OFFICIAL STATEMENT
Dated September 18, 2012

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:
Fitch: "AA-"
Moody's: "A1"
(See "RATINGS" herein)

In the opinion of Bond Counsel, interest on the Series 2012A Bonds will be excludable from gross income for federal income tax purposes under existing law and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS FOR SERIES 2012A BONDS" herein for a discussion of Bond Counsel's opinion, including the alternative minimum tax consequences for corporations. Interest on the Series 2012B Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS FOR SERIES 2012B BONDS"

$4,710,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE
REFUNDING BONDS, SERIES 2012A

$5,415,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE
REFUNDING BONDS, TAXABLE SERIES 2012B

Dated Date: September 15, 2012
Interest Accrues: Date of Delivery

Due: December 1, as shown herein

The Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") and the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Bonds") are issued by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"). The Bonds are payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION (AS DEFINED HEREIN) WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."**

The proceeds from the sale of the Bonds will be used for the purpose of (i) refunding the Refunded Bonds (as defined herein) set forth on Schedule I hereto and (ii) paying the costs of issuance related thereto. See "PLAN OF FINANCING - Purpose."

Interest on the Bonds will accrue from the date of delivery, and is payable on December 1, 2012, and each June 1 and December 1 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Wilmington Trust, 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."

See Inside Cover Page for Maturity Schedules
CUSIP Prefix: 882756

The Series 2012A Bonds are not subject to redemption prior to maturity. The Series 2012B 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 Andrews Kurth LLP, Austin, Texas, as to the validity of the issuance of the Bonds under the Constitution and the laws of the State of Texas. See APPENDIX C – Forms of Bond Counsel's Opinions. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas. The Bonds are expected to be available for delivery through DTC on or about October 9, 2012.

SOUTHWEST SECURITIES **RBC CAPITAL MARKETS**

MATURITY SCHEDULE [1]

$4,710,000 SERIES 2012A BONDS

Due December 1	Maturing Amounts	Interest Rate	Initial Yield[2]	CUSIP[3]
2012	$155,000	2.00%	0.40%	882756 V97
2013	125,000	2.00	0.50	882756 W21
2014	605,000	2.00	0.70	882756 W39
2015	615,000	2.00	0.85	882756 W47
2016	630,000	2.00	1.12	882756 W54
2017	645,000	2.00	1.35	882756 W62
2018	660,000	2.00	1.63	882756 W70
2019	675,000	2.00	1.98	882756 W88
2020	600,000	2.25	2.26	882756 W96

$5,415,000 SERIES 2012B BONDS

Due December 1	Maturing Amounts	Interest Rate	Initial Yield[2]	CUSIP[3]
2012	$120,000	0.501%	0.501%	882756 X20
2013	70,000	0.560	0.560	882756 X38
2014	70,000	0.796	0.796	882756 X46
2015	70,000	1.142	1.142	882756 X53
2016	515,000	1.485	1.485	882756 X61
2017	520,000	1.735	1.735	882756 X79
2018	535,000	2.114	2.114	882756 X87
2019	550,000	2.314	2.314	882756 X95
2020	560,000	2.691	2.691	882756 Y29
2021	575,000	2.841	2.841	882756 Y37
2022	590,000	3.041	3.041	882756 Y45
2023	610,000	3.191	3.191	882756 Y52
2024	630,000	3.241	3.241	882756 Y60

(1) The Series 2012A Bonds are not subject to redemption prior to maturity. The Series 2012B Bonds are subject to redemption as set forth herein in the section "DESCRIPTION OF THE BONDS – Redemption."

(2) Yield represents the initial offering yield to the public which has been established by the Underwriters for public offerings and may subsequently be changed from time to time at the sole discretion of the Underwriters.

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, the University or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

D. Joseph Meister, Chair
Ruth C. Schiermeyer, Vice Chair
Gerald Alley, Secretary
Billy M. Atkinson, Jr., Member
Mark W. Eidman, Member
Rodney K. Moore, Member
Robert T. Roddy, Jr., Member

Certain Appointed Officers

Robert P. Coalter, Executive Director
Susan K. Durso, General Counsel

MIDWESTERN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Mr. Shawn G. Hessing, Chairperson	Fort Worth	February 25, 2014
Mr. J. Kenneth Bryant, Secretary	Wichita Falls	February 25, 2016
Mr. Michael Bernhardt	Wichita Falls	February 25, 2016
Ms. Tiffany Burks	Grand Prairie	February 25, 2016
Mr. Charles E. Engelman	Wichita Falls	February 25, 2014
Mr. Fenton Lynwood Givens, Ph.D.	Plano	February 25, 2018
Mr. Charles Greg	Seymour	February 25, 2018
Mr. Samuel M. Sanchez	Fort Worth	February 25, 2018
Ms. Jane W. Spears	Wichita Falls	February 25, 2014
Ms. Linda Aguilera (Student Regent)	Wichita Falls	May 31, 2013**

