OFFICIAL STATEMENT
Dated June 17, 2008

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: (See "RATINGS" herein)

$38,300,136.10
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS,
SERIES 2008

Dated Date: July 1, 2008

Due: December 1, as shown herein

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 issued in part as current interest bonds ("CIBs") and in part as premium capital appreciation bonds ("CABs"). 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 an additional student housing facility, (ii) purchasing an existing student housing facility originally financed by a Chapter 53, Texas Education Code non-profit corporation for the benefit of the University, (iii) improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum, (iv) constructing, equipping and furnishing an instrumental music facility, (v) capitalizing interest on a portion of the Bonds, and (vi) paying the costs of issuance related thereto. See "PLAN OF FINANCING - Purpose."

Interest on the CIBs will accrue from the date of delivery, and is payable on December 1, 2008 and each June 1 and December 1 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the CABs will accrete from the date of delivery, compounded semiannually on December 1 and June 1, commencing December 1, 2008, and will be payable only upon maturity. The CIBs will be issued in principal denominations of $5,000 or any integral multiple thereof. The CABs will be issued in denominations of $5,000 of the total amount of principal, plus the initial premium, if any, and accrued interest payable upon maturity (the "Maturity Amount"), or any integral multiple thereof. 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 of principal or Maturity Amount, as applicable, or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal, premium, if any, and interest on the CIBs and the Maturity Amount on the CABs will be payable by The Bank of New York Mellon 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."

The scheduled payment of principal of (or, in the case of CABs, the accreted value) and interest on Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. See "BOND INSURANCE" herein.

MATURITY SCHEDULE

(On Inside Front Cover Page)

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 McCall, Parkhurst & Horton L.L.P., Austin, 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, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes under statutes, regulations, court decisions and published rulings existing on the date thereof subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax consequences on 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 July 16, 2008.

RBC CAPITAL MARKETS | **BANC OF AMERICA SECURITIES LLC**

CITI | **DEPFA FIRST ALBANY SECURITIES LLC** | **LOOP CAPITAL MARKETS, LLC**

MATURITY SCHEDULE [1]

$27,955,000 Serial Current Interest Bonds

Maturity (December 1)	Principal Amount	Interest Rates	Initial Yield	CUSIP[2]
2008	$395,000	3.000%	2.000%	882756 ZZ5
2009	395,000	3.000%	2.150%	882756 A25
2010	985,000	3.000%	2.640%	882756 A33
2011	1,020,000	3.500%	3.020%	882756 A41
2012	1,055,000	3.500%	3.230%	882756 A58
2013	1,095,000	3.750%	3.410%	882756 A66
2014	1,140,000	4.000%	3.580%	882756 A74
2015	1,180,000	4.000%	3.700%	882756 A82
***	***	***	***	***
2017	1,230,000	4.000%	3.980%	882756 B24
2018	1,285,000	4.000%	4.110%	882756 B32
2019	1,335,000	4.000%	4.280%	882756 B40
2020	1,395,000	4.300%	4.420%	882756 B57
2021	1,450,000	4.400%	4.540%	882756 B65
2022	1,515,000	4.500%	4.600%	882756 B73
2023	1,585,000	4.500%	4.650%	882756 B81
2024	1,665,000	4.600%	4.700%	882756 B99
2025	1,740,000	4.625%	4.750%	882756 C23
2026	1,825,000	4.700%	4.800%	882756 C31
2027	1,910,000	4.700%	4.830%	882756 C49
2028	2,005,000	4.750%	4.880%	882756 C56
2029	1,750,000	4.750%	4.910%	882756 C64

$10,000,000 5.250% Term Current Interest Bonds Due December 1, 2034, Price 102.405%, CUSIP No. 882756 D30[2]

$345,136.10 Premium Capital Appreciation Bonds

Maturity (December 1)	Principal Amount	Initial Yield to Maturity	Maturity Value	Initial Offering price per $5,000 in Maturity Value	CUSIP[2]
2016	$345,136.10	4.300%	$1,205,000	$3,501.25	882756 A90

(1) The CIBs are subject to redemption as set forth herein in the section “DESCRIPTION OF THE BONDS – Redemption.” The Bonds maturing December 1, 2034 (the “Term Bonds”) are additionally subject to mandatory sinking fund redemption prior to maturity. (See “DESCRIPTION OF THE BONDS” – Redemption”). The CABs are not subject to redemption prior to maturity.

(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

H. L. Bert Mijares, Jr., Chair
Ruth C. Schiermeyer, Vice Chair
Linda McKenna, Secretary
Gerald Alley, Member
D. Joseph Meister, Member
Robert T. Roddy, Jr., Member
[VACANT]

Certain Appointed Officers

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

MIDWESTERN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Mr. Munir A. Lalani, Chairperson	Wichita Falls	February 25, 2010
Mr. Charles E. Engleman	Wichita Falls	February 25, 2014
Ms. Charlye O. Farris	Wichita Falls	February 25, 2012
Dr. F. Lynwood Givens	Plano	February 25, 2012
Dr. Carol Carlson Gunn	Graford	February 25, 2012
Mr. Stephen A. Gustafson	Wichita Falls	February 25, 2010
Mr. Shawn G. Hessing	Fort Worth	February 25, 2014
Ms. Jane W. Spears	Wichita Falls	February 25, 2014
Mr. Ben Wible	Sherman	February 25, 2010
Mr. Haley Lain (Student Regent)	Wichita Falls	May 31, 2009

Certain Appointed Officials

Name	Title	Length of Service
Dr. Jesse W. Rogers	President	40 Years
Mr. Juan Sandoval	Vice President, Administration and Finance	3 Years
Ms. Gail Ferguson	Controller	19 Years

Consultants

Financial Advisor
First Southwest Company
Houston, Texas

Bond Counsel
McCall, Parkhurst & Horton L.L.P.
Austin, 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.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and "Appendix D – Specimen Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bond; or (iii) the tax exempt status of the interest on the Bonds.

Neither the Authority, the Board, the University 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 or information under the caption "Bond Insurance" regarding Financial Security and its financial guaranty insurance policy, as such information has been furnished by DTC and Financial Security, respectively.

The statements contained in the Official Statement, and in 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. All forward-looking statements included in the Official Statement are based on information available to the University on the date hereof, and the University assumes no obligation to update any such forward-looking statements. See "LEGAL MATTERS – Forward-Looking Statements."

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OFFICIAL STATEMENT
relating to

$38,300,136.10
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE BONDS, SERIES 2008

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 Bonds, Series 2008" (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 2007 Fall Semester, the University had a total enrollment of approximately 6,021 students. The 2007-2008 budget of the University is approximately $70,806,466. 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 55, Texas Education Code, as amended (including particularly Section 55.13(c), 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")), Chapters 1201 and 1371, 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 an additional student housing facility, (ii) purchasing an existing student housing facility (the "Sunwatcher Village Project") originally financed by a Chapter 53, Texas Education Code non-profit corporation for the benefit of the University,

(iii) improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum, (iv) constructing, equipping and furnishing an instrumental music facility, (v) capitalizing interest on a portion of the Bonds, and (vi) paying the costs of issuance related thereto. The portion of the proceeds of the Bonds used to purchase the Sunwatcher Village Project will be deposited in trust with the trustee for such project and used to effect a defeasance, refunding and redemption of all outstanding bonds issued to acquire and construct such facilities.

Sunwatcher Village Project

Bond proceeds, together with certain other available funds, will be used to purchase the Sunwatcher Village Project, which was originally financed by the Texas Student Housing Corporation – MSU Project, a non-profit corporation organized and existing under Chapter 53, Texas Education Code (the "Corporation"), through the issuance of its $14,540,000 Student Housing Revenue Bonds (Midwestern State University Project), Series 2002 (the "Sunwatcher Village Bonds"). In connection with the financing of the Sunwatcher Village Project, the Corporation entered into an agreement with Collegiate Development Service, L.P. with respect to the construction of the Sunwatcher Village Project, an apartment-style housing development which consists of approximately 336 beds. The Sunwatcher Village 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 Sunwatcher Village Bonds. The Sunwatcher Village Bonds are secured only by the revenues generated from the Sunwatcher Village Project and not by the University's general revenues. However, in connections with the issuance of the Sunwatcher Village Bonds, the University agreed to operate and manage the Sunwatcher Village Project and to pay operating and management expenses of the Sunwatcher Village Project to the extent that the Sunwatcher Village Project does not generate sufficient funds to pay such expenses. Following the acquisition of ownership of the Sunwatcher Village Project, the University will retain the revenues generated from the Sunwatcher Village Project (which will become part of the University's general revenues and comprise a portion of the Pledged Revenues), and the University will continue to operate and manage the project.

A portion of the proceeds from the sale of the Bonds representing the purchase price paid to the Corporation for the Sunwatcher Village Project, together with other lawfully available funds, will be deposited in an escrow fund established pursuant to an escrow agreement executed by the Authority, the University and The Bank of New York Mellon as escrow agent in an amount sufficient to defease the currently outstanding Sunwatcher Village Bonds, outstanding in the principal amount of $14,115,000 and maturing on September 1 in each of the years 2012, 2022 and 2034, and discharge the lien on the Sunwatcher Village Project that secures such bonds.

Sources and Uses of Funds

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

<u>Sources of Funds</u>	
Principal Amount of Bonds	$38,300,136.10
Net Original Issue Premium	558,140.80
Transfer from Sunwatcher Village Bonds Debt Service Fund	439,875.42
Transfer from Sunwatcher Village Bonds Reserve Fund	1,126,876.46
Total	$40,425,028.78
<u>Uses of Funds</u>	
Deposit to Construction Fund	$22,693,907.00
Deposit to Escrow Fund	15,830,124.42
Deposit to Capitalized Interest Account	847,571.83
Costs of Issuance (including insurance premium and Underwriters' Discount)	1,053,425.53
Total	$40,425,028.78

DESCRIPTION OF THE BONDS

General

The Bonds are being issued in part as current interest bonds (the "CIBs") and in part as premium capital appreciation bonds (the "CABs"). The Bonds are dated July 1, 2008, and mature on December 1 in each of the years and in the amounts shown on the inside front cover page hereof. Interest on the CIBs will accrue from the date of delivery, will bear interest at the per annum rates shown on the inside front cover page hereof, and will be payable each December 1 and June 1, commencing December 1, 2008, until maturity or prior redemption. Interest on the CIBs will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the CABs will accrete from the date of delivery, compounded semi-annually on December 1 and June 1, commencing December 1, 2008, and will be payable only upon maturity. The amount of principal, plus the initial premium, if any and accrued interest paid at maturity with respect to the CABs is hereinafter referred to as the "Maturity Amount." The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount or Maturity Amount, as applicable.

A table of Accreted Values (as defined herein) of the CABs per $5,000 Maturity Amount based on (i) the initial offering price and (ii) the approximate yield set forth on the inside front cover page of this Official Statement is presented in Schedule I attached hereto, and such table of Accreted Values is provided for informational purposes only and may not reflect the prices for the CABs in the secondary market.

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.

Yield on Premium Capital Appreciation Bonds

The original principal amount of a CAB plus the initial premium, if any, paid therefor with interest thereon compounded semiannually to June 1 or December 1, as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on June 1 or December 1), using the respective yield to maturity stated on the inside front cover page, means the "Accreted Value" for the CABs. Based on the initial offering prices for the CABs, schedules of Accreted Value per $5,000 Maturity Amount on the respective Accretion Dates, using the yields stated on the inside front cover page of this Official Statement, are set forth in Schedule I attached hereto. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the CABs in the secondary market. The respective yields on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuation in the secondary market than securities that pay interest on a periodic basis.

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 Mellon 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 15^{th} 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 CIBs scheduled to mature on and after December 1, 2019 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on December 1, 2018 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 CIBs 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.

The CABs are not subject to redemption prior to maturity.

