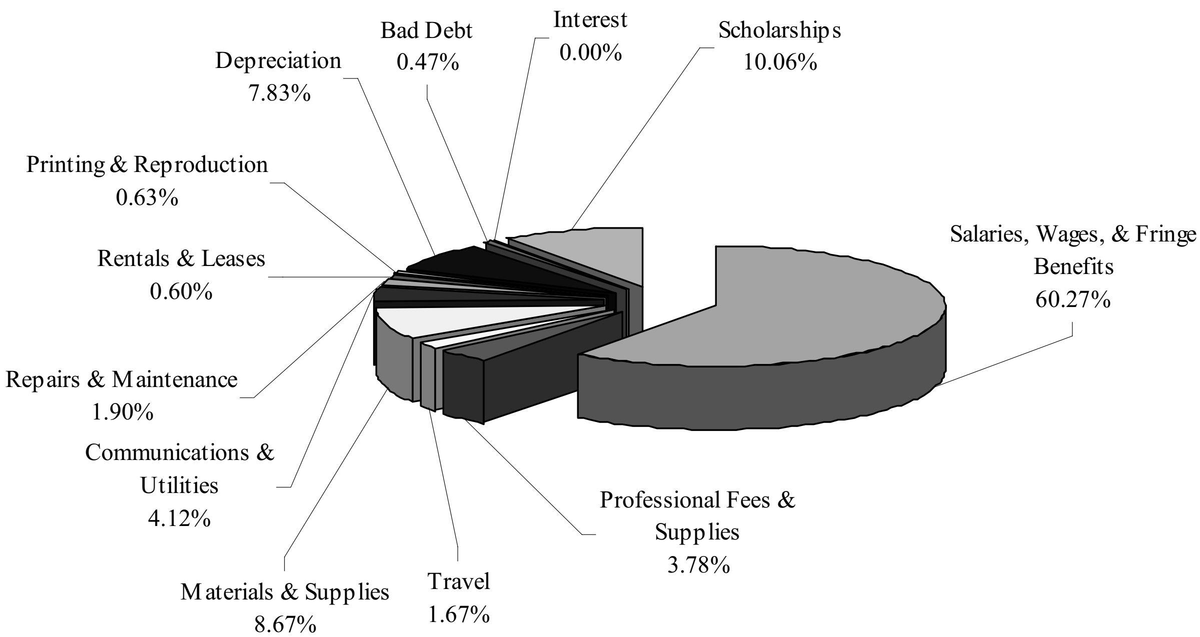
This chart reflects the same information for the year ended August 31, 2005:

Total Revenue — August 31, 2005

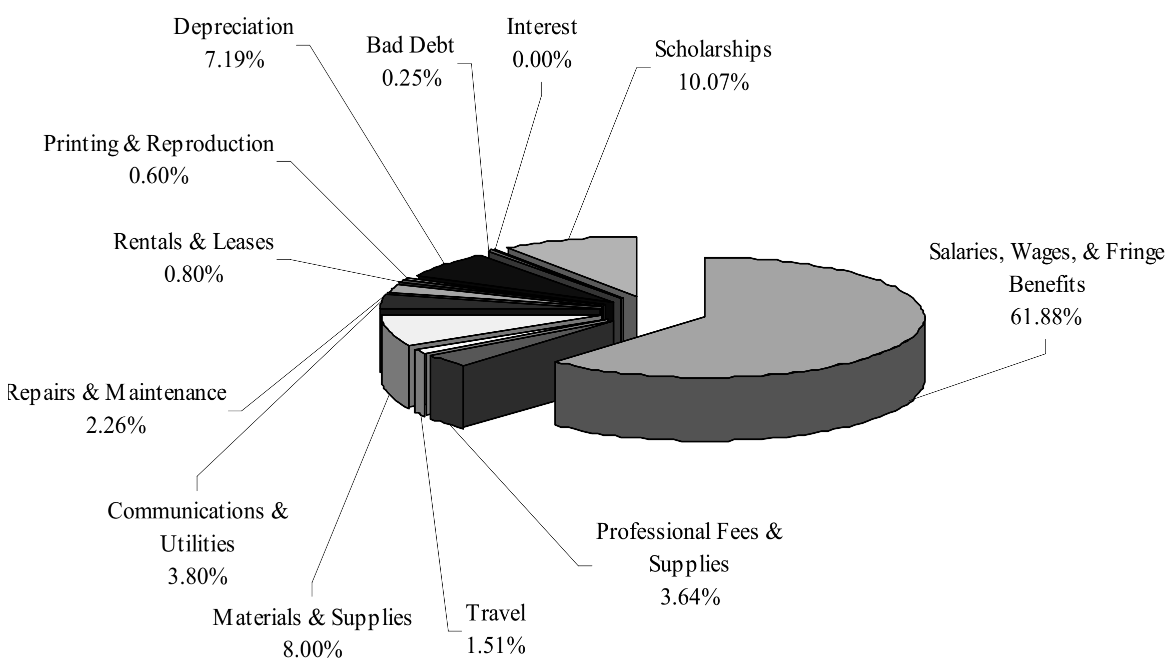


Total operating expenses for the year ended August 31, 2006 were $63,549,899 as compared to $57,999,243 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2006 and fiscal year 2005.

Total Operating Expenses — August 31, 2006



Total Operating Expenses — August 31, 2005



ANNUAL FINANCIAL REPORT

The University's Cash Flows

The statement of cash flows represents the university's significant sources and uses of cash. It is designed to help users assess the university's ability to generate future cash flows, its ability to meet obligations as they come due, and its need for external financing.

Cash Flows

	2006	2005
Cash provided (used) by:		
Operating activities	$(27,215,159)	$(26,063,430)
Noncapital financing activities	33,226,043	31,658,331
Capital and related financing activities	(14,555,776)	(1,423,287)
Investing activities	9,015,684	(4,133,551)
Net increase (decrease) in cash	470,792	38,063
Cash – Beginning of year	3,299,511	3,261,448
Cash – End of year	$3,770,303	$3,299,511

There was a net increase in cash of $470,792.

Exhibit III, the Statement of Cash Flows, shows that the major sources of funds for operating activities are from student tuition and fees and auxiliary enterprises. Tuition and fees accounted for $22.3 million and auxiliary enterprises, including housing and dining, accounted for nearly $5 million.

State appropriations in the amount of $23 million are the primary source of non-capital financing. Although the university is dependent on these appropriations to continue the current level of operations, accounting standards require that this source of funding be reflected as non-operating.

Other non-capital financing activities include state and federal grants in the amount of $6 million and gifts in the amount of $4 million.

The main sources for financing activities came from State Higher Education Assistance Funds (HEAF) which accounted for $2 million. Cash was used to purchase capital assets in the amount of $12 million and for the payment of principal and interest on capital debt in the amount of $4 million.

The cash provided by investing activities in FY2006 came out of the bond funds for construction that were previously invested and are now expended.

The University's Capital Assets and Debt Administration

Capital Assets

As of August 31, 2006, the university had $85.5 million invested in capital assets. This figure is net of accumulated depreciation of $66.2 million. Depreciation charges totaled $4.9 million for the current fiscal year. The category of other capital assets includes library holdings, artwork, and collections. Assets by classification are shown below.