** State law does not authorize a student regent to vote on matters before the Board.

Certain Appointed Officials

Name	Title	Length of Service
Dr. Jesse W. Rogers	President	44 Years
Dr. Marilyn Fowle	Vice President, Administration and Finance	Newly Appointed
Ms. Gail Ferguson	Controller	23 Years
Barry Macha	General Counsel	2 Years

Consultants

Financial Advisor
First Southwest Company
Austin, Texas

Bond Counsel
Andrews Kurth LLP
Austin, Texas

For additional information regarding Midwestern State University, please contact:

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

Mr. Chris W. Allen
First Southwest Company
300 West 6th Street, Suite 1940
Austin, Texas 78701
(512) 481-2000

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 THAT 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.

None of the Authority, the Board, the University, or the Underwriters makes 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.

The statements contained in this 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 this 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. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See "LEGAL MATTERS – Forward-Looking Statements".

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The agreements of the Authority, the Board, and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

OFFICIAL STATEMENT
relating to

$4,710,000	**$5,415,000**
TEXAS PUBLIC FINANCE AUTHORITY	**TEXAS PUBLIC FINANCE AUTHORITY**
MIDWESTERN STATE UNIVERSITY	**MIDWESTERN STATE UNIVERSITY**
REVENUE FINANCING SYSTEM REVENUE	**REVENUE FINANCING SYSTEM REVENUE**
REFUNDING BONDS, SERIES 2012A	**REFUNDING BONDS, TAXABLE SERIES 2012B**

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 its bonds entitled "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012A" (the "Series 2012A Bonds") and "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B" (the "Series 2012B Bonds," and, together with the Series 2012A Bonds, 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 2011 Fall Semester, the University had a total enrollment of approximately 6,181 students. The 2012-2013 budget of the University is approximately $94,154,646. 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, 1207 and 1371, Texas Government Code, as amended, and additionally pursuant to a resolution adopted by both the Board and the Authority's board and a pricing certificate executed by the Authority's pricing committee on the date of the sale of the Bonds (collectively, the "Resolution").

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

The proceeds from the sale of the Series 2012A Bonds will be used for the purpose of (i) refunding the Outstanding Parity Obligations set forth in Schedule I hereto (the "Series 2012A Refunded Bonds") and (ii) paying the costs of issuance related to the issuance of the Series 2012A Bonds.

The proceeds from the sale of the Series 2012B Bonds will be used for the purpose of (i) refunding the Outstanding Parity Obligations set forth in Schedule I hereto (the "Series 2012B Refunded Bonds" and, together with the Series 2012A Refunded Bonds, the "Refunded Bonds") and (ii) paying the costs of issuance related to the issuance of the Series 2012B Bonds.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment and redemption dates of each such bond, from funds to be deposited with Wilmington Trust, National Association, Dallas, Texas, as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement among the Authority, the Board and the Escrow Agent to be effective as of the date of delivery of the Bonds (the "Escrow Agreement").

The Resolution provides that from a portion of the proceeds of the sale of the Bonds to the initial purchasers thereof, together with other lawfully available funds of the University, if any, the University will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Escrow Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The Escrow Fund will not be available to pay principal of or interest on the Bonds.

Grant Thornton LLP, a nationally-recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Refunded Bonds on their scheduled redemption dates. Grant Thornton LLP will also verify the yields relied on by Bond Counsel to support its opinion that none of the Series 2012A Bonds is an arbitrage bond under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). Such verification report will be based on information and assumptions supplied by the Financial Advisor and reviewed by the Authority and the University and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinions described herein. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "TAX MATTERS FOR SERIES 2012A BONDS."

By the deposit of the Escrow Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the University will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions authorizing their issuance. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will no longer be payable from Pledged Revenues, but will be payable solely from the principal of and interest on the Escrow Securities and cash held for such purpose by the Escrow Agent, and that the Refunded Bonds, as defeased obligations, are not to be included in or considered to be indebtedness of the Authority or the University for any other purpose.

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

Sources and Uses of Funds
The proceeds of the Bonds will be applied approximately as follows:

Sources of Funds	Series 2012A Bonds	Series 2012B Bonds	Total
Principal Amount of Bonds	$4,710,000.00	$5.415,000.00	$10,125,000.00
Net Original Issue Premium	98,881.90	-	98,881.90
Total	$4,808,881.90	$5,415,000.00	$10,223,881.90
Uses of Funds			
Deposit to Escrow Fund	$4,708,405.28	$5,296,600.38	$10,005,005.66
Costs of Issuance*	100,476.62	118,399.62	218,876.24
Total	$4,808,881.90	$5,415,000.00	$10,223,881.90

*Includes Underwriters' discount.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount within a stated maturity, will be dated September 15, 2012, will accrue interest from the date of delivery, and will bear interest at the per annum rates shown on the inside cover page hereof. Interest on the Bonds is payable on December 1 and June 1 of each year, commencing December 1, 2012, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on December 1 in the years and in the principal amounts set forth on the inside cover page hereof.