Mandatory Sinking Fund Redemption

The CIBs maturing on December 1, 2034 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part at random, by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, in amounts sufficient to redeem the Term Bonds on December 1 in the years and principal amounts shown on the following schedule:

Term Bonds due December 1, 2034

Redemption Date	Principal Amount
December 1, 2029	$200,000
December 1, 2030	2,045,000
December 1, 2031	2,155,000
December 1, 2032	2,275,000
December 1, 2033	2,395,000
December 1, 2034*	930,000

*Stated maturity.

The principal amount of the Term Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Authority, by the principal amount of any Term Bonds of the same series and maturity and bearing the same interest rate, which, at least 50 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Authority and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and canceled by such Paying Agent/Registrar at the direction of the Authority, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Term Bonds or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of CIBs 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 CIB 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 CIB, 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 CIBs or portions thereof.

In addition, the Paying Agent/Registrar will give notice of redemption of CIBs 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 CIB who has not sent the CIBs in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the CIBs to be redeemed, including the complete name of the CIBs, 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 CIBs may be redeemed, including a contact person and telephone number.

With respect to any optional redemption of the CIBs, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the CIBs to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Authority will not redeem such CIBs, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the CIBs have not been redeemed.

Redemption Through The Depository Trust Company

The Paying Agent/Registrar and the Authority, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to The Depository Trust Company ("DTC"). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Seventh Supplemental Resolution and will not be conducted by the Authority or the Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "Book-Entry-Only System" herein.

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

Principal, premium, if any, Maturity Amounts, redemption proceeds and interest 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 principal, premium, if any, Maturity Amounts, redemption proceeds and interest 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	DEBT SERVICE ON OUTSTANDING DEBT [1]	THE BONDS			TOTAL DEBT SERVICE
		PRINCIPAL	INTEREST	TOTAL	
2008	$ 4,652,280	--	--	--	$4,652,280
2009	5,594,646	$395,000	$1,492,946	$1,887,946	7,482,592
2010	5,598,222	395,000	1,695,220	2,090,220	7,688,442
2011	5,603,356	985,000	1,674,520	2,659,520	8,262,876
2012	5,609,569	1,020,000	1,641,895	2,661,895	8,271,464
2013	5,616,913	1,055,000	1,605,583	2,660,583	8,277,496
2014	5,621,350	1,095,000	1,566,589	2,661,589	8,282,939
2015	4,136,051	1,140,000	1,523,258	2,663,258	6,799,309
2016	3,865,510	1,180,000	1,476,858	2,656,858	6,522,368
2017	3,692,823	345,136	2,313,122	2,658,258	6,351,081
2018	3,694,086	1,230,000	1,428,658	2,658,658	6,352,744
2019	3,693,605	1,285,000	1,378,358	2,663,358	6,356,963
2020	3,010,651	1,335,000	1,325,958	2,660,958	5,671,609
2021	3,004,479	1,395,000	1,269,265	2,664,265	5,668,744
2022	3,006,720	1,450,000	1,207,373	2,657,373	5,664,093
2023	2,315,998	1,515,000	1,141,385	2,656,385	4,972,383
2024	2,308,438	1,585,000	1,071,635	2,656,635	4,965,073
2025	2,311,425	1,665,000	997,678	2,662,678	4,974,103
2026	1,631,975	1,740,000	919,145	2,659,145	4,291,120
2027	1,636,338	1,825,000	836,020	2,661,020	4,297,358
2028	1,632,888	1,910,000	748,248	2,658,248	4,291,136
2029	854,069	2,005,000	655,744	2,660,744	3,514,813
2030	855,422	1,950,000	561,313	2,511,313	3,366,735
2031	855,156	2,045,000	460,819	2,505,819	3,360,975
2032	853,272	2,155,000	350,569	2,505,569	3,358,841
2033	429,713	2,275,000	234,281	2,509,281	2,938,994
2034	--	2,395,000	111,694	2,506,694	2,506,694
2035	--	930,000	24,413	954,413	954,413
	$82,084,952	**$38,300,136**	**$29,712,540**	**$68,012,676**	**$150,097,628**

[1] Excludes the Sunwatcher Village Bonds to be defeased with a portion of the Bond proceeds. See "PLAN OF FINANCING – Sunwatcher Village Project," "SECURITY FOR THE BONDS – The Revenue Financing System" and "Table 4 – Outstanding Indebtedness." Includes the Board of Regents of Midwestern State University Constitutional Appropriation Bonds, Series 2004 (the "HEAF Bonds"), which mature on September 15 in the years 2008 through 2013, inclusive, with annual debt service payments ranging from $1,467,413 to $1,484,150. See "APPENDIX B - Financial Report – Schedule 2C" for additional information regarding debt service and amortization of the HEAF Bonds. The HEAF Bonds are payable from and secured by a pledge of up to 50% of the Higher Education Assistance Funds (as defined herein), and the HEAF Bonds are not payable from or secured by the Pledged Revenues. See "SELECTED FINANCIAL INFORMATION – State Appropriations" for information regarding the University's annual allocation of Higher Education Assistance Funds, which are pledged to secure payment of the HEAF Bonds.

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."

Table 1 - Pledged Revenues

The following table sets forth the Pledged Revenues for the Fiscal Years ending August 31, 2003 through August 31, 2007, 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".

	2003	2004	2005	2006	2007
Available Pledged Revenues Not Including Fund Balances [1]	$22,633,104	$24,708,886	$26,986,759	$31,974,883	$32,063,017
Pledged Unappropriated Funds and Reserve Balances[1]	$12,000,562	$11,259,817	$12,489,787	$13,133,928	$14,942,148
Total Pledged Revenues	$34,633,666	$35,968,703	$39,476,546	$45,108,811	$47,005,165

(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.

After the issuance of the Bonds, the maximum annual debt service over the life of the Outstanding Parity Obligations (does not include the HEAF Bonds) is $6,800,658.

Additional Obligations

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

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately $3,012,872,486 and its total net unearned premium reserve was approximately $2,419,501,630 in accordance with statutory accounting principles. At March 31, 2008, Financial Security's consolidated shareholder's equity was approximately $3,053,752,711 and its total net unearned premium reserve was approximately $1,882,057,335 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

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)
H.L. Bert Mijares, Jr.	Chair	2009
Ruth C. Schiermeyer	Vice-Chair	2013
Linda McKenna	Secretary	2011
Gerald Alley	Member	2013
D. Joseph Meister	Member	2013
Robert T. Roddy, Jr.	Member	2013
Vacant	Member	N/A

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 four commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a General Obligation commercial paper program for certain general State government construction projects; and two General Obligation commercial paper programs 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 Texas Facilities 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 (now part of the Adjutant General's Department), 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 Texas Facilities 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.

Generally, before the Authority may issue obligations for the acquisition or construction of a State 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 75th 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 Revenues. 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 May 22, 2008. 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 Provost. 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.

Today's campus includes 255 acres and 51 buildings. 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 a recreation and health facility is currently under construction.

Control

The University is governed by a Board of nine Regents who serve without pay and are appointed by the Governor 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 (the "State") 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 6.58% 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 6.58% from the ORP's appropriation and 1.92% from other funding sources. The 6.58% 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 current contributory percentages on salaries for participants entering the program after August 31, 1995 are 6.58% 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 $1,448,115 for the fiscal year ended August 31, 2007. 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 $471,661.

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, reference is made to "APPENDIX A" published by the Comptroller of Public Accounts of the State 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:

Scholastic Year	Fall Semester	Spring Semester	Summer Session First Term	Summer Session Second Term
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	2,443	1,640
2007-08	6,021	5,736	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, 2007, the carrying amount of the University's deposits was ($427,932) and total cash balances equaled $877,859. Bank balances of $100,000 were covered by federal depository insurance and $777,859 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, 2007 and August 31, 2006, the fair market value of the University's investments were as follows:

	2007	2006
U.S. Goverment		
U.S. Treasury Note	$ 0	$ 0
U.S. Agency Obligations	15,550,604	20,895,774
Equity	115,565	103,357
Other Commingled Funds – Texpool	34,872,578	8,143,095
Other Commingled Funds -- LOGIC	453,718	430,430
Other Commingled Funds – JPMorgan	1,081,814	1,026,963
Total	$52,074,279	$30,599,619

Source: Annual Financial Report for the year ended August 31, 2007

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, 2007, the University's credit quality distribution for securities with credit risk exposure was as follows:

U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$15,550,604	Rated "AAA"
Commingled Funds -- Texpool	34,872,578	Rated "AAA"
Commingled Funds -- LOGIC	453,718	Rated "AAA"
Commingled Funds -- JPMorgan	1,081,814,	Not Rated (Collateralized)

Source: Annual Financial Report for the year ended August 31, 2007

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2007, the University's concentration of credit risk is as follows:

Issuer	Carrying Value	% of Total Portfolio
Federal Home Loan Bank	$8,683,879	17%
Federal Home Loan Mortgage Corp.	1,499,969	3%
Texpool—Commingled Funds	34,872,578	67%
Federal National Mortgage Assn.	5,362,880	10%

Source: Annual Financial Report for the year ended August 31, 2007

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 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). See "APPENDIX B – FINANCIAL REPORT".

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

The table below presents the Statement of Revenues, Expenses and Changes in Net Assets (Unaudited) for Fiscal Years 2005, 2006 and 2007.

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

REVENUES	2007	2006	2005
Operating Revenues			
Student Tuition and fees (net of scholarship allowances of $4,045,366, $3,719,227 and $3,335,737 respectively)	$21,421,100	$21,980,309	$19,007,023
Federal Grants	5,390,865	5,299,309	5,437,715
Federal Pass-Through Grants	184,781	174,799	94,516
State Grants	1,049,074	1,209,143	1,184,644
State Pass-Through Grants	483,441	427,778	617,055
Other Grants and Contracts	10,416	60,203	162,642
Sales and Services of Educational Activities	1,334,926	1,242,442	954,217
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $427,553, $410,160 and $432,338 respectively)	4,867,096	4,948,811	3,981,844
Other operating revenues	558,873	581,668	583,756
Total Operating Revenues	**$35,300,572**	**$35,924,462**	**$32,023,412**
EXPENSES			
Operating Expenses			
Salaries and Wages	31,873,425	30,441,072	28,464,541
Payroll Related Costs	8,246,112	7,862,133	7,179,972
Professional Fees and Services	2,531,533	2,399,182	2,096,201
Travel	1,306,967	1,061,538	868,701
Materials and Supplies	5,399,267	5,509,763	4,606,513
Communications and Utilities	3,861,039	2,615,103	2,188,433
Repairs and Maintenance	1,537,428	1,210,359	1,303,473
Rentals and Leases	465,188	382,816	460,181
Printing and Reproduction	454,524	400,878	348,402
Depreciation	5,980,203	4,974,273	4,139,839
Bad Debt Expense	114,567	301,731	143,461
Interest	338	329	213
Scholarships	6,082,334	6,390,722	5,799,313
Total Operating Expenses	**$67,852,925**	**$63,549,899**	**$57,599,243**
Operating Income (Loss)	**($32,552,353)**	**($33,574,192)**	**($31,577,012)**
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	18,194,568	18,448,281	17,229,737
Additional State Appropriations	4,520,598	4,396,656	3,711,419
Gifts	3,018,828	3,281,833	2,509,958
Other Non-operating Revenues (Expenses)	(3,500)	(4,491)	22,805
Investment income	1,432,911	1,192,907	1,087,051
Net Increase (Decrease) in Fair Value of Investments	111,080	132,857	(152,282)
Gain (Loss) on Sale of Capital Assets	9,614	--	(246,703)
Net Book Value of Capital Asset Disposals	(24,182)	(28,383)	(125,370)
Interest Expense on Capital Asset Financing	(1,409,112)	(1,494,389)	(816,339)
Total Non-Operating Revenues	**$25,850,805**	**$31,874,026**	**$29,221,457**

Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(6,701,548)	(1,700,166)	(2,355,555)
Capital Contributions	4,359,595	50,000	4,968,525
HEAF Appropriation	2,289,565	2,289,565	3,007,669
Additions to Endowments	269,601	182,014	410,487
Transfers In	427,110	4,089,540	5,586
Transfers Out	(698,309)	(349,194)	(25,894)
Increase (Decrease) in Net Assets	**(53,986)**	**4,561,759**	**6,010,818**
Net Assets - Beginning of Year	**$72,599,761**	**$67,733,630**	**$68,932,630**
Restatements		304,372	(7,209,818)
Net Assets – Beginning of Year, as Restated	**$72,599,761**	**$68,038,002**	**$61,722,812**
Net Assets - End of Year	**$72,545,775**	**$72,599,761**	**$67,733,630**

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2007 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 2006 and 2007, 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 appropriated the following amounts for Fiscal Years 2008 and 2009: $18,871,689 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 fees 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 per semester credit hour; 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 is computed by the Coordinating Board for each academic year). For the 2007-08 academic year, the Coordinating Board computed $328 per semester credit hour for nonresident undergraduate tuition, and increased this to $331 for the 2008-09 academic year.