Capital Assets Before Accumulated Depreciation

	2006	2005
Land and Land Improvements	$3,471,321	$3,436,321
Construction in Progress	563,980	12,502,739
Buildings and Building Improvements	104,983,866	85,189,018
Infrastructure	10,463,927	7,601,961
Facilities Improvements	4,966,960	4,033,412
Furniture and Equipment	11,522,859	8,845,762
Vehicles	1,580,018	1,506,152
Other Capital Assets	14,205,018	13,947,937
Total	$151,757,949	$137,063,302

Assets totaling $37.4 million were placed in service during fiscal year 2005-2006. These include: completion of the renovation of Pierce Hall; completion of the construction of the new Dillard College of Business Administration; upgrade of the parking lot adjacent to the Dillard Building; upgrade of the Central Plant including a new chiller, cooling tower, and related pumps, variable frequency drives and controls; completion of the utility tunnel expansion; a campus wide building lighting retrofit; acquisition of the house and land at 2514 Hampstead; and acquisition of a new Oracle software database and new IBM hardware to be utilized for the Sungard Banner software conversion project.

The $563,980 representing construction in progress at the end of the year includes: installation of a Central Plant heater exchanger; the Sungard Banner software conversion project for applications in the student information system, finance, and payroll/personnel; renovation of the Fowler Building; and construction of a new Student Recreation Center.

Further financial information about the university's capital assets is presented in Note 2 of the notes to the financial statements.

Debt

At year-end, the university had $48.9 million in outstanding debt. Outstanding debt for the year ended August 31, 2005 was $53.6 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2006 compared with August 31, 2005.

	2006	**2005**
Revenue Bonds	$26,475,000	$27,775,000
General Obligation Bonds (HEAF)	10,310,000	11,185,000
Accrued long term interest payable on bonds	12,193,191	13,960,722
Capital Lease Obligation	1,322	581,351
Accrued interest payable on capital lease obligations	28	102,789
Total	$48,979,541	$53,604,862

Capital lease obligations for FY2005 were restated (reduced) by $427,315 to comply with the Texas State Comptroller's requirement that TPFA (Texas Public Finance Authority) financings be recognized as a "transfer in" by other state agencies.

Debt repayments made during the year included principal in the amount of $2,175,000 and interest in the amount of $1,767,531, of which $167,570 was capitalized as part of constructed assets.

The university's revenue bond rating is A2. More detailed bond information is disclosed in Schedule 2A, 2B, 2C, 2D, and 2E.

Factors That Will Affect the Future

Midwestern State University's overriding goal is to create an institutional environment of a smaller school with the resources to provide educational programs of the highest quality. Midwestern State University draws its student body from 162 counties in Texas, 47 states in the U.S., and 43 different countries. The university's student-teacher ratio now stands at 19.2 to 1 and 70.7% of its full-time faculty hold terminal degrees in their teaching discipline. These numbers compare favorably with the best institutions in Texas and the nation.

MSU's student-teacher ratio dropped from a high in 1995 of 24 to 1 to its current 19.2 to 1. This was made possible by the hiring of additional faculty with general revenue enhancement funds and the funds made available by tuition increases that are small enough to keep Midwestern State University affordable, but large enough to provide a high quality university experience. Current Texas Higher Education Coordinating Board (THECB) data show that MSU has raised its tuition for a 15-hour student load by $578 between 2003 and 2006. This ranks MSU 26 out of 34 institutions. The average increase per 15 hours for the state institutions is $760.

Midwestern State University has clearly focused the university's mission. MSU is a high quality, public liberal arts university with three strong professional colleges. Because of this mission, MSU was our accepted into the Council of Public Liberal Arts Colleges (COPLAC). Midwestern State now joins such distinguished universities as Keene State College in New Hampshire, Sonoma State University in California, Truman State University in Minnesota, St. Mary's College of Maryland, and other prestigious schools of the approximate size and mission of Midwestern. COPLAC universities are accredited public universities that are:

- governed by a public board,
- committed to providing superior liberal arts and sciences education, as well as professional degree programs,
- typified by low student-teacher ratio with an opportunity for faculty supervised student research and student-faculty interactions,
- affordable tuition,
- competitive admission standards, and
- beautiful campuses located in small cities or rural settings.

These criteria typify Midwestern State University.

Recent University Progress

- Midwestern State University raised admission standards significantly effective fall 2006.
- The university dropped its student-teacher ratio to a manageable level that will allow significant student-teacher interaction in reasonable size classes.
- As described, the university joined COPLAC, a national organization of public universities similar to Midwestern State University. Even though MSU's mission is based on a strong liberal arts and sciences education, professional programs are continually developed. One that distinguishes the university is the establishment of a mechanical engineering degree program. Funds for the establishment of this degree program came from private gifts from two major donors of the university. Consequently, the McCoy School of Engineering was established and construction of the McCoy Engineering Hall is in progress.
- The College of Health Sciences and Human Services continues to be a high growth area. Unfortunately, due to lack of clinical space, scores of qualified students this year in nursing, radiologic science, and respiratory care programs were rejected.
- MSU is very proud of the successful raising of private funds. The university's annual alumni drive exceeded its goal, the President's Excellence Circle has tripled its contributions in only four years, and this past academic year MSU raised $8.89 million in private gifts. This does not include the McCoy gift that will be applied to the engineering building. Additionally, MSU endowments, the MSU Foundation and the MSU Charitable Trust holdings now exceed $42.8 million.
- Midwestern State University has been involved in strategic planning for the last thirty years. Two major goals for the near future of Midwestern State must be:
- **An increase in the freshmen to sophomore retention** at the university. It has hovered around 60% for the past ten years.
- **An increase in its graduation rate.** Over the past 15 years, the graduation rate has changed from a low of 22% for the six-year graduation rate to a high of 38%. MSU must do more to assist its students to graduate in a timely manner.

MSU's fiscal constraints, efforts, and planning will, in the future, be concentrated around these two institutional goals.