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

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Trust Office described herein, the Authority will execute, and the Paying Agent/Registrar, initially Wilmington Trust, 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 that 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 the Holder's 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

In the Resolution, the Board covenants to provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar at all times while the Bonds are outstanding.

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. The Designated Trust Office for the initial Paying Agent/Registrar is in Dallas, Texas (the "Designated Trust Office").

Record Date for Interest Payment

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

The interest payable on and paid or duly provided for on or within ten days after any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the 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 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

No Optional Redemption of Series 2012A Bonds

The Series 2012A Bonds are not subject to redemption prior to maturity.

Optional Redemption of Series 2012B Bonds

The Series 2012B Bonds scheduled to mature on and after December 1, 2023 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on December 1, 2022 or on any date thereafter, in whole or in part in principal amounts of $5,000 or any integral multiple thereof at a price of par plus accrued interest from the most recent interest payment date to the redemption date. If less than all the Series 2012B Bonds of any maturity are to be redeemed, the Paying Agent/Registrar shall determine by lot, or other customary random method, the Series 2012B Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2012B Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Series 2012B Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of the Series 2012B Bonds or portions thereof prior to maturity a written notice of such redemption will be sent by the Paying Agent/Registrar to the registered owner of each Series 2012B Bond to be redeemed at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Series 2012B Bond, and the Resolution specifically provides that the publication of such notice as required above is the only notice actually required in connection with or as a prerequisite to the redemption of any Series 2012B Bonds or portions thereof.

In addition, the Paying Agent/Registrar will give notice of redemption of Series 2012B Bonds by mail, first-class postage prepaid at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any Series 2012B Bond who has not sent the Series 2012B Bonds in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the Series 2012B Bonds to be redeemed, including the complete name of the Series 2012B Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the Series 2012B Bonds may be redeemed, including a contact person and telephone number.

With respect to any optional redemption of the Series 2012B Bonds, 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 Series 2012B Bonds 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 Series 2012B Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Series 2012B Bonds have not been redeemed.

Redemption Through The Depository Trust Company

The Paying Agent/Registrar on behalf of the Authority, so long as a book-entry-only system is used for the Series 2012B Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Series 2012B 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 Series 2012B Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Series 2012B Bonds by the Authority will reduce the outstanding principal amount of such Series 2012B Bonds held by DTC. In such event, DTC may implement, through its book-entry-only System, a redemption of such Series 2012B 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 Series 2012B Bonds from the Beneficial Owners. Any such selection of Series 2012B Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Authority, the Board, 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 Series 2012B Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Series 2012B 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 DTC 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 and the Board believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority and the Board cannot and do 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 Bonds 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 Bond certificate will be issued for each maturity of the Bonds, each 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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, does 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may 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 Bond 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/Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. 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. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, 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 Bonds 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, the Paying Agent/Registrar, 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, 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 Paying Agent/Registrar, 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 or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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 Resolution will be given only to DTC.

[The Remainder of This Page is Intentionally Left Blank]

DEBT SERVICE SCHEDULE

Fiscal Year Ending 8/31	Outstanding Parity Debt Service [1]	Less: Refunded Debt Service	Series 2012A Principal	Series 2012A Interest	Series 2012A Total	Taxable Series 2012B Principal	Taxable Series 2012B Interest	Taxable Series 2012B Total	Total Annual Debt Service
2013	$ 7,245,751	$ 458,780	$ 155,000	$ 60,123	$ 215,123	$ 120,000	$ 84,951	$ 204,951	$ 7,207,046
2014	7,251,764	458,780	125,000	91,350	216,350	70,000	131,490	201,490	7,210,824
2015	7,253,815	933,231	605,000	84,050	689,050	70,000	131,015	201,015	7,210,649
2016	6,978,974	931,446	615,000	71,850	686,850	70,000	130,337	200,337	6,934,715
2017	6,803,561	1,373,028	630,000	59,400	689,400	515,000	126,113	641,113	6,761,047
2018	6,805,725	1,371,191	645,000	46,650	691,650	520,000	117,779	637,779	6,763,962
2019	6,809,944	1,376,135	660,000	33,600	693,600	535,000	107,613	642,613	6,770,021
2020	6,124,090	1,378,469	675,000	20,250	695,250	550,000	95,594	645,594	6,086,465
2021	6,120,225	1,376,728	600,000	6,750	606,750	560,000	81,696	641,696	5,991,943
2022	6,115,249	1,376,000	-	-	-	575,000	65,993	640,993	5,380,242
2023	5,422,714	679,750	-	-	-	590,000	48,854	638,854	5,381,818
2024	5,412,904	679,000	-	-	-	610,000	30,151	640,151	5,374,055
2025	5,418,934	681,625	-	-	-	630,000	10,209	640,209	5,377,518
2026	4,737,326	-	-	-	-	-	-	-	4,737,326
2027	4,740,583	-	-	-	-	-	-	-	4,740,583
2028	4,732,004	-	-	-	-	-	-	-	4,732,004
2029	3,957,613	-	-	-	-	-	-	-	3,957,613
2030	3,810,622	-	-	-	-	-	-	-	3,810,622
2031	3,805,097	-	-	-	-	-	-	-	3,805,097
2032	3,802,316	-	-	-	-	-	-	-	3,802,316
2033	3,385,819	-	-	-	-	-	-	-	3,385,819
2034	2,955,719	-	-	-	-	-	-	-	2,955,719
2035	1,404,475	-	-	-	-	-	-	-	1,404,475
2036	450,175	-	-	-	-	-	-	-	450,175
Total	$ 121,545,396	$ 13,074,163	$ 4,710,000	$ 474,023	$ 5,184,023	$ 5,415,000	$ 1,161,795	$ 6,576,795	$ 120,232,052