Board Designated Tuition. During the 78th Texas Legislature (2003 Regular Session), 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 the University 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 2008 fall semester at $88.60 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 of higher education 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 set $30 per semester credit hour in addition to the State mandated tuition, or $80 per credit hour for graduate programs, increasing these amounts to $40 and $90 respectively effective in the spring session, 2009.

Set forth below is a table showing the State Mandated Tuition, Board Designated Tuition, Board Authorized 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 2008 fall session.

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2008-2009 State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, Mandatory Fees, and Financial Set-Aside per Semester, (Based on 15 Credit Hours per Semester)

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside[1]
Resident Undergraduate	$750.00	$1,329.00	N/A	$880.25	$2,959.25	$240.30
Non-Resident Undergraduate [1]	4,965.00	1,329.00	N/A	880.25	7,174.25	148.95
Resident Masters	450.00	797.40	$270.00	599.75	2,117.15	125.01
Non-Resident Masters	2,979.00	797.40	270.00	599.75	4,646.15	89.37
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

(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 Revenues 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 May 31, 2008, of approximately $39,653,713. As of May 31, 2008, endowment funds under the direct control of the University had a book value of $4,398,434 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.

Table 4 - Outstanding Indebtedness

As of April 1, 2008, the University had outstanding the following described indebtedness:

General Obligation Bonds	Principal
Constitutional Appropriation Bonds, Series 2004	$ 7,985,000
Revenue Financing System	
Revenue Refunding and Improvement Bonds, Series 1998	$ 420,000
Revenue Financing System Bonds, Series 2002	7,095,000
Revenue Financing System Revenue and Refunding Bonds, Series 2003	10,695,000
Revenue Financing System Revenue and Refunding Bonds, Series 2007	28,855,000
Subtotal	$47,065,000
Revenue Financing System Revenue Bonds, Series 2008	38,300,136
TOTAL REVENUE FINANCING SYSTEM BONDS	$85,365,136

Student Housing Project

A portion of the Bond proceeds will be used to purchase the Sunwatcher Village Project from the Corporation. The purchase price paid to the Corporation will be used to defease the currently outstanding Sunwatcher Village Bonds and discharge the lien on the Sunwatcher Village Project that secures such bonds. See "PLAN OF FINANCING – Sunwatcher Village Project."

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.

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 McCall, Parkhurst & Horton L.L.P., Austin, 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. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Authority.

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

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C -- FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel will rely upon (i) certain information and representations of the Authority and the University, including information and representations contained in the federal tax certificate of the Authority and the University, and (ii) covenants of the Authority and the University contained in the Bonds and other documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Authority or the University to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Authority and the University with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Authority or the University with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Authority as the taxpayer and the owners of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20% for corporations, or 26% for noncorporate taxpayers (28% for taxable income exceeding $175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

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 not less than "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 Financial Security. 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.

Financial Guaranty Industry – Recent Events

Fitch, Moody's and Standard and Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. (collectively referred to herein as the "Rating Agencies") have each released statements on the health of the financial guaranty industry that cite financial guarantors' exposure to subprime mortgage risk as an area of stress for the financial guaranty industry. In various releases, the Rating Agencies have each outlined the processes that they intend to follow in evaluating the effect of this risk on their respective ratings of financial guarantors. For some financial guarantors, the result of such evaluations has been or could be a rating affirmation, a change in rating outlook, a review for downgrade, or a downgrade. Persons considering an investment in the Bonds are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors.

In a March 11, 2008 announcement, Moody's Investors Service affirmed Financial Security's "Aaa" insurance financial strength rating with a stable outlook. On January 17, 2008, Standard & Poor's announced that Financial Security's financial strength, financial enhancement and issuer credit rating was affirmed at "AAA/Stable". On January 24, 2008, Fitch Ratings announced that Financial Security's insurance financial strength rating was affirmed at "AAA" with a Stable Rating Outlook. There can be no assurance that the views expressed in those documents represent the current views of the rating agencies or that those views will not change in the future.

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 year end 2003 audited financial statements were not timely filed with each NRMSIR. 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 $38,598,575.28 (which represents the par amount of the Bonds, plus a net original issue premium of $558,140.80 and less an underwriting discount of $259,701.62). The bond purchase agreement pertaining to the Bonds provides that the Underwriters will purchase all of the Bonds, if any Bonds are purchased. The senior managing underwriter of the Bonds is RBC Capital Markets Corporation.

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.

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 – TABLE OF ACCRETED VALUES

Accreting Date	Maturity Date 12/01/2016
07/16/2008	$3,501.25
12/01/2008	3,557.60
06/01/2009	3,634.09
12/01/2009	3,712.22
06/01/2010	3,792.03
12/01/2010	3,873.56
06/01/2011	3,956.84
12/01/2011	4,041.91
06/01/2012	4,128.81
12/01/2012	4,217.58
06/01/2013	4,308.26
12/01/2013	4,400.89
06/01/2014	4,495.51
12/01/2014	4,592.16
06/01/2015	4,690.89
12/01/2015	4,791.74
06/01/2016	4,894.76
12/01/2016	5,000.00

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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 McCall, Parkhurst & Horton 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 Bonds, Series 2008, 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, the Series 2003 Bonds and the Series 2007 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 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 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.

"*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 2003, issued in the original aggregate principal amount of $14,000,000 pursuant to the terms of the underlying Resolution.

"*Series 2007 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 $28,855,000 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.

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APPENDIX B

FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2007

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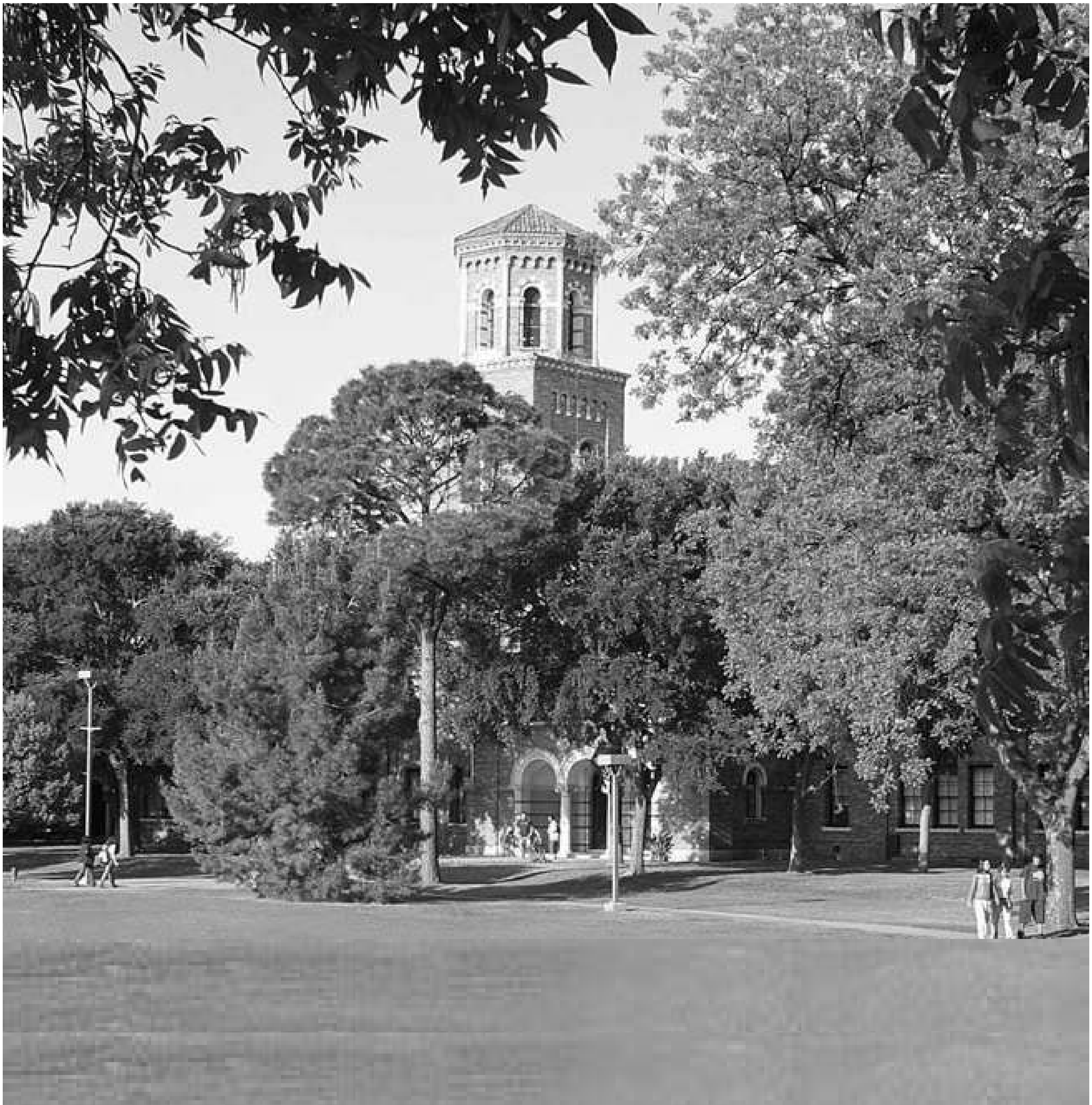


MIDWESTERN STATE UNIVERSITY

Financial Report
(Unaudited)
For The Year Ended
August 31, 2007

Midwestern State University

Table of Contents

ANNUAL FINANCIAL REPORT

Year Ended 8-31-2007 (UNAUDITED)

Midwestern State University

ORGANIZATIONAL DATA
August 31, 2007

THE BOARD OF REGENTS

Term Expires February 25, 2006

Mr. Mac W. Cannedy, Jr., Chairperson	Wichita Falls

Term Expires May 31, 2008

Mr. Jason York, Student Regent	Wichita Falls

Term Expires February 25, 2008

Ms. Pamela Odom Gough	Graham
Ms. Pat Haywood, Secretary	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

Term Expires February 25, 2012

Ms. Charlye Farris	Wichita Falls
Ms. Carol Carlson Gunn	Graford

Ms. Kathryn A. Yeager, Regent Emeritus

PRESIDENT

Dr. Jesse W. Rogers

UNIVERSITY FISCAL OFFICERS

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

Midwestern State University
Management's Discussion & Analysis

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, 2007 and 2006.