Midwestern State University
Exhibit I
Comparative Statement of Net Assets
August 31

		2006		2005
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand		$ 15,400		$ 15,595
Cash in Bank		608,811		719,013
Cash in State Treasury		3,142,944		2,488,631
Short-term Investments		14,737,620		16,166,739
State Appropriations		2,131,599		2,452,590
Restricted:				
Cash and Cash Equivalents:				
Cash in Bank		3,148		76,272
Cash Equivalents				
Short-term Investments		856,190		744,064
Notes and Loans receivable		15,923		13,070
Net Receivables:				
Student Receivables		3,007,253		3,586,066
Federal Receivables		157,951		174,887
Other Intergovernmental Receivables		176		378
Interest and Dividends		217,727		213,118
Other Receivables		752,018		1,047,763
Pledges receivable		518,492		300,453
Consumable Inventories		307,129		290,986
Prepaid Expenses		4,557,034		4,662,097
Total Current Assets		31,029,415		32,951,722
Noncurrent Assets:				
Restricted:				
Short-term Investments		1,461,305		10,087,168
Investments		860,697		671,466
Loans and Contracts		104,703		85,918
Other Long term Investments		12,683,807		10,772,659
Pledges Receivable-Capital Projects				1,000,000
Capital Assets, Non-depreciable:				
Land and Land Improvements	$ 3,471,321		$ 3,436,321	
Construction in Progress	563,980		12,502,739	
Other Capital Assets	2,965,532	7,000,833	2,963,878	18,902,938
Capital Assets, Depreciable:				
Buildings & Building Improvements	104,983,866		85,189,018	
Less Accumulated Depreciation	(46,287,942)	58,695,924	(43,678,273)	41,510,745
Infrastructure	10,463,927		7,601,961	
Less Accumulated Depreciation	(2,509,207)	7,954,720	(2,190,407)	5,411,554
Facilities and Other Improvements	4,966,960		4,033,412	
Less Accumulated Depreciation	(2,044,459)	2,922,501	(1,927,156)	2,106,256
Furniture and Equipment	11,522,859		8,845,762	
Less Accumulated Depreciation	(6,400,692)	5,122,167	(6,064,571)	2,781,191
Vehicles	1,580,018		1,506,152	
Less Accumulated Depreciation	(853,200)	726,818	(719,331)	786,821
Other Capital Assets	11,239,486		10,984,059	
Less Accumulated Depreciation	(8,117,239)	3,122,247	(7,758,642)	3,225,417
Total Noncurrent Assets		100,655,722		97,342,133
Total Assets		$ 131,685,137		$ 130,293,855

	2006	2005
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 1,881,242	$ 1,796,399
Accrued Liabilities	3,393,260	3,380,626
Intergovernmental Accounts Payable-ERS		74,882
Employees' Compensable Leave	121,121	120,713
Room/Property Deposits	74,127	76,135
Deferred Revenues	15,540,560	15,747,864
Retainages and Contracts		625,365
Funds Held for Others	96,307	67,906
Revenue Bonds Payable	1,345,000	1,300,000
Constitutional Appropriation Bonds	1,145,000	875,000
Capital Lease Obligations	1,322	191,463
Total Current Liabilities	23,597,939	24,256,353
Noncurrent Liabilities:		
Employees' Compensable Leave	970,056	900,580
Room/Property Deposits	222,381	228,404
Revenue Bonds Payable	25,130,000	26,475,000
Constitutional Appropriation Bonds	9,165,000	10,310,000
Capital Lease Obligations		389,888
Total Noncurrent Liabilities	35,487,437	38,303,872
Total Liabilities	59,085,376	62,560,225
NET ASSETS		
Invested in Capital Assets, net of related debt	48,758,888	42,905,812
Restricted for:		
Debt Retirement		
Nonexpendable	3,375,091	3,246,323
Expendable:		
Restricted by Contributor	3,571,471	4,206,518
Unrestricted	16,894,311	17,374,977
Total Net Assets	72,599,761	67,733,630
Total Liabilities and Net Assets	$ 131,685,137	$ 130,293,855

Unaudited

Exhibit II
Comparative Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended August 31

	2006	2005
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of $3,719,227 and $3,335,737, respectively)	$ 21,980,309	$ 19,007,023
Federal Grants	613,849	621,178
Federal Pass-Through Grants	120,647	94,516
State Pass-Through Grants	427,778	617,055
Other Grants and Contracts	60,203	162,642
Sales and Services of Educational Activities	1,242,442	954,217
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $410,160 and $432,338 respectively)	4,948,811	3,981,844
Other Operating Revenue	581,668	583,756
Total Operating Revenues	29,975,707	26,022,231
Operating Expenses:		
Salaries and Wages	30,441,072	28,464,541
Payroll Related Costs	7,862,133	7,179,972
Professional Fees and Services	2,399,182	2,096,201
Travel	1,061,538	868,701
Materials and Supplies	5,509,763	4,606,513
Communications and Utilities	2,615,103	2,188,433
Repairs and Maintenance	1,210,359	1,303,473
Rentals and Leases	382,816	460,181
Printing and Reproduction	400,878	348,402
Depreciation	4,974,273	4,139,839
Bad Debt Expense	301,731	143,461
Interest	329	213
Scholarships	6,390,722	5,799,313
Total Operating Expenses	63,549,899	57,599,243
Operating Loss	(33,574,192)	(31,577,012)
Nonoperating Revenues (Expenses):		
State Appropriations	18,448,281	17,229,737
Additional State Appropriations	4,396,656	3,711,419
State Grants	1,209,143	1,184,644
Federal Grants	4,685,460	4,816,537
Federal Grants-Pass Through the State	54,152	
Gifts	3,281,833	2,509,958
Other Nonoperating revenues (expense)	(4,491)	22,805
Investment Income	1,192,907	1,087,051
Net Increase (Decrease) in Fair Value of Investments	132,857	(152,282)
Gain (Loss) on Sale of Capital Assets		(246,703)
Net Book Value of Capital Asset Disposals	(28,383)	(125,370)
Interest Expense on Capital Asset Financing	(1,494,389)	(816,339)
Total Nonoperating Revenues (Expenses)	31,874,026	29,221,457
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,700,166)	(2,355,555)

	2006	2005
Capital Contributions	$ 50,000	$ 4,968,525
HEAF Appropriation	2,289,565	3,007,669
Additions to Endowments	182,014	410,487
Transfer In	4,089,540	5,586
Transfers Out	(349,194)	(25,894)
Increase (Decrease) in Net Assets	4,561,759	6,010,818
Net Assets, Beginning of Year	67,733,630	68,932,630
Restatements	304,372	(7,209,818)
Net Assets, Beginning of Year, as Restated	68,038,002	61,722,812
Net Assets, End of Year	$ 72,599,761	$ 67,733,630

Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2006

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 30,441,072	$ 17,762,452	$ 6,720	$ 379,604	$ 2,261,145
Payroll Related Costs	7,862,133	4,375,067	1,325	70,404	535,920
Professional Fees and Services	2,399,182	549,237	12,004	54,889	588,273
Travel	1,061,538	292,495	751	56,177	183,403
Materials and Supplies	5,509,763	777,610	32,042	155,157	858,551
Communications and Utilities	2,615,103	52,646		3,342	17,652
Repairs and Maintenance	1,210,359	124,872	119	11,129	27,008
Rentals and Leases	382,816	130,072		36,688	30,845
Printing and Reproduction	400,878	28,621		40,892	50,393
Depreciation	4,974,273				
Bad Debt Expense	301,731	9,675			1,327
Interest	329	81			61
Scholarships	6,390,722				
Total Operating Expenses	$ 63,549,899	$ 24,102,828	$ 52,961	$ 808,282	$ 4,554,578

Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2005

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 28,464,541	$ 16,872,454	$ 32,733	$ 303,361	$ 1,903,644
Payroll Related Costs	7,179,972	3,812,303	2,863	58,370	411,349
Professional Fees and Services	2,096,201	447,610	15,656	43,331	482,689
Travel	868,701	217,593	3,956	32,555	170,894
Materials and Supplies	4,606,513	571,832	17,314	148,263	652,295
Communications and Utilities	2,188,433	63,075		4,457	22,258
Repairs and Maintenance	1,303,473	122,191	99	19,044	135,040
Rentals and Leases	460,181	71,841		47,106	21,332
Printing and Reproduction	348,402	30,146	34	12,732	18,456
Depreciation	4,139,839				
Bad Debt Expense	143,461	3,105			427
Interest	213	13	1		56
Scholarships	5,799,313				
Total Operating Expenses	$ 57,599,243	$ 22,212,163	$ 72,656	$ 669,219	$ 3,818,440

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 1,696,905	$ 3,658,107	$ 1,914,297		$ 2,761,842	
473,972	1,078,882	674,538		652,025	
562,547	(668,438)	155,788		1,144,882	
67,924	129,563	3,256		327,969	
150,803	807,133	613,543		2,114,924	
21,175	(12,653)	1,550,228		982,713	
83,698	552,206	161,658		249,669	
12,512	59,309	19,570		93,820	
100,026	82,611	780		97,555	
					$ 4,974,273
184,456	48,482	22,425		35,366	
2	151	34			
			$ 6,390,722		
$ 3,354,020	$ 5,735,353	$ 5,116,117	$ 6,390,722	$ 8,460,765	$ 4,974,273

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 1,512,324	$ 3,347,667	$ 1,931,747		$ 2,560,611	
400,479	1,118,098	781,310		595,200	
555,829	(449,785)	99,275		901,596	
53,621	82,527	5,715		301,840	
179,909	830,659	555,836		1,650,405	
22,448	44,623	1,252,122		779,450	
37,079	541,838	245,269		202,913	
13,253	61,091	17,477		228,081	
77,742	73,421	(4,883)		140,754	
					$ 4,139,839
108,177	10,544			21,208	
2	112	29			
			$ 5,799,313		
$ 2,960,863	$ 5,660,795	$ 4,883,897	$ 5,799,313	$ 7,382,058	$ 4,139,839

Midwestern State University
Exhibit III
Statement of Cash Flows
For the Years Ended August 31

	2006	2005
Cash Flows from Operating Activities:		
Proceeds Received from Students	$ 22,343,787	$ 20,839,013
Proceeds Received for Sponsored Programs	1,239,413	1,447,749
Proceeds Received from Auxiliary Enterprises	4,948,811	3,981,844
Proceeds From Loan Programs	17,443	28,506
Proceeds From Other Revenues	2,119,855	950,790
Payments to Employees	(38,001,979)	(35,594,397)
Payments to Suppliers for Good and Services	(19,843,408)	(17,694,976)
Payments for Loans Provided	(39,081)	(21,959)
Net Cash Provided (Used) by Operating Activities	(27,215,159)	(26,063,430)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	23,165,928	22,256,641
Proceeds from State and Federal Grants	5,948,957	6,001,719
Proceeds from Contributed Capital	182,014	410,487
Gifts	4,062,724	2,986,987
Proceeds from Other Noncapital Financing Activities	(4,466)	22,805
Transfers in from Other Funds		5,586
Transfers out to Other Funds	(129,114)	(25,894)
Net Cash Provided by Noncapital Financing Activities	33,226,043	31,658,331
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Debt		11,183,485
Proceeds from Capital Gifts	50,000	1,128,525
Proceeds from HEAF Appropriations	2,289,565	3,007,669
Proceeds from Disposal of Capital Assets		59,818
Purchase of Capital Assets	(12,634,426)	(15,287,867)
Principal Paid on Capital Related Debt	(2,547,818)	(1,094,743)
Interest Paid on Capital Related Debt	(1,713,097)	(420,174)
Net Cash Provided by Capital and Related Financing Activities	(14,555,776)	(1,423,287)
Cash Flows from Investing Activities		
Proceeds from Interest and Investment Income	1,188,298	976,210
Proceeds from Sales and Maturities of Investments	65,572,746	56,148,262
Payments to Acquire Investments	(57,745,360)	(61,258,023)
Net Cash Provided (Used) by Investing Activities	9,015,684	(4,133,551)
Increase (Decrease) in Cash and Cash Equivalents	470,792	38,063
Cash and Cash Equivalents, September 1, 2005	3,299,511	3,261,448
Cash and Cash Equivalents, August 31, 2006	$ 3,770,303	$ 3,299,511

	2006	2005
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets		
Current Assets:		
Cash On Hand	$ 15,400	$ 15,595
Cash In Bank	608,811	719,013
Cash in State Treasury	3,142,944	2,488,631
Restricted:		
Cash In Bank	3,148	76,272
Cash Equivalents		
	$ 3,770,303	$ 3,299,511
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (33,574,192)	$ (31,577,012)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	4,974,273	4,139,839
Bad Debt Expense	301,731	143,461
(Increase) Decrease in Receivables	891,494	(187,346)
(Increase) Decrease in Inventories	(16,143)	3,176
(Increase) Decrease in Prepaid Expenses	105,063	(514,371)
(Increase) Decrease in Loans	(21,638)	6,547
Increase (Decrease) in Payables	339,588	372,300
Increase (Decrease) in Deferred Income	(207,304)	1,531,011
Increase (Decrease) in Other Liabilities	(8,031)	18,965
Total Adjustments	6,359,033	5,513,582
Net Cash Used by Operating Activities	$ (27,215,159)	$ (26,063,430)
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	$ 132,857	$ (152,282)
(Loss) Gain on Asset Disposals	(28,383)	(372,073)
Donated Capital Asset		3,840,000
Donated Investment Asset	1,070	1,218

Note 1: Summary of Significant Accounting Policies

Introduction

Midwestern State University is a public institution of higher education and is an agency of the State of Texas. The university's Board of Regents is appointed by the Governor of the State. Accordingly, the university's financial position is in the State of Texas' Consolidated Annual Financial Report. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

Basis of Presentation

The financial statements of Midwestern State University have been prepared in accordance with the requirements established by the Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities,* issued in June and November, 1999. Due to the significant changes related to these Statements, the Comptroller of Public Accounts does not require the annual financial report to be in compliance with GAAP.

The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas' Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

The university now follows the "business-type activities" reporting requirement of GASB Statement No. 34 that provides a comprehensive one-line look at the university's financial activities.

Basis of Accounting – Proprietary Fund Accounting

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial positions, and cash flows. The financial statements of the university have been prepared on the accrual basis. Accrual accounting attempts to record a transaction's financial effects in the period in which the transaction occurred, rather than when cash is received or paid. Revenues are recorded when they are earned or when the university has a right to receive the revenues. Expenses are recognized when they are incurred.

There are four essential elements of accrual accounting. They are:

- Deferral of expenditures and the subsequent amortization of the deferred costs.
- Deferral of revenues until they are earned.
- Capitalization of certain expenses and the subsequent depreciation of the capitalized costs.
- The accruals of revenues that have been earned and expenses that have been incurred.

Proprietary funds use the flow of economic resources measurement focus, which is similar to the focus used by commercial entities. Proprietary funds focus on whether the enterprise is economically better off as a result of the events and transactions that occurred during the fiscal period reported. Transactions and events that improved an enterprise's financial position are reported as revenues or gains. Transactions and events that diminished the economic position of the enterprise are reported as expenses or losses. Both current and long-term assets and liabilities are shown on the statement of net assets.

The proprietary statement of revenues, expenses, and changes in net assets is segregated into operating and non-operating sections.

Generally, operating activities are those that directly result from the provision of goods and services to customers or are directly related to the principal and usual activity of an enterprise. GASB 34 indicates that a consideration for defining a proprietary fund's operating revenues and expenditures is how individual transactions would be classified for purposes of preparing a statement of cash flows according to GASB Statement No. 9.

Since certain grants are actually contracts for services, they are classified as operating activities. Although loan activity would normally be classified as an investing activity, lending activities in a university are directly related to the principal and usual activity of the university, and are classified as operating activities.

Net Assets

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of university obligations.

Restricted Net Assets represent amounts over which third parties have imposed restrictions that cannot be changed by the Board, including amounts that the Board has agreed to set aside under contractual agreements with third parties. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes. Restricted Net Assets includes the university's permanent endowments and donor restricted funds.

Unrestricted Net Assets are available for university use, and have been internally designated or reserved for specific purposes such as renewals and replacements, quasi-endowments, capital projects, student loans, budget commitments, and reserves for working capital.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents.

Investments

The university reports investments at fair value in the Statement of Net Assets.

Restricted Assets

Restricted assets are those assets that have third party restrictions or are restricted for specific uses by a contractual obligation. Restricted assets include donor restricted funds and proceeds from bond issuances that can only be used for capital projects.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost and utilize the last-in, first-out method.

Capital Assets

Property, plant and equipment are recorded at cost, or, if acquired by gift, at the fair market value as of the date of the acquisition. Depreciation is provided on physical properties on a straight-line basis over the estimated useful life of the asset.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Note 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2006, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/05	Restatement	Completed CIP	Additions	Deletions	Balance 08/31/06
Non-depreciable Assets						
Land and Land Improvements	$3,436,321			$35,000		$3,471,321
Construction in Progress	12,502,739		($22,037,712)	10,098,953		563,980
Other Capital Assets	2,963,878			1,654		2,965,532
Total Non-depreciable Assets:	18,902,938	0	(22,037,712)	10,135,607	0	7,000,833
Depreciable Assets:						
Buildings and Building Improvements	85,189,018		19,568,238	794,277	(567,667)	104,983,866
Infrastructure	7,601,961		716,599	2,145,367		10,463,927
Furniture and Equipment	8,845,762		1,095,181	2,036,019	(454,103)	11,522,859
Vehicles	1,506,152	($124,237)		217,151	(19,048)	1,580,018
Other Capital Assets	10,984,059		26,000	250,692	(21,265)	11,239,486
Facilities and Other Improvements	4,033,412		631,694	366,774	(64,920)	4,966,960
Total Depreciable Assets at Historical Cost:	118,160,364	(124,237)	22,037,712	5,810,280	(1,127,003)	144,757,116
TOTAL ASSETS BEFORE DEPRECIATION	137,063,302	(124,237)	0	15,945,887	(1,127,003)	151,757,949
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(43,678,273)			(3,148,953)	539,284	(46,287,942)
Infrastructure	(2,190,407)			(318,800)		(2,509,207)
Furniture and Equipment	(6,064,571)			(790,224)	454,103	(6,400,692)
Vehicles	(719,331)	1,294		(154,211)	19,048	(853,200)
Other Capital Assets	(7,758,642)			(379,862)	21,265	(8,117,239)
Facilities and Other Improvements	(1,927,156)			(182,223)	64,920	(2,044,459)
Total Accumulated Depreciation	(62,338,380)	1,294	0	(4,974,273)	1,098,620	(66,212,739)
Depreciable Assets, Net	$55,821,984	$(122,943)	$22,037,712	$836,007	($28,383)	$78,544,377
Capital Assets, Net	$74,724,922	$(122,943)	0	$10,971,614	($28,383)	$85,545,210

Note 3: Deposits and Investments

Authorized Investments

Midwestern State University is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Governmental Code). Such investments include:

(1) Obligations of the United States or its agencies,
(2) Direct obligations of the State of Texas or its agencies,
(3) Obligations of political subdivisions rated not less than A by a national investment rating firm,
(4) Certificates of deposit, and
(5) Other instruments and obligations authorized by statute.

Deposits of Cash in Bank

At August 31, 2006, and 2005, the carrying amount of the university's deposits was as follows:

	2006	2005
Business-type activities:		
Proprietary Funds Current Assets Cash In Bank	$608,811	$719,013
Proprietary Funds Current Assets Restricted Cash In Bank	3,148	76,272
Total Cash In Bank	$611,959	$795,285

University policy and State Statute require the university's funds be deposited into authorized commercial banks and savings and loan associations. State statutes also require that these financial institutions pledge securities as collateral to secure university deposits.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the university's deposits may not be recovered or the university may not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial risk if they are not covered by the depository insurance and are:

(1) Uncollateralized,
(2) Collateralized with securities held by the pledging financial institution,
(3) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the agency's name.

The university's bank balance at August 31, 2006 was $1,179,095. $100,951 of this amount was covered by FDIC insurance, and $1,078,144 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Federal Home Loan Bank of Dallas acting as Custodian for the university and the bank. (As defined in 3 above.)

Investments

As of August 31, 2006, and 2005, the fair value of the university's investments is presented below:

	2006	2005
U.S. Government		
U.S. Treasury Note	$0	$990,160
U.S. Agency Obligations	20,895,774	31,068,082
Equity	103,357	101,950
Other Commingled Funds-Texpool	8,143,095	5,870,370
Other Commingled Funds-LOGIC	430,430	411,597
Other Commingled Funds-JP Morgan	1,026,963	0
Total	$30,599,619	$38,442,159

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2006, the university's credit quality distribution for securities with credit risk exposure was as follows:

U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$20,895,774	Rated AAA
Commingled Funds-Texpool	8,143,095	Rated AAA
Commingled Funds-LOGIC	430,430	Rated AAA
Commingled Funds-JP Morgan	1,026,963	Not Rated (Collateralized)

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2006, the university's concentration of credit risk is as follows:

Issuer	Carrying Value	% of Total Portfolio
Federal Home Loan Bank	$10,729,051	35%
Federal Home Loan Mortgage Corp.	2,991,602	10%
Texpool-Commingled Funds	8,143,095	27%
Federal National Mortgage Assn.	6,170,556	20%

Note 4: Short Term Debt

Not Applicable.