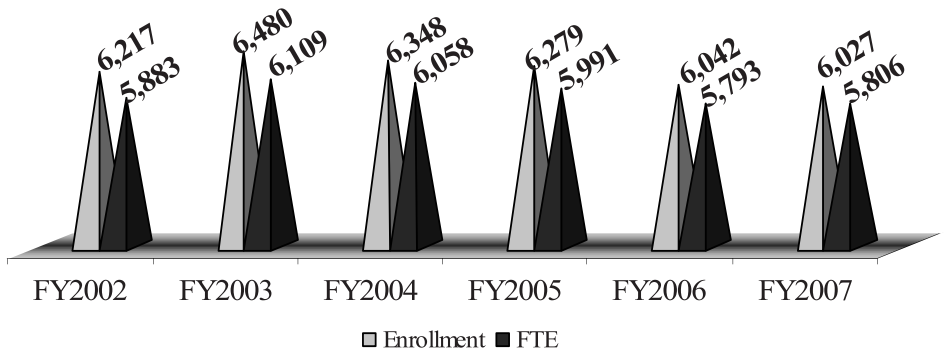
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

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

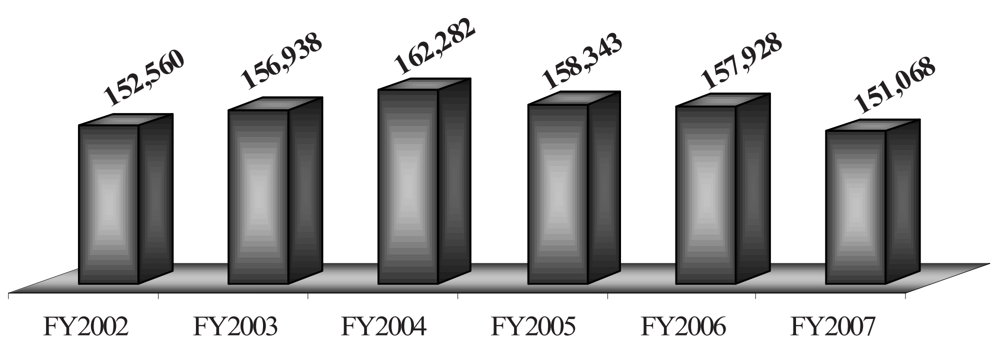
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2002. The decline in student enrollment can possibly be attributed to increasing tuition costs, a decline in the unemployment rate, the role of government funding, and less graduating high school seniors in the North Texas area.

The decrease in total enrollment over the past two years can specifically be linked to the university's strengthening of its admissions standards. The more stringent admissions standards went into effect for the fall 2006 semester. 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. Continued campus improvements and increased marketing efforts are expected to have a positive impact on enrollment.

Fall Headcount vs FTE



Total Enrolled Semester Credit Hours

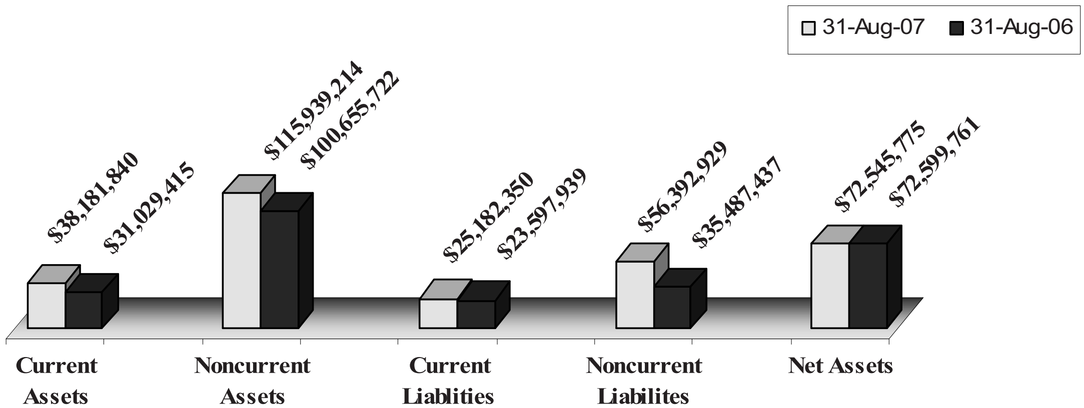


A N N U A L F I N A N C I A L R E P O R T

Year Ended 8-31-2007 (UNAUDITED)

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

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.

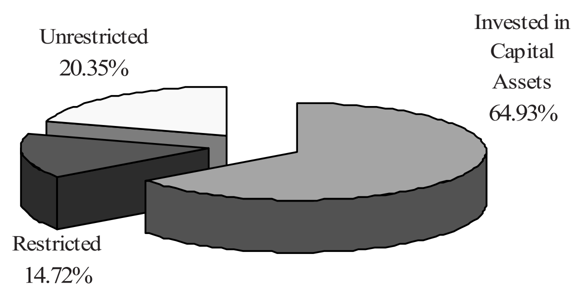
As the statement shows below, the university's net assets decreased slightly from $72,599,761 in 2006 to $72,545,775 in 2007.

	2007	2006
Current Assets	$38,181,840	$31,029,415
Noncurrent Assets:		
Capital Assets	82,423,201	85,545,210
Other	33,516,013	15,110,512
Total Assets	$154,121,054	$131,685,137
Current Liabilities	$25,182,350	$23,597,939
Noncurrent Liabilities	56,392,929	35,487,437
Total Liabilities	$81,575,279	$59,085,376
Net Assets:		
Invested in Capital Assets	$47,105,079	$48,758,888
Restricted - Debt Retirement	296	
Restricted - Nonexpendable	3,550,345	3,375,091
Restricted - Capital Projects	4,000,360	
Expendable - Contributor Restricted	3,128,954	3,571,471
Unrestricted* (see next page)	14,760,741	16,894,311
Total Net Assets	72,545,775	72,599,761
Total Liabilities and Net Assets	$154,121,054	$131,685,137

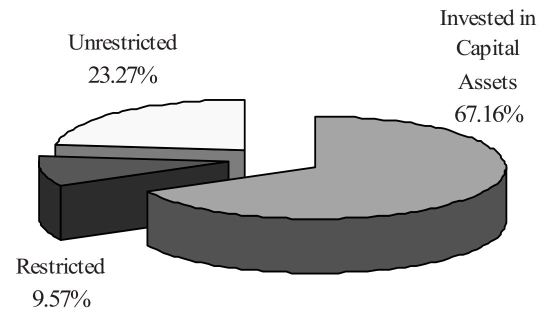
Year Ended 8-31-2007 (UNAUDITED)

The following charts indicate the changes in net assets for the year ended August 31, 2007 as compared to the previous year:

Net Assets - August 31, 2007

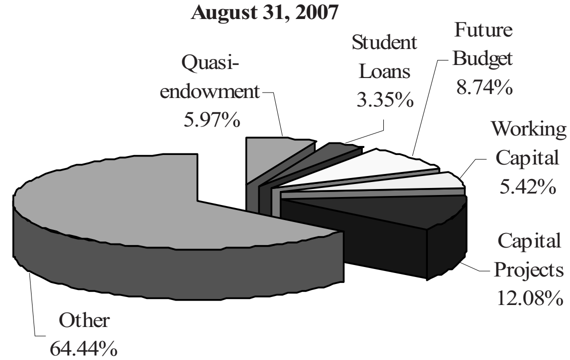


Net Assets - August 31, 2006

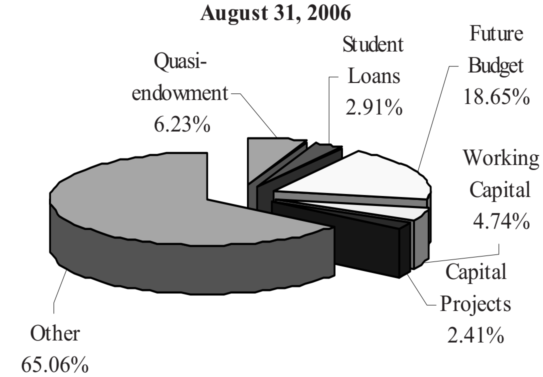


The university reports unrestricted net assets of 20.35% for the year ended August 31, 2007 and 23.27% for the prior year. Unrestricted net assets decreased $2.1 million during the year due to a planned utilization of fund balances to cover the increased costs of utilities, salaries and benefits. This was a Board approved action to prevent further tuition and fee increases at this time. 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, 2007**



**Allocation of Unrestricted Net Assets
August 31, 2006**



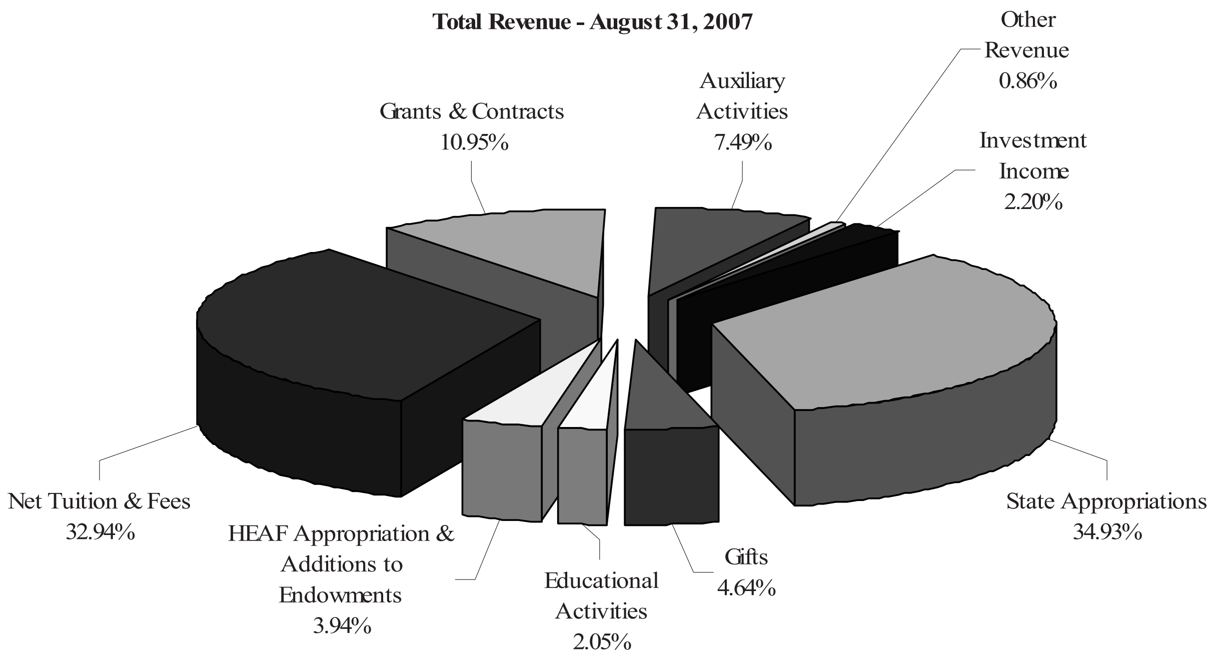
The University's Results of Operations

The statement of revenues, expenses, and changes in net assets reflects the university's operating results for the fiscal years ended August 31, 2007 and 2006. 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.