A N N U A L F I N A N C I A L R E P O R T

Note 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2006, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-05	Restatement	Additions	Reductions	Balance 08-31-06	Amounts Due Within One Year
Compensable Leave	$1,021,293		$173,206	$103,322	$1,091,177	$121,121
General Obligation Bond Payable	11,185,000			875,000	10,310,000	1,145,000
Revenue Bonds Payable	27,775,000			1,300,000	26,475,000	1,345,000
Capital Lease Obligations	581,351	($427,315)		152,714	1,322	1,322
Total	$40,562,644	($427,315)	$173,206	$2,431,036	$37,877,499	$2,612,443

Employees' Compensable Leave

Benefit eligible staff and 12-month faculty members can earn annual leave from eight to twenty-one hours per month depending on the respective employee’s years of state employment. The State’s policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of hours up to 532 for those employees with thirty-five or more years of state service. A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee’s resignation, dismissal, separation from State employment, or transfer to a position that no longer accrues vacation, provided the employee has had continuous employment with the State for six months. For proprietary fund types an expense and liability are recorded as the benefits accrued to the employee. The liability is determined through the summarization of each employee’s annual leave balance multiplied by their respective salary rate. The estimated cumulative amount of this liability is $1,091,178. The university made lump sum payments totaling $103,321 for accrued vacation to employees who separated from State service during the fiscal year ended August 31, 2006, and payments of $61,963 for August 31, 2005.

The university has an undetermined and unrecorded liability for employee's earned sick leave. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The university's policy is to recognize the cost of sick leave when paid. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Year
Ended
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Note 6: Capital Leases

The University has entered into long-term leases for financing the purchase of certain fixed assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease.

The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31:

	Business-Type Activities	
Assets Under Capital Lease	2006	2005
Furniture and Equipment	$20,255	$1,220,109
Less: Accumulated Depreciation	(13,262)	(299,873)
Total Net Book Value	$6,993	$920,236

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Fiscal Year	Business Type Activities		
	Principal	Interest	Total
2007	$1,322	$28	$1,350
2008			0
2009			0
2010			0
2011			0
2012-2016			0
Total Minimum Lease Payments			$1,350
Amount Representing Interest at Various Rates		$28	
Present Value of Net Minimum Lease Payments	$1,322		

Certain capital lease balances were restated at September 1, 2005. (see Note 18).

Note 7: Operating Lease Obligations

Not Applicable.

Year Ended 8-31-2006 (UNAUDITED)

Note 8: Interagency Balances/Activities

University transactions with other state agencies are as follows:

Name of State Agency	Due From Other Agencies	Due To Other Agencies	Purpose
Texas Department of Transportation, Agency 601	$176		Texas Collegiate License Plate Fund

	Transfer In	Transfer Out	
Texas Public Finance Authority, Agency 347	$4,089,540		Master Lease Purchase
		$214,280	Master Lease Purchase Payment
		5,825	Master Lease Purchase Payment
Sub-Total Transfers	$4,089,540	$220,105	

	Legislative Transfer In	Legislative Transfer Out	
Texas Higher Education Coordinating Board, Agency 781, D23 Fund 0264		$128,420	Texas B-On-Time Loan Program
Agency 781, D23 Fund 5103		669	Dental Hygienist Degree or Certification Program
Sub-Total Legislative Transfers Out		$129,089	
Total Transfers	$4,089,540	$349,194	

The detailed State Grant Pass-Through information is listed on Schedule 1B - Schedule of State Grant Pass-Through From/To State Agencies.

Note 9: Contingent Liabilities

A lawsuit involving Midwestern State University is pending. While the ultimate liability with respect to litigation and other claims asserted against the university cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the university.

Note 10: Continuance Subject to Review

Not Applicable to colleges and universities. (Texas Sunset Act)

Note 11: Risk Financing and Related Insurance

The university is exposed to a variety of civil claims resulting from the performance of its duties. It is the university's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Currently there is no purchase of commercial general liability insurance for the university except for the operation of Sunwatcher Village, which is privatized housing. The University does not participate in any risk pools with other government agencies. The university does purchase educators legal liability insurance.

The university's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. At August 31, 2006, there were no known claim liabilities.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for university employees. The university was assessed $119,142 and $110,418 for worker's compensation coverage for fiscal years ending August 31, 2005 and 2006, respectively. Unemployment compensation is funded on a pay as you go method, with the State contributing ½ of the cost of benefits and the university contributing the other half for employees paid by State appropriated funds. The university must pay 100% of the cost of benefits for employees paid from local funds.

The university is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary Enterprise or other non-Educational and General Funds. The insurance protects the bond holders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of $20,000/$40,000 bodily injury and $15,000 property damage. However, the university has chosen to carry liability insurance on its licensed vehicles in the amount of $250,000/$500,000/$100,000.

Note 12: Segment Information

Not Applicable.

Note 13: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A-Miscellaneous Bond Information, Schedule 2B-Changes in Bonded Indebtedness, Schedule 2C-Debt Service Requirements, Schedule 2D-Analysis of Funds Available for Debt Service and Schedule 2E-Defeased Bonds Outstanding.

Note 13: Bonded Indebtedness (Continued)

Revenue Financing System Revenue Bonds, Series 2002

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for campus improvements in heating, ventilating and air conditioning systems; chilled water distribution; street drainage and paving; and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting
- Issued June 15, 2002
- $8,965,000; all bonds authorized have been issued
- Source of revenue for debt service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, and student service fees and private gifts

Revenue and Refunding Bonds, Series 2003

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for improving, enlarging and/or equipping university residence halls, including fire safety improvements and other general modernization improvements, and advance refunding Building Revenue and Refunding Bonds, Series 1996
- Issued August 1, 2003
- $13,180,000; all bonds authorized have been issued
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, and student service fees and private gifts

General information related to the Constitutional Appropriation bond is summarized below:

Constitutional Appropriation Bond, Series 2004

- Issued by the Board of Regents of Midwestern State University. The proceeds of the Bonds were used to construct a Business Administration classroom building for use by students of the University
- Issued August 1, 2004
- $11,185,000; all bonds authorized have been issued
- Source of Revenue for Debt Service – Payable and secured solely from a first lien on and pledge of up to one-half of the annual appropriation for and on behalf of the University, from the State Treasury pursuant to the Constitutional Provision and "The Excellence in Higher Education Act."

Note 14: Subsequent Events

Midwestern State University has planned several projects for next year including:

1. Midwestern State University's Board of Regents authorized the administration to obtain the necessary approvals for financing the construction of a new Student Recreation/Wellness Center. The proposed building would be host to multiple basketball courts, racquetball courts, an indoor, elevated track, an exterior swimming pool, a rock-climbing wall, weight and cardiovascular rooms, among other things. The university plans to issue new revenue bonds to finance the construction of the facility and the new Student Recreation Center Fee, not to exceed $130 per student/ semester ($65 per summer session), would be used to retire the debt.

2. The Wichita Falls Museum and Art Center at Midwestern State University is continuing renovations in FY 2007. It is anticipated that restricted gift funds will be used for the renovations.

3. Midwestern State University's administrative and student information systems are being upgraded over the next four years at an approximate cost of $3.1 million. HEAF appropriations and an increase in the Computer Use Fee (from $9.50 per SCH to $12.00 per SCH) are being used to finance this project.

4. The university received legislative approval for the issuance of $10.5 million of tuition revenue bonds. The $10.5 million will be used to renovate the Fowler Building and D.L. Ligon Coliseum. An issuance date for the bonds has not yet been determined.