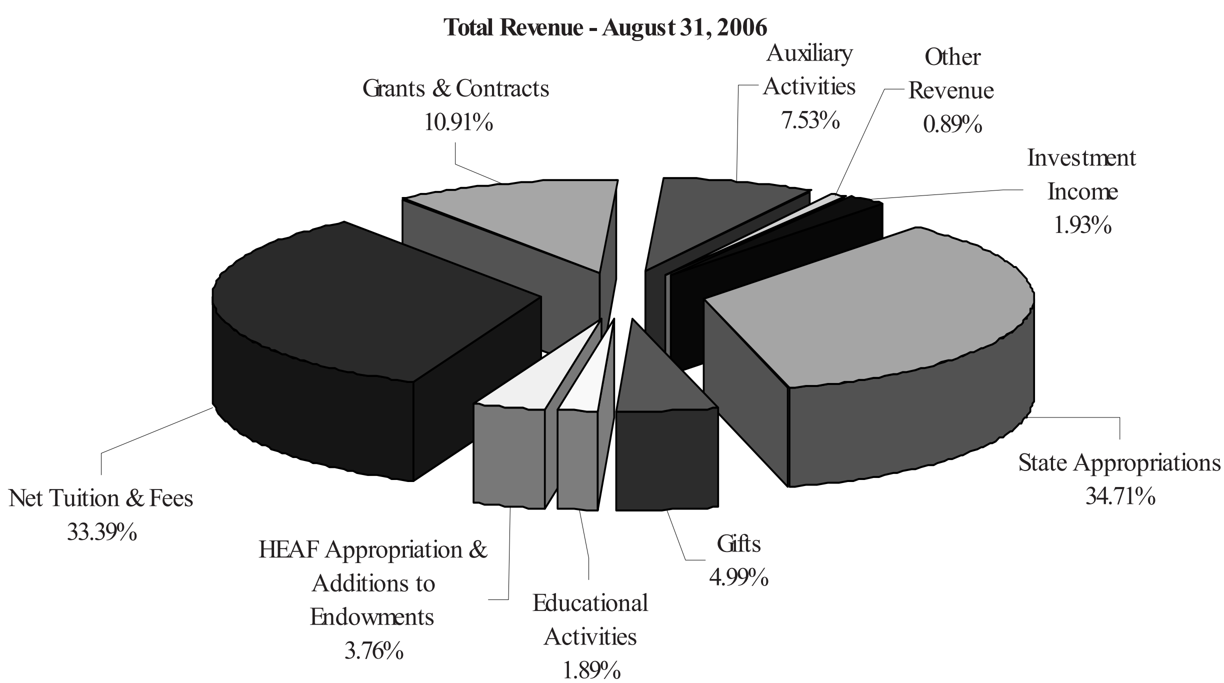
The statement below compares the operating results for the university for the years ended August 31, 2007 and 2006:

	2007	2006
Operating Revenue:		
Net Tuition and Fees	$21,421,100	$21,980,309
Grants and Contracts	7,118,577	7,171,232
Sales and Services of Educational Activities	1,334,926	1,242,442
Sales and Services of Auxiliary Enterprises	4,867,096	4,948,811
Other	558,873	581,668
Total Operating Revenue	35,300,572	35,924,462
Operating Expenses:	67,852,925	63,549,899
Operating Loss	(32,552,353)	(27,625,437)
Nonoperating Revenues (Expenses):		
State Appropriations	22,715,166	22,844,937
Gifts	3,018,828	3,281,833
Other Nonoperating Revenues	(3,500)	(4,491)
Investment Income	1,432,911	1,192,907
Investment Activities Expense		
Net Increase (Decrease) in Fair Value of Investments	111,080	132,857
Gain (Loss) on Sale of Capital Assets	9,614	
Net Book Value of Capital Assets Disposals	(24,182)	(28,383)
Net Expenses Incurred on Bonds Issued		
Interest Expense on Capital Asset Financing	(1,409,112)	(1,494,389)
Total Nonoperating Revenue (Expense)	25,850,805	25,925,271
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(6,701,548)	(1,700,166)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	4,359,595	50,000
HEAF Appropriation	2,289,565	2,289,565
Additions to Endowments	269,601	182,014
Transfers In	427,110	4,089,540
Transfers Out	(698,309)	(349,194)
Increase (Decrease) in Net Assets	(53,986)	4,561,759
Net Assets, Beginning of Year, as Restated	72,599,761	68,038,002
Net Assets, End of Year	$72,545,775	$72,599,761

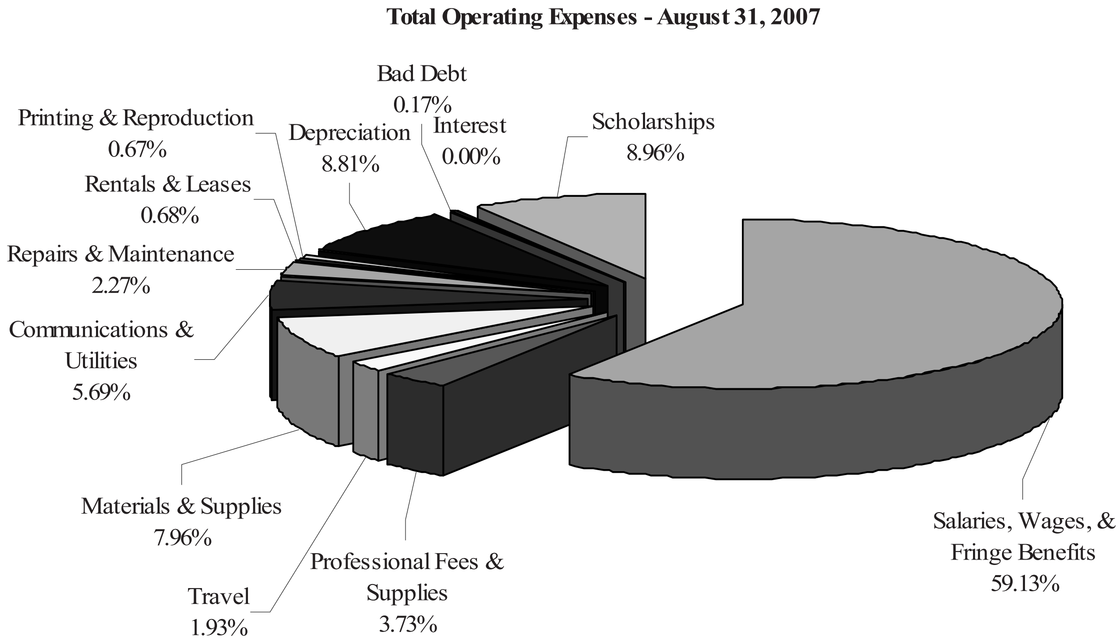
This chart identifies the components of total revenue for the year ended August 31, 2007.

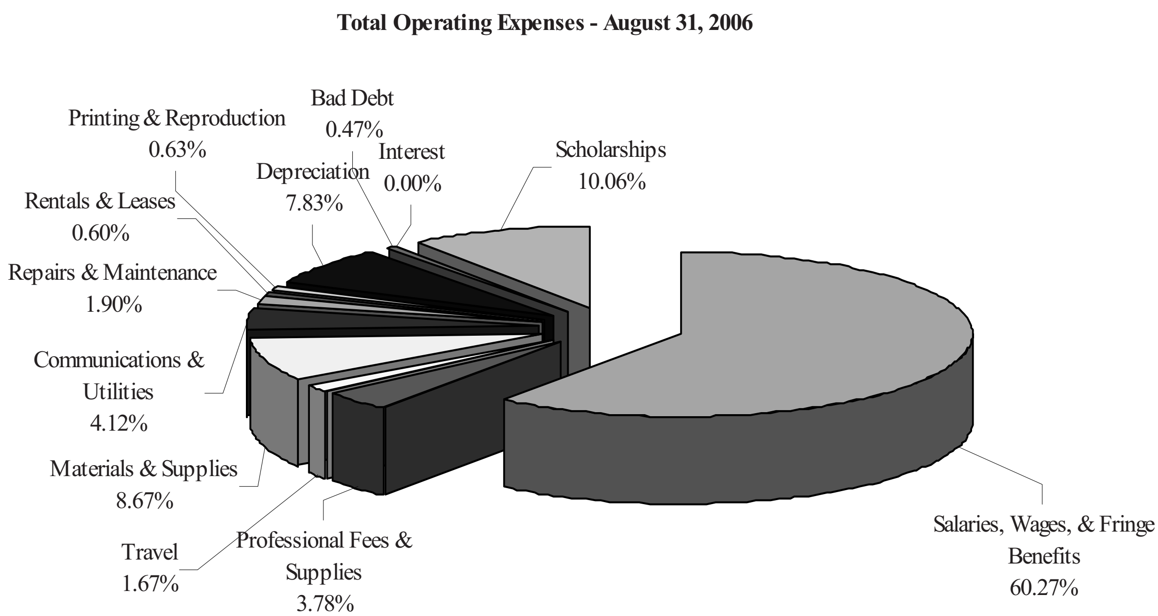


This chart reflects the same information for the year ended August 31, 2006.



Total operating expenses for the year ended August 31, 2007 were $67,852,925 as compared to $63,549,899 for the previous year. Salaries and benefits, utilities, and depreciation accounted for the largest portion of this increase in operating expenses. The following charts compare the distribution of operating expenses between fiscal year 2007 and fiscal year 2006.





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

	2007	2006
Cash provided (used) by:		
Operating Activities	$(26,191,208)	$(21,266,202)
Noncapital Financing Activities	24,913,865	27,277,086
Capital and Related Financing Activities	20,093,256	(14,555,776)
Investing Activities	(19,850,360)	9,015,684
Net Increase (Decrease) in Cash	(1,034,447)	470,792
Cash - Beginning of Year	3,770,303	3,299,511
Cash - End of Year	$ 2,735,856	$ 3,770,303

There was a net decrease in cash of $1,034,447.

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 $21.9 million and auxiliary enterprises, including housing and dining, accounted for nearly $5 million.

State appropriations in the amount of $22.3 million are the primary sources 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 gifts in the amount of $3.2 million.

The main sources for capital and related financing activities came from the issuance of bonds that are a combination of Tuition and Fee revenue bonds, refunding bonds, and revenue bonds for the financing of renovations to the coliseum, Fowler building, refunding of 1998 bonds, and for the construction of the Student Recreation Center. Cash was used to purchase capital assets in the amount of $2.4 million and for the payment of principal and interest on capital debt in the amount of $3.9million.

The cash used by investing activities during fiscal year 2007 came out of the bond funds for construction that were invested.

The University's Capital Assets and Debt Administration

Capital Assets

As of August 31, 2007, the university had $82.4 million invested in capital assets. This figure is net of accumulated depreciation of $71.8 million. Depreciation charges totaled $5.9 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

	2007	2006
Land and Land Improvement	$ 3,471,321	$ 3,471,321
Construction in Progress	2,022,018	563,980
Buildings and Building Improvements	105,487,068	104,983,866
Infrastructure	10,463,927	10,463,927
Facilities Improvements	5,411,783	4,966,960
Furniture and Equipment	11,605,377	11,522,859
Vehicles	1,515,942	1,580,018
Other Capital Assets	14,334,050	14,205,018
Total	$ 154,311,486	$ 151,757,949

Assets totaling $1 million were placed in service during fiscal year 2006-2007. These include: upgrade of the Central Plant boiler; and the construction of a new softball field on the southwest corner of campus.

The $2,022,018 representing construction in progress at the end of the year includes: the Sungard Banner software conversion project for applications in the student information system, finance, and payroll/human resources; renovation of the Fowler Building; the construction of a new Student Recreation Center; and a mustangs sculpture project with artist Jack Stevens.

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 $82,084,955 million in outstanding debt. Outstanding debt for the year ended August 31, 2006 was $48,979,541 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2007 compared with August 31, 2006.

	2007	2006
Revenue Bonds	$48,460,000	$ 26,475,000
General Obligation Bonds (HEAF)	9,165,000	10,310,000
Accrued Long Term Interest Payable on Bonds	24,459,955	12,193,191
Capital Lease Obligation	0	1,322
Accrued Interest Payable on Capital Lease Obligations	0	28
Total	$82,084,955	$ 48,979,541

Debt repayments made during the year included principal in the amount of $2,490,000 and interest in the amount of $1,472,009.

Moody's Investor Services has assigned an A2 bond rating to the university's bonds, and Fitch has assigned an A+ rating. More detailed bond information is disclosed in Schedule 2A, 2B, 2C, 2D, and 2E.

Factors That Will Affect the Future

Midwestern State University continues to focus on its mission and to offer quality education to its students.