Note 15: Related Parties

The Midwestern State University Foundation and MSU Charitable Trust are nonprofit organizations with the sole purpose of supporting the educational and other activities of the university. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of $1,119,943 to the University during the year ended August 31, 2006, and $898,621 for the prior year. The MSU Charitable Trust remitted restricted gifts of $468,471 to the university during the year ended August 31, 2006 and $419,098 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2006 are reported by their trustees in the amount of $17,030,000 and $21,440,580 respectively.

The balances, or transactions, of funds held in trust by others on behalf of the university are not reflected in the financial statements. At August 31, 2006, there were three other such funds held for the benefit of the university. Based upon the most recent available information, the assets of these funds are reported by the Trustees at values totaling $450,623.

Note 16: Stewardship, Compliance, and Accountability

Financial information is reported in accordance with the requirements established by GASB No. 34 and No. 35.
The university administration is not aware of any noncompliance items.

Note 17: The Financial Reporting Entitiy

The university is an agency of the State of Texas. The university has no component units.

Note 18: Restatement of Fund Balances and Net Assets

The State Comptroller's Office has advised that equipment purchased through The Texas Public Finance Authority (TPFA) on a Master Lease Purchase Agreement should be treated as a transfer-in by the university in the year the expenditure was paid by TPFA. Two buses received in fiscal year 2005 were financed through TPFA. One of the buses, while physically received in FY05, was not paid for by TPFA until FY06. Accordingly, the capital lease obligations for both buses set up in FY05 were adjusted to remove the liability and the fixed assets were adjusted to reflect the transfer-in made in FY06.

Net Assets, September 1, 2005	$67,733,630
Restatement:	
Capital Lease Obligations-reclassified as Transfer In	427,315
Vehicles-moved to FY06	(124,237)
Accumulated Depreciation Vehicles-moved to FY06	1,294
	304,372
Net Assets, September 1, 2005, as Restated	$68,038,002

Note 19: Employees Retirement Plans

Not Applicable.

Note 20: Deferred Compensation

Not Applicable.

Note 21: Donor Restricted Endowments

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	$ 11,799	Restricted for Nonexpendable
Term Endowments		Restricted for Nonexpendable
True Endowments		Restricted for Expendable
Total	$ 11,799	

Net appreciation (unrealized gain) is used for reporting purposes only and is not part of any distribution of income.

Note 22: Management Discussion and Analysis

See Introduction.

Note 23: Post-employment Health Care and Life Insurance Benefits

Not Applicable

Note 24: Special or Extraordinary Items

Not Applicable.

Note 25: Disaggregation of Receivable and Payable Balances

Not Applicable.

Note 26: Termination Benefits

Not Applicable

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Schedule 1A - Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006, with Comparative Totals for the Year Ended August 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	ID#	Pass-Through From: AGY #	Univ #	Agency Amount	Univ Amount	Non State Entities Amount
Student Financial Assistance Cluster							
U.S Department of Education							
Direct Programs							
Federal Pell Grant Program	84.063						
Federal Perkins Loan Program--Federal Capital Cont.	84.038						
Federal Work-Study Program	84.033						
Federal Family Education Loans	84.032						
Federal Supplemental Education Opportunity Grants	84.007						
Total Student Financial Assistance Cluster Programs							
TRIO Cluster							
U.S Department of Education							
Direct Programs							
TRIO--Upward Bound	84.047						
Other Clusters							
U.S. Department of Education							
Pass-Through From:							
Coordinating Board, Texas Higher Education: LEAP	84.069A		781		$11,902		
Coordinating Board, Texas Higher Education: SLEAP	84.069B		781		19,803		
Direct Program:							
Childcare Access Means Parents in School	84.335A						
Transition to Teaching	84.350A						
Totals-U.S. Department of Education					31,705		
U.S. Department of Health & Human Services							
Pass-Through From:							
Texas Department on Aging:							
Advanced Education Nursing Traineeships	93.358		340		22,447		
Small Business Administration							
Pass-Through From:							
Texas Tech Small Business Development Center	59.037			733		$120,647	
National Science Foundation							
Case-based Pedagogy in Preservice Science Courses	47.076						
Total Federal Financial Assistance					$54,152	$120,647	

Note 1: Nonmonetary Assistance

The *Donation of Federal Surplus Personal Property* is presented at 23.3 percent of the original federal acquisition cost of ($35,000.00). The surplus property is passed through from the Texas Building and Procurement Commission. The federal grantor agency is the General Services Administration (GSA), and the federal CFDA number is 39.003. The estimated fair value for fiscal year 2006 is ($8,155.00).

Note 3: Student Loans

Federal Grantor/CFDA #/Program Name	New Loans	Adm. Costs	Loans Outstanding at 8/31/06	Ending balances of loans from previous years
U.S. Department of Education				
84.032 Federal Family Education Program	$18,687,204			
84.038 Federal Perkins Loan Program	39,081			$120,626
Total Department of Education	$18,726,285			$120,626

Direct Program	Total Pass-Through From & Direct Program	Pass Through To: Agency or Univ Amount	Pass Through To: Non-State Entities Amount	Pass Through To: Expenditures	2006 Total PT To and Expenditures Amount	2005 Total PT To and Expenditures Amount
$4,544,535	$4,544,535			$4,544,535	$4,544,535	$4,669,418
39,081	39,081			39,081	39,081	40,709
100,000	100,000			100,000	100,000	100,000
18,687,204	18,687,204			18,687,204	18,687,204	18,393,103
150,000	150,000			150,000	150,000	136,939
23,520,820	23,520,820			23,520,820	23,520,820	23,340,169
289,973	289,973			289,973	289,973	273,808
	11,902			11,902	11,902	
	19,803			19,803	19,803	
16,729	16,729			16,729	16,729	21,658
198,072	198,072			198,072	198,072	151,149
214,801	246,506			246,506	246,506	172,807
	22,447			22,447	22,447	19,500
	120,647			120,647	120,647	94,516
						46,493
$24,025,594	$24,200,393			$24,200,393	$24,200,393	$23,947,293

Note 2: Reconciliation

Federal Revenues - per Exhibit II	
Federal grant revenue - non-operating	$4,685,460
Federal grant revenue - operating	613,849
Federal pass - through revenue-non-operating	54,152
Federal pass - through revenue-operating	120,647
Total Federal Revenues	5,474,108
Reconciling Items: Add New Loans	
Federal Family Education Loans Processed	18,687,204
Federal Perkins Loans Processed	39,081
	$24,200,393

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Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies
For the Year Ended August 31, 2006 and August 31, 2005

Operating Revenue:	2006	2005
Pass Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
Advanced Research Program		($4,164)
Academic Growth		156,053
Nursing and Allied Health	$418,108	459,490
Financial Aid - Professional Nursing	9,670	5,676
Total Operating Pass Through Revenue (Exhibit II)	$427,778	$617,055
Non-Operating Revenue:		
Pass Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
Texas Grants	$1,171,586	$1,147,110
College Work Study	34,557	32,721
Fifth Year Accounting	3,000	4,813
Total Non-Operating Pass Through Revenue (Exhibit II)	$1,209,143	$1,184,644
Total Pass Through From Other Agencies	$1,636,921	$1,801,699