Recent University Progress

- The quality and condition of the campus has been improved dramatically in the past several years.
  - ◊ The completion of the new Dillard College of Business Administration building, the current construction of a student health and recreation center, the renovation of the D.L. Ligon Coliseum, and the rebuilding of Fowler Hall into a modern engineering facility will provide students with access to the best possible educational and wellness space.
- The university has experienced a significant turnover in faculty related to the fact that Midwestern State hired many of its faculty in the 60's and 70's.
  - ◊ As these faculties retire, they are being replaced with doctorally prepared faculty from the best universities in the United States.
  - ◊ Special emphasis has been placed on programs in the College of Health Sciences and Human Services, the Dillard College of Business Administration, and the College of Science and Mathematics.
  - ◊ The turnover in faculty in these areas has been dramatic and it is clear that faculty qualifications have been upgraded during these changes.
- Midwestern State University significantly raised its admissions standards in 2006.
  - ◊ While this move has lowered the numbers of incoming freshmen, it has paid great dividends in terms of the success of the freshman class.
  - ◊ The number of remedial classes has been reduced by approximately 50%.
  - ◊ The performance of the freshman class on the assessment of university skills examination (THEA) has improved by 34%.
  - ◊ The 2006 to 2007 freshman to sophomore retention rate escalated from less than 60% to 72%.

- Grants, gifts, and contributions to Midwestern State University have been one of the strong points in the university's success.
  - ◊ The total of gifts and grants received in 2006-2007 was $5.3 million.
  - ◊ Additional pledges totaling $5.6 million have been committed for scholarships, academic equipment, and campus improvements.

The two most important factors facing Midwestern State University are enrollment patterns and state funding levels.

Enrollment Patterns

- Between 1998 and 2002, Midwestern State University's enrollment grew by approximately 800 students.
- Since 2003, when state university tuition was deregulated, enrollment has been in decline. This is significant since this is generally true of all 35 public senior institutions in Texas.
- Following the deregulation of tuition and rapidly escalating tuition to cover the cost of education inflation, which is approximately 5% a year, many students have been driven away from entering senior universities and have chosen either not to attend or to attend junior colleges with lower tuition rates.
- MSU is located in an area of north central Texas in which the population has been static since 1960.
- Midwestern has moved from being a regional commuter university to a more traditional residential campus of younger students coming from the metropolitan areas of Texas and out-of-state.
- The shifting demographic of MSU's student body has put pressure on the university's ability to house incoming freshmen.
- In 2006, Midwestern was forced to reject housing applications beginning in April before the opening of the fall semester.
- Midwestern State University must invest in student housing at a much more rapid pace, or continue to lose enrollment due to a lack of campus housing.

State Funding Levels

- The key to a healthy and growing Midwestern State University is a source of state appropriations that is dependable and predictable.
- The choice of the 80th Legislature to abandon traditional appropriation methodologies has been difficult on MSU with less than 1/3 of the funds appropriated to the 35 public institutions for instruction and operation being appropriated through the traditional formula system.
- The overuse of special items, new fund types, and the trusteeing of $100 million to the Texas Higher Education Coordinating Board, which has yet to be distributed, has placed undo burdens on Midwestern State University's student body.
- The increase in tuition and fees necessary to cover only inflationary costs is unacceptable and will eventually lower the quality of higher education, not only at Midwestern State University, but in the state of Texas.
- The college-going rate in Texas is low and will continue to be so as long as tuition hikes continue as a result of a lack of appropriate state funding for higher education.
- At some point it will be necessary for the state to better fund higher education in order to maintain quality and increase the numbers of college graduates in Texas.

Unaudited

Midwestern State University
Exhibit I
Comparative Statement of Net Assets
For the Years Ended August 31

		2007		2006
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand		$ 15,606		$ 15,400
Cash in Bank		821,559		608,811
Cash in State Treasury		3,148,182		3,142,944
Short-term Investments		18,580,585		14,737,620
State Appropriations		2,471,692		2,131,599
Restricted:				
Cash and Cash Equivalents:				
Cash in Bank		(1,249,491)		3,148
Short-term Investments		1,682,209		856,190
Notes and Loans Receivable		16,460		15,923
Net Receivables:				
Student Receivables		4,345,592		3,007,253
Federal Receivables		114,672		157,951
Other Intergovernmental Receivables		418		176
Interest and Dividends		154,321		217,727
Other Receivables		900,138		752,018
Pledges Receivable		2,429,295		518,492
Consumable Inventories		307,371		307,129
Prepaid Expenses		4,443,231		4,557,034
Total Current Assets		38,181,840		31,029,415
Noncurrent Assets:				
Restricted:				
Short-term Investments		23,383,993		1,461,305
Investments		268,745		860,697
Loans and Contracts		108,239		104,703
Other Long-term Investments		8,158,747		12,683,807
Pledges Receivable - Capital Projects		953,700		
Deferred Financing Costs		642,589		
Capital Assets, Non-depreciable:				
Land and Land Improvements	$ 3,471,321		$ 3,471,321	
Construction in Progress	2,022,018		563,980	
Other Capital Assets	2,965,532	8,458,871	2,965,532	7,000,833
Capital Assets, Depreciable:				
Buildings and Building Improvements	105,487,068		104,983,866	
Less Accumulated Depreciation	(50,090,145)	55,396,923	(46,287,942)	58,695,924
Infrastructure	10,463,927		10,463,927	
Less Accumulated Depreciation	(2,918,242)	7,545,685	(2,509,207)	7,954,720
Facilities and Other Improvements	5,411,783		4,966,960	
Less Accumulated Depreciation	(2,259,932)	3,151,851	(2,044,459)	2,922,501
Furniture and Equipment	11,605,377		11,522,859	
Less Accumulated Depreciation	(7,259,480)	4,345,897	(6,400,692)	5,122,167
Vehicles	1,515,942		1,580,018	
Less Accumulated Depreciation	(923,479)	592,463	(853,200)	726,818
Other Capital Assets	11,368,518		11,239,486	
Less Accumulated Depreciation	(8,437,007)	2,931,511	(8,117,239)	3,122,247
Total Noncurrent Assets		115,939,214		100,655,722
Total Assets		$ 154,121,054		$131,685,137

	2007	2006
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 1,428,353	$ 1,881,242
Accrued Liabilities	3,113,069	3,393,260
Intergovernmental Accounts Payable-ERS		
Employees' Compensable Leave	110,775	121,121
Room/Property Deposits	73,480	74,127
Deferred Revenues	17,725,750	15,540,560
Retainages and Contracts		
Funds Held for Others	155,923	96,307
Revenue Bonds Payable	1,395,000	1,345,000
Constitutional Appropriation Bonds	1,180,000	1,145,000
Capital Lease Obligations		1,322
Total Current Liabilities	25,182,350	23,597,939
Noncurrent Liabilities:		
Employees' Compensable Leave	1,122,489	970,056
Room/Property Deposits	220,440	222,381
Revenue Bonds Payable	47,065,000	25,130,000
Constitutional Appropriation Bonds	7,985,000	9,165,000
Capital Lease Obligations		
Total Noncurrent Liabilities	56,392,929	35,487,437
Total Liabilities	$ 81,575,279	$ 59,085,376
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	47,105,079	$ 48,758,888
Restricted for:		
Debt Retirement	296	
Nonexpendable	3,550,345	3,375,091
Expendable:		
Capital Projects	4,000,360	
Restricted by Contributor	3,128,954	3,571,471
Unrestricted	14,760,741	16,894,311
Total Net Assets	72,545,775	72,599,761
Total Liabilities and Net Assets	$ 154,121,054	$ 131,685,137

Unaudited

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

	2007	2006
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of $4,045,366 and $3,719,227, respectively)	$ 21,421,100	$ 21,980,309
Federal Grants	5,390,865	5,299,309
Federal Pass-Through Grants	184,781	174,799
State Grants	1,049,074	1,209,143
State Pass-Through Grants	483,441	427,778
Other Grants and Contracts	10,416	60,203
Sales and Services of Educational Activities	1,334,926	1,242,442
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $427,553 and $410,160, respectively)	4,867,096	4,948,811
Other Operating Revenue	558,873	581,668
Total Operating Revenues	35,300,572	35,924,462
Operating Expenses:		
Salaries and Wages	31,873,425	30,441,072
Payroll Related Costs	8,246,112	7,862,133
Professional Fees and Services	2,531,533	2,399,182
Travel	1,306,967	1,061,538
Materials and Supplies	5,399,267	5,509,763
Communications and Utilities	3,861,039	2,615,103
Repairs and Maintenance	1,537,428	1,210,359
Rentals and Leases	465,188	382,816
Printing and Reproduction	454,524	400,878
Depreciation	5,980,203	4,974,273
Bad Debt Expense	114,567	301,731
Interest	338	329
Scholarships	6,082,334	6,390,722
Total Operating Expenses	67,852,925	63,549,899
Operating Loss	(32,552,353)	(27,625,437)
Nonoperating Revenues (Expenses):		
State Appropriations	18,194,568	18,448,281
Additional State Appropriations	4,520,598	4,396,656
Gifts	3,018,828	3,281,833
Other Nonoperating Revenues (Expense)	(3,500)	(4,491)
Investment Income	1,432,911	1,192,907
Net Increase (Decrease) in Fair Value of Investments	111,080	132,857
Gain (Loss) on Sale of Capital Assets	9,614	
Net Book Value of Capital Asset Disposals	(24,182)	(28,383)
Interest Expense on Capital Asset Financing	(1,409,112)	(1,494,389)
Total Nonoperating Revenues (Expenses)	25,850,805	25,925,271
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(6,701,548)	(1,700,166)

	2007	2006
Capital Contributions	$ 4,359,595	$ 50,000
HEAF Appropriations	2,289,565	2,289,565
Additions to Endowments	269,601	182,014
Transfers In	427,110	4,089,540
Transfers Out	(698,309)	(349,194)
Increase (Decrease) in Net Assets:	(53,986)	4,561,759
Net Assets, Beginning of Year	72,599,761	67,733,630
Restatements		304,372
Net Assets, Beginning of Year, as Restated	72,599,761	68,038,002
Net Assets, End of Year	$ 72,545,775	$ 72,599,761

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

Unaudited

Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2007

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 31,873,425	$ 18,329,795	$ 6,720	$ 480,740	$ 2,295,646
Payroll Related Costs	8,246,112	4,609,792	1,283	92,232	548,626
Professional Fees and Services	2,531,533	586,140	3,393	74,139	687,131
Travel	1,306,967	368,556	798	56,367	252,696
Materials and Supplies	5,399,267	601,211	3,168	203,417	834,188
Communications and Utilities	3,861,039	53,869		4,090	21,567
Repairs and Maintenance	1,537,428	119,437		25,802	26,602
Rentals and Leases	465,188	185,711	71	50,645	38,642
Printing and Reproduction	454,524	30,664	390	26,816	48,837
Depreciation	5,980,203				
Bad Debt Expense	114,567	4,483			657
Interest	338				29
Scholarships	6,082,334				
Total Operating Expenses	$ 67,852,925	$ 24,889,658	$ 15,823	$ 1,014,248	$ 4,754,621

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

Year Ended 8-31-2007 (UNAUDITED)

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 1,822,710	$ 3,863,755	$ 2,017,984		$ 3,056,075	
506,116	1,082,940	720,578		684,545	
613,405	(756,824)	106,730		1,217,419	
72,617	93,994	5,880		456,059	
172,341	900,662	592,146		2,092,134	
18,497	13,149	2,782,201		967,666	
5,755	705,450	255,792		398,590	
13,004	89,004	31,511		56,600	
96,151	125,946	350		125,370	
					$ 5,980,203
103,280	(30,728)	8,991		27,884	
6	268	35			
			$ 6,082,334		
$ 3,423,882	$ 6,087,616	$ 6,522,198	$ 6,082,334	$ 9,082,342	$ 5,980,203