Pass Through To:

None

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Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2006

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bonds:					
Constitutional Appropriation Bonds: Series 2004	$11,185,000	2.75% - 3.75%	2005	2013	None
Revenue Bonds:					
Tuition & General Fee Revenue Bonds: Series 1998	9,860,000	3.45% - 5.10%	1998	2018	12-01-08
Revenue Financing System Revenue Bonds: Series 2002	8,965,000	4.00% - 5.00%	2003	2021	12-01-12
Building Revenue & Refund Bonds: Series 2003	13,180,000	2.00% - 5.00%	2003	2024	12-01-13
Total	$43,190,000				

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Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2006

Business Type Activities Description of Issue	Bonds Outstanding 09-01-2005	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2006	Amounts Due Within One Year
General Obligation Bonds:						
Constitutional Appropriation Bonds:	$11,185,000		$875,000		$10,310,000	$1,145,000
Series 2004						
Revenue Bonds:						
Tuition & General Fee Revenue Bonds:	7,110,000		370,000		6,740,000	390,000
Series 1998						
Revenue Financing System Revenue Bonds:	8,105,000		320,000		7,785,000	335,000
Series 2002						
Building Revenue & Refunding Bonds:	12,560,000		610,000		11,950,000	620,000
Series 2003						
Total	$38,960,000	$0	$2,175,000	$0	$36,785,000	$2,490,000

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Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2006

Business Type Activities

Description of Issue	2007	2008	2009	2010	2011	2012-16	2017-21	2022-26	Total Requirements
General Obligation Bonds:									
Constitutional Appropriation Bonds:									
Series 2004									
Principal	$1,145,000	$1,180,000	$1,215,000	$1,255,000	$1,305,000	$4,210,000			$10,310,000
Interest	318,831	286,863	252,413	213,794	172,194	233,793			1,477,888
Revenue Bonds:									
Tuition & General Fee Revenue Bonds:									
Series 1998									
Principal	390,000	405,000	420,000	440,000	460,000	2,675,000	1,950,000		6,740,000
Interest	312,555	295,560	277,613	258,472	237,993	828,151	149,250		2,359,594
Revenue Financing System Revenue Bonds:									
Series 2002									
Principal	335,000	355,000	370,000	385,000	405,000	2,325,000	2,930,000	680,000	7,785,000
Interest	344,001	330,201	315,701	300,361	283,814	1,132,381	539,759	17,000	3,263,218
Revenue & Refunding Bonds:									
Series 2003									
Principal	620,000	635,000	655,000	680,000	705,000	3,710,000	2,480,000	2,465,000	11,950,000
Interest	496,622	480,916	462,360	440,635	415,516	1,616,276	925,791	254,375	5,092,491
Total	3,962,009	3,968,540	3,968,087	3,973,262	3,984,517	16,730,601	8,974,800	3,416,375	48,978,191
Less Interest	1,472,009	1,393,540	1,308,087	1,213,262	1,109,517	3,810,601	1,614,800	271,375	12,193,191
Total Principal	$2,490,000	$2,575,000	$2,660,000	$2,760,000	$2,875,000	$12,920,000	$7,360,000	$3,145,000	$36,785,000

Year Ended 8-31-2006 (UNAUDITED)

ANNUAL FINANCIAL REPORT

Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2006

Business Type Activities
Description of Issue

General Obligation Bonds :	Application of Funds	
	Principal	Interest
Constitutional Appropriation Bonds- Series 2004	$875,000	$572,213

	Pledged and Other Sources and Related Expenditures for FY 2006			
	Net Available for Debt Service		Debt Service	
Revenue Financing System Revenue Bonds :	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Tuition & General Fee Revenue Bonds - Series 1998			$370,000	$328,520
Revenue Financing System Revenue Bonds - Series 2002			320,000	357,101
Revenue & Refunding Bonds - Series 2003			610,000	509,697
Total for all Revenue Financing System Revenue Bonds	$45,108,811		$1,300,000	$1,195,318

Unaudited

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2006

Business Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds:		
Building Revenue & Refund Bonds: Series 1996	2003	$0

A N N U A L F I N A N C I A L R E P O R T

Unaudited

Schedule 3 - Reconciliation of Cash in State Treasury

August 31, 2006 and August 31, 2005

Cash in State Treasury	Unrestricted	Restricted	2006	2005
General Revenue - Dedicated Fund 0264	$3,142,944		$3,142,944	$2,485,320
Special Mineral Fund - Fund 0412	0		0	3,311
Total Cash in State Treasury (Stmt of Net Assets)	$3,142,944		$3,142,944	$2,488,631

Year Ended 8-31-2006 (UNAUDITED)

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

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Fulbright & Jaworski l.l.p.
A Registered Limited Liability Partnership
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201-2784
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telephone: (214) 855-8000 facsimile: (214) 855-8200

August 22, 2007

IN REGARD to the authorization and issuance of the "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007" (the "Bonds"), dated August 1, 2007 (the "Bond Date"), in the principal amount of $28,855,000, we have examined into the legality and validity of the issuance thereof by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"), which Bonds are issuable in fully registered form only. The Bonds have stated maturities of December 1 in the years specified in the respective resolutions of the Authority and the Board authorizing the issuance of the Bonds (collectively, the "Resolution"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds, and interest thereon accrues from the dates, at the rates, and in the manner and is payable on the dates, all as provided in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Authority solely to pass upon the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas, the defeasance and discharge of the Authority's outstanding obligations being refunded by the Bonds, and with respect to the exemption of the interest on the Bonds from federal income taxes and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the Authority, the Board or the University.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the Board and the Authority in connection with the issuance of the Bonds, including the Resolution, (ii) original or certified copies of the Escrow Agreement (the "Agreement") between the Authority, the University and The Bank of New York Trust Company, National Association (the "Escrow Agent"), and a special report of Grant Thornton LLP, Certified Public Accountants (the "Accountants"), (iii) certifications and opinions of officers of the Authority and the Board relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the University and to certain other facts within the knowledge and control of the Authority and the University, and (iv) such other documentation, including an examination of the Bond executed and delivered initially by the Authority and the University (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof that:

1. The Bonds have been duly authorized by the Authority and the Board, and the Bonds issued in compliance with the provisions of the Resolution are valid and legally binding special obligations of the Authority, issued on behalf of the Board, in accordance with the terms

thereof, payable solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolution), such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Prior Encumbered Obligations, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Resolution provides certain conditions under which the Authority and the Board may issue additional parity revenue obligations payable from the same source and secured in the same manner as the Bonds.

2. The Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust pursuant to the Agreement and in accordance with the provisions of V.T.C.A., Government Code, Chapter 1207. In rendering this opinion, we have relied upon the verification by the Accountants of the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Assuming continuing compliance after the date hereof by the Authority and the Board with the provisions of the Resolution and in reliance upon representations and certifications of the Authority and the Board made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (a) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989 for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Assistant Secretary

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

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