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

Unaudited

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

	2007	2006
Cash Flows from Operating Activities		
Proceeds Received from Students	$ 21,954,946	$ 22,343,787
Proceeds Received for Sponsored Programs	7,102,942	7,188,370
Proceeds Received from Auxiliary Enterprises	4,976,086	4,948,811
Proceeds from Loan Programs	13,293	17,443
Proceeds from Other Revenues	1,893,799	2,119,855
Payments to Employees	(40,193,990)	(38,001,979)
Payments to Suppliers for Goods and Services	(16,009,415)	(13,557,749)
Payments for Scholarships	(5,911,503)	(6,285,659)
Payments for Loans Provided	(17,366)	(39,081)
Net Cash Provided (Used) by Operating Activities	(26,191,208)	(21,266,202)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	22,375,073	23,165,928
Proceeds from Endowment Gifts	221,773	182,014
Proceeds from Gifts	3,018,828	4,062,724
Proceeds from Other Noncapital Financing Activities	(3,500)	(4,466)
Transfers in from Other Funds		
Transfers out to Other Funds	(698,309)	(129,114)
Net Cash Provided by Noncapital Financing Activities	24,913,865	27,277,086
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Debt	22,648,259	
Proceeds from Capital Gifts	1,495,092	50,000
Proceeds from HEAF Appropriations	2,289,565	2,289,565
Proceeds from Disposal of Capital Assets		
Proceeds from Interest on Capital Investments	30,925	
Purchase of Capital Assets	(2,445,652)	(12,634,426)
Principal Paid on Capital Related Debt	(2,406,322)	(2,547,818)
Interest Paid on Capital Related Debt	(1,472,763)	(1,713,097)
Payments of Costs of Debt Issuance	(45,848)	
Net Cash Provided by Capital and Related Financing Activities	20,093,256	(14,555,776)
Cash Flows from Investing Activities		
Proceeds from Interest and Investment Income	1,576,472	1,188,298
Proceeds from Sales and Maturities of Investments	35,400,197	65,572,746
Payments to Acquire Investments	(56,827,029)	(57,745,360)
Net Cash Provided (Used) by Investing Activities	(19,850,360)	9,015,684
Increase (Decrease) in Cash and Cash Equivalents	(1,034,447)	470,792
Cash and Cash Equivalents, September 1, 2006	3,770,303	3,299,511
Cash and Cash Equivalents, August 31, 2007	$ 2,735,856	$ 3,770,303

Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets

	2007	2006
Current Assets		
Cash on Hand	$ 15,606	$ 15,400
Cash in Bank	821,559	608,811
Cash in State Treasury	3,148,182	3,142,944
Restricted		
Cash in Bank	(1,249,491)	3,148
	$ 2,735,856	$ 3,770,303

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

	2007	2006
Operating Income (Loss)	$ (32,552,353)	$ (27,625,437)

Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities

	2007	2006
Amortization and Depreciation	5,980,203	4,974,273
Bad Debt Expense	114,567	301,731
(Increase) Decrease in Receivables	(1,557,747)	891,696
(Increase) Decrease in Inventories	(242)	(16,143)
(Increase) Decrease in Prepaid Expenses	113,803	105,063
(Increase) Decrease in Loans	(4,073)	(21,638)
Increase (Decrease) in Payables	(527,989)	339,588
Increase (Decrease) in Deferred Income	2,185,190	(207,304)
Increase (Decrease) in Other Liabilities	57,433	(8,031)
Total Adjustments	6,361,145	6,359,033
Net Cash Used by Operating Activities	$ (26,191,208)	$ (21,266,203)
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	$ 111,080	$ 132,857
(Loss) Gain on Asset Disposals	(14,568)	(28,383)
Donated Capital Asset		
Donated Investment Asset		1,070

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.

Midwestern State University
Notes To The Financial Statements

Note 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2007, is presented below.

Business Type Activities	Balance 09/01/06	Restatement	Completed CIP	Additions	Deletions	Balance 08/31/07
Non-depreciable Assets:						
Land and Land Improvements	$ 3,471,321					$ 3,471,321
Construction in Progress	563,980		$ (973,025)	$ 2,455,245	$ (24,182)	2,022,018
Other Capital Assets	2,965,532					2,965,532
Total Non-depreciable Assets	7,000,833	0	(973,025)	2,455,245	(24,182)	8,458,871
Depreciable Assets:						
Buildings and Building Improvements	104,983,866		503,202			105,487,068
Infrastructure	10,463,927					10,463,927
Furniture and Equipment	11,522,859			238,849	(156,331)	11,605,377
Vehicles	1,580,018			28,922	(92,998)	1,515,942
Other Capital Assets	11,239,486		25,000	182,871	(78,839)	11,368,518
Facilities and Other Improvements	4,966,960		444,823			5,411,783
Total Depreciable Assets at Historical Cost	144,757,116	0	973,025	450,642	(328,168)	145,852,615
Total Assets Before Depreciation	151,757,949	0	0	2,905,887	(352,350)	154,311,486
Less Accumulated Depreciation For:						
Buildings and Building Improvements	(46,287,942)			(3,802,203)		(50,090,145)
Infrastructure	(2,509,207)			(409,035)		(2,918,242)
Furniture and Equipment	(6,400,692)			(1,004,948)	146,160	(7,259,480)
Vehicles	(853,200)			(149,937)	79,658	(923,479)
Other Capital Assets	(8,117,239)			(398,607)	78,839	(8,437,007)
Facilities and Other Improvements	(2,044,459)			(215,473)		(2,259,932)
Total Accumulated Depreciation	(66,212,739)	0	0	(5,980,203)	304,657	(71,888,285)
Depreciable Assets, Net	$ 78,544,377	0	$ 973,025	$(5,529,561)	$ (23,511)	$73,964,330
Capital Assets, Net	$ 85,545,210	0	0	$(3,074,316)	$ (47,693)	$82,423,201

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, the carrying amount of the university's deposits was as follows:

	2007	2006
Business-type Activities:		
Proprietary Funds Current Assets Cash in Bank	$ 821,559	$ 608,811
Proprietary Funds Current Assets Restricted Cash in Bank	(1,249,491)	3,148
Total Cash in Bank	$ (427,932)	$ 611,959

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, 2007 was $877,859. $100,000 of this amount was covered by FDIC insurance, and $777,859 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.)

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Investments

At August 31, the fair value of the university's investments is presented below:

	2007	2006
U.S. Government		
U.S. Agency Obligations	$ 15,550,604	20,895,774
Equity	115,565	103,357
Other Commingled Funds - Texpool	34,872,578	8,143,095
Other Commingled Funds - LOGIC	453,718	430,430
Other Commingled Funds - JP Morgan	1,081,814	1,026,963
Total	$ 52,074,279	$ 30,599,619

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, 2007, the university's credit quality distribution for securities with credit risk exposure was as follows:

U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$ 15,550,604	Rated AAA
Commingled Funds - Texpool	$ 34,872,578	Rated AAA
Commingled Funds - LOGIC	$ 453,718	Rated AAA
Commingled Funds - JP Morgan	$ 1,081,814	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, 2007, the university's concentration of credit risk is as follows:

Issuer	Carrying Value	% of Total Portfolio
Federal Home Loan Bank	$ 8,683,879	17%
Federal Home Loan Mortgage Corp.	$ 1,499,969	3%
Texpool - Commingled Funds	$ 34,872,578	67%
Federal National Mortgage Assn.	$ 5,362,880	10%

Note 4: Short Term Debt

Not Applicable

Year
Ended
8-31-2007
(UNAUDITED)

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, 2007, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-06	Restatement	Additions	Reductions	Balance 08-31-07	Amounts Due Within One Year
Compensable Leave	$ 1,091,177		$ 221,028	$ 78,941	$ 1,233,264	$ 110,775
General Obligation Bond Payable	10,310,000			1,145,000	9,165,000	1,180,000
Revenue Bonds Payable	26,475,000		28,855,000	6,870,000	48,460,000	1,395,000
Capital Lease Obligations	1,322			1,322	0	
Total	$ 37,877,499	0	$ 29,076,028	$ 8,095,263	$ 58,858,264	$ 2,685,775

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 accrue 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 $1,233,264. The University made lump sum payments totaling $78,941 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2007, and payments of $103,322 for August 31, 2006.

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 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 8-31-2007 (UNAUDITED)

Note 6: Capital Leases

The University had no capital leases for the period ended August 31, 2007.

Note 7: Operating Lease Obligations

Not Applicable

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
Due to Due from :			
TX Dept of Transportation, Agency 601	$418		Texas Collegiate License Plate Fund
Total Due From/To	$418		
Legislative Transfers :	Transfer In	Transfer Out	
Comptroller-State Fiscal, 902			
D23 Fund 0001		2,248	General Revenue Account Reductions for Commercial Air Travel
Operating Transfers :			
TX Higher Education Coordinating Board, Agency 781			
D23 Fund 0264		123,337	Texas B-On-Time Loan Payment
D23 Fund 5103		801	Dental Hygienist Degree or Certification Program
TX Public Finance Authority, Agency 347			
D23 Fund 7999	427,110		Master Lease Purchase
D23 Fund 7999		548,417	Master Lease Purchase Payment
D23 Fund 7999		23,507	Master Lease Purchase Payment
Total Transfers	$ 427,110	$ 698,309	

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

There is no pending or threatened litigation.

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, 2007, 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 $128,055 and $110,418 for worker's compensation coverage for fiscal years ending August 31, 2007 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 insurance on its licensed vehicles with a combined single limit of $500,000.

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, Schedule 2E-Defeased Bonds Outstanding, and Schedule 2F-Early Extinguishment & Refunding.

Revenue Financing System Revenue Bonds, Series 1998

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To advance refund Tuition and General Fee Revenue Bonds, Series 1975 and Series 1989 and to renovate Bea Wood and O'Donohoe Halls, to construct a health and wellness center and to acquire various equipment
- Issued September 1, 1998
- $9,860,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- 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, and student service fees
- $5,525,000 advance refunded by Revenue and Refunding Bonds, Series 2007, which resulted in a cash flow savings in the amount of $207,214, and a net present value savings of $176,448. The acquisition price of the new debt exceeded the carrying amount of the old debt by $170,000. This amount is being amortized over the life of the refunded debt.
- $825,000 not refunded and still outstanding

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

Note 13: Bonded Indebtedness (Continued)

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

Revenue and Refunding Bonds, Series 2007

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for constructing, equipping and furnishing a student recreation and health facility; improving, renovating, enlarging and/or equipping Fowler Hall; improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum; and advance funding $5,525,000 of outstanding Revenue Refunding and Improvement Bonds, Series 1998 (see previous note on the Series 1998 bonds)
- Issued August 1, 2007
- $28,855,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- 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."
- General Obligation Bond
- Business-Type Activities

Note 14: Subsequent Events

Midwestern State University is planning the construction of new Housing Apartments over the next several years. It has been obvious to administration that additional housing positively impacts enrollment, particularly when there is an annual waiting list for 150 rooms. Construction of the facility will be with a design-build company that will also include a marketing study, identifying the scope and size of the facility, which could result in as many as 300 rooms with an estimated cost of approximately $18 million. The MSU Board of Regents and the President have approved this project.

The university is also actively pursuing the replacement of the old Band Hall facility with a new building, adjacent to the Fain Fine Arts Building, which was the original intent before it was located at the current site. The new building would be approximately 6,500 sq. ft., and be used for band practices, equipment storage, and several offices, at a cost of approximately $1.5 million.

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 $1,052,255 to the University during the year ended August 31, 2007, and $1,119,943 for the prior year. The MSU Charitable Trust remitted restricted gifts of $637,697 to the university during the year ended August 31, 2007 and $468,471 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2007 are reported by their trustees in the amount of $18,049,333 and $23,071,806 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, 2007, 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 $459,409.

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 Entity

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

Not Applicable.

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	$ 17,517	Restricted for Nonexpendable
Term Endowments		Restricted for Nonexpendable
True Endowments		Restricted for Expendable
Total	$ 17,517	

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

The university reclassified certain Federal and State grants into the operating revenue section on Exhibit II, the Comparative Statement of Revenues, Expenses, and Changes in Net Assets. This reclassification was done to conform more fully with GASB's definition of exchange transactions. The prior fiscal year amounts have also been reclassified for comparative purposes.

Note 25: Disaggregation of Receivable and Payable Balances

Not Applicable.

Note 26: Termination Benefits

Not Applicable.

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Midwestern State University

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007, with Comparative Totals for the Year Ended August 31, 2006

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 Supplemental Education Opportunity Grants	84.007						
Federal Family Education Loans	84.032						
Federal Work-Study Program	84.033						
Federal Perkins Loan Program-Federal Capital Cont.	84.038						
Federal Pell Grant Program	84.063						
Academic Competitiveness Grants	84.375						
National Science & Mathematics Access to Retain Taler	84.376						
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		$ 11,497		
Coordinating Board, Texas Higher Education: SLEAP	84.069B		781		19,401		
Coordinating Board, Texas Higher Education: Byrd	84.185		781		11,250		
Direct Program:							
Childcare Access Means Parents in School	84.335A						
Transition to Teaching	84.350A						
Totals - U.S. Department of Education					42,148		
U.S. Department of Health & Human Services							
Pass-Through From:							
Texas Department on Aging							
Advanced Education Nursing Traineeships	93.358		340		16,644		
Small Business Administration							
Pass-Through From:							
Texas Tech Small Business Development Center	59.037			733		$ 125,989	
Total Federal Financial Assistance					$ 58,792	$ 125,989	

Note 3: Student Loans

Federal Grantor/CFDA #/Program Name	New Loans Processed	Adm Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balances Previous Years Loans
U.S. Department of Education				
84.032 Federal Family Education Program	$ 17,404,618			
84.038 Federal Perkins Loan Program	17,366			$ 124,699
Total Department of Education	$ 17,421,984			$ 124,699

Note 7: Federal Deferred Revenue

CFDA #/Program Name	Deferred Revenue 09/01/06	Increase/ (Decrease)	Deferred Revenue 08/31/07
U.S. Department of Education			
84.007 Federal Supplemental Educational Opportunity Grant	$ 73,347	$ 1,580	$ 74,927
84.047 TRIO - Upward Bound	1,660	(1,660)	
84.063 Federal Pell Grant Program	1,755,126	(239,030)	1,516,096
84.350 Transition to Teaching	22,791	(15,692)	7,099
Total Deferred Revenue	$ 1,852,924	$ (254,802)	$ 1,598,122

Direct Program	Total Pass-Through From & Direct Program	Pass-Through To: Agency or Univ Amount	Pass-Through To: Non-State Entities Amount	Expenditures	2007 Total PT To and Expenditures Amount	2006 Total PT To and Expenditures Amount
$ 158,876	$ 158,876			$ 158,876	$ 158,876	$ 150,000
17,404,618	17,404,618			17,404,618	17,404,618	18,687,204
100,000	100,000			100,000	100,000	100,000
17,366	17,366			17,366	17,366	39,081
4,440,950	4,440,950			4,440,950	4,440,950	4,544,535
106,742	106,742			106,742	106,742	
35,082	35,082			35,082	35,082	
22,263,634	22,263,634			22,263,634	22,263,634	23,520,820
332,315	332,315			332,315	332,315	289,973
	11,497			11,497	11,497	11,902
	19,401			19,401	19,401	19,803
	11,250			11,250	11,250	
						16,729
216,900	216,900			216,900	216,900	198,072
216,900	259,048			259,048	259,048	246,506
	16,644			16,644	16,644	22,447
	125,989			125,989	125,989	120,647
$ 22,812,849	$ 22,997,630			$ 22,997,630	$ 22,997,630	$ 24,200,393

Note 2: Reconciliation

Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	$ 5,390,865
Federal Pass-through Revenue - Operating	184,781
Total Federal Revenues	5,575,646
Reconciling Items: Add New Loans	
Federal Family Education Loans Processed	17,404,618
Federal Perkins Loans Processed	17,366
	$ 22,997,630

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

Year Ended 8-31-2007 (UNAUDITED)

Unaudited

Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies

For the Years Ended August 31

	2007	2006
Operating Revenue:		
Pass Through From:		
Texas Higher Education Coordinating Board (Agency #781)		
Academic Growth	$ 154,029	
Nursing and Allied Health	304,484	$ 418,108
Financial Aid - Professional Nursing	24,928	9,670
Total Operating Pass Through Revenue (Exhibit II)	$ 483,441	$ 427,778

Pass Through To:

None

ANNUAL FINANCIAL REPORT

Unaudited

Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2007

Business Type Activities Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities First Year	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
Revenue and Refunding Bonds: Series 2007	28,855,000	4.00% - 4.625%	2008	2032	12-01-16
Total	$ 72,045,000				

Year Ended 8-31-2007 (UNAUDITED)

ANNUAL FINANCIAL REPORT

Unaudited

Schedule 2B - Changes in Bonded Indebtedness

For the Fiscal Year Ended August 31, 2007

Business Type Activities Description of Issue	Bonds Outstanding 09-01-2006	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2007	Amounts Due Within One Year
General Obligation Bonds						
Constitutional Appropriation Bonds: Series 2004	$10,310,000		$ 1,145,000		$ 9,165,000	$ 1,180,000
Revenue Bonds						
Tuition & General Fee Revenue Bonds: Series 1998	6,740,000		390,000	$ 5,525,000	825,000	405,000
Revenue Financing System Revenue Bonds: Series 2002	7,785,000		335,000		7,450,000	355,000
Building Revenue & Refund Bonds: Series 2003	11,950,000		620,000		11,330,000	635,000
Revenue and Refunding Bonds: Series 2007		$28,855,000			28,855,000	
Total	$ 36,785,000	$ 28,855,000	$ 2,490,000	$ 5,525,000	$ 57,625,000	$ 2,575,000

Year Ended 8-31-2007 (UNAUDITED)

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Unaudited

Schedule 2C - Debt Service Requirements

For the Fiscal Year Ended August 31, 2007

Business Type Activities

Description of Issue	2008	2009	2010	2011	2012
General Obligation Bonds					
Constitutional Appropriation Bonds:					
Series 2004					
Principal	$ 1,180,000	$ 1,215,000	$ 1,255,000	$ 1,305,000	$ 1,350,000
Interest	286,863	252,413	213,794	172,194	127,362
Revenue Bonds					
Tuition & General Fee Revenue Bonds:					
Series 1998					
Principal	405,000	420,000			
Interest	27,188	9,240			
Revenue Financing System Revenue Bonds:					
Series 2002					
Principal	355,000	370,000	385,000	405,000	425,000
Interest	330,201	315,701	300,361	283,814	266,176
Revenue & Refunding Bonds:					
Series 2003					
Principal	635,000	655,000	680,000	705,000	730,000
Interest	480,916	462,360	440,635	415,516	387,698
Revenue & Refunding Bonds:					
Series 2007					
Principal		680,000	1,145,000	1,185,000	1,240,000
Interest	952,112	1,214,933	1,178,432	1,131,833	1,083,332
TOTAL	4,652,280	5,594,647	5,598,222	5,603,357	5,609,568
Less Interest	2,077,280	2,254,647	2,133,222	2,003,357	1,864,568
TOTAL PRINCIPAL	$ 2,575,000	$ 3,340,000	$ 3,465,000	$ 3,600,000	$ 3,745,000

2013 - 2017	2018 - 2022	2023 - 2027	2028 - 2032	2033	Total Requirements
$ 2,860,000					$ 9,165,000
106,431					
					825,000
					36,428
2,430,000	$ 3,080,000				7,450,000
1,027,935	395,029				2,919,217
3,430,000	2,600,000	$ 1,895,000			11,330,000
1,459,875	803,494	145,375			4,595,869
7,010,000	6,380,000	6,305,000	$ 4,490,000	$ 420,000	28,855,000
4,608,407	3,151,019	1,858,797	560,807	9,712	15,749,384
22,932,648	16,409,542	10,204,172	5,050,807	429,712	82,084,955
7,202,648	4,349,542	2,004,172	560,807	9,712	24,459,955
$ 15,730,000	$ 12,060,000	$ 8,200,000	$ 4,490,000	$ 420,000	$ 57,625,000

ANNUAL FINANCIAL REPORT

Year Ended 8-31-2007 (UNAUDITED)

Unaudited

Schedule 2D - Analysis of Funds Available for Debt Service

For the Year Ended August 31, 2007

Business Type Activities

Description of Issue	Application of Funds	
General Obligation Bonds	Principal	Interest
Constitutional Appropriation Bonds:		
Series 2004	$ 1,145,000	$ 318,831

	Pledged and Other Sources and Related Expenditures for FY 2007			
	Net Available for Debt Service			
Revenue Financing System Revenue Bonds	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
Tuition & General Fee Revenue Bonds:			Principal	Interest
Series 1998			$ 390,000	$ 312,555
Revenue Financing System Revenue Bonds:				
Series 2002			335,000	344,001
Revenue & Refunding Bonds:				
Series 2003			620,000	496,622
Total for All Revenue Financing System Revenue Bonds	$ 47,005,165		$ 1,345,000	$ 1,153,178

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

Year Ended 8-31-2007 (UNAUDITED)

Unaudited

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2007

Business Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Tuition and General Fee Revenue Bonds:		
Series 1998	2007	$ 5,525,000

Unaudited

Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2007

Business Type Activities Description of Issue	Category	Amount Extinguished or Refunded	Refunded Issued Par Value	Cash Flow Increase (Decrease)	*Economic Gain/(Loss)
Revenue Bonds:					
Tuition & General Fee Revenue Bonds:					
Series 1998	Advance Refunding	$5,525,000	$5,695,000	$207,214	$176,448
Total		$5,525,000	$5,695,000	$207,214	$176,448

*Net Present Value Savings

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

For the Years Ended August 31

Cash in State Treasury	Unrestricted	Restricted	Current Year 2007	Prior Year 2006
General Revenue - Dedicated Fund 0264	$ 3,139,217		$ 3,139,217	$ 3,142,944
Special Mineral Fund - Fund 0412	8,965		8,965	0
Total Cash in State Treasury (Statement of Net Assets)	$ 3,148,182		$ 3,148,182	$ 3,142,944

Year Ended 8-31-2007 (UNAUDITED)

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

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[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the bonds described below, assuming no material changes in facts or law.*]

$38,300,136.10
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS,
SERIES 2008

AS BOND COUNSEL FOR THE TEXAS PUBLIC FINANCE AUTHORITY (the "Authority") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and within the Resolution (hereinafter defined). The Board of Directors of the Authority and the Board of Regents (the "Board") of Midwestern State University (the "University"), respectively, authorized the issuance of the Bonds pursuant to separate resolutions (collectively, the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Authority and the Board relating to the authorization, issuance, sale and delivery of the Bonds, including the Resolution, certificates and opinions of officials of the Authority and the Board, and other pertinent instruments relating to the issuance of the Bonds, including one of the executed Bonds (Bond Numbered R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law; that, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding special obligations secured by and payable from, a lien on and pledge of the Pledged Revenues, 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.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

THE AUTHORITY AND THE BOARD have reserved the right, subject to the restrictions stated in the resolution authorizing the Bonds, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume continuing compliance by the Authority and the Board with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Authority or the Board to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority and the Board have covenanted not to take any action, or omit to take any action within their respective control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority, the Board or the University, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and the Board. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

Form 500NY (5/90)