(1) Excludes debt service on the Refunded Bonds. A portion of the outstanding Previously Issued Parity Obligations constitutes Tuition Revenue Bonds that currently qualify the University to be reimbursed from State appropriations for debt service payments made by the University on such obligations. Future reimbursement by the State for such debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium. See "SELECTED FINANCIAL INFORMATION – Funding for the University - *Tuition Revenue Bonds*." See "Table 4 – Outstanding Indebtedness – Revenue Financing System" for a summary of the Outstanding Parity Obligations.

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 that may be included thereunder, 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 that 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 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 that 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. To the extent authorized by law, "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, health and wellness facilities and programs at the University. To the extent authorized by law, "Revenue Funds" includes an intercollegiate athletics fee authorized by Section 54.5442, Texas Education Code; provided however, that such fee may be used only to develop and maintain an intercollegiate athletics program at the University, including providing funds to finance, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities or infrastructure related to such program. Revenue Funds do 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 that, 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; 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 that 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, 2007 through August 31, 2011, 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 – Funding for the University" and "SECURITY FOR THE BONDS."

	2007	2008	2009	2010	2011
Available Pledged Not Including Fund Balances [(1)]	$ 32,063,017	$ 37,063,017	$ 40,724,788	$ 43,344,636	$ 49,213,183
Pledged Unappropriated Funds and Reserve Balances [(2)]	$ 14,942,148	$ 11,601,546	$ 11,395,563	$ 11,174,622	$ 9,548,897
Total Pledged Revenues	$ 47,005,165	$ 48,664,563	$ 52,120,351	$ 54,519,258	$ 58,762,080

(1) The Available Pledged Revenues shown above consist of tuition, designated tuition, student center fees, and recovery of indirect costs for federal grants and contracts, federal pass-through grants from other agencies and State grants and contracts. The prior encumbered revenues of the University are excluded. Also excludes state appropriations for reimbursement of debt service on Tuition Revenue Bonds. See "SELECTED FINANCIAL INFORMATION – Funding for the University - *Tuition Revenue Bonds*."

(2) 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 is $7,210,824.

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.

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)
D. Joseph Meister	Chair	2013
Ruth C. Schiermeyer	Vice-Chair	2013
Gerald Alley	Secretary	2013
Billy M. Atkinson, Jr.	Member	2017
Mark W. Eidman	Member	2015
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2017

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 Robert Coalter, who has been employed in that position since March 2012.

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 five commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two General Obligation commercial paper programs for certain general State government construction projects; a General Obligation commercial paper program for the Colonias Roadway program, and a General Obligation commercial paper program for the Cancer Prevention and Research Institute of Texas. 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 Texas 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 State University, Texas Southern University and the University. It has also issued general obligation bonds for the Texas 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, Texas Department of Transportation, the Texas Juvenile Probation Commission, and the Cancer Prevention and Research Institute of Texas.

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 Authority recently completed the sunset review process. The Texas Legislature, during its 82nd Regular Session that adjourned on May 30, 2011, approved legislation continuing the existence and functions of the Authority until September 1, 2023. The next scheduled review of the Authority is during the Texas legislative session in 2023. The Texas Public Finance Authority Act, as amended by the 82nd Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2023; however, the Texas Sunset Act also provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year (September 1, 2024) in order to conclude its business.

Pursuant to the Texas Sunset Act, the Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by the Authority. Accordingly, in the event that a Sunset review were to result in the Authority being abolished, the Governor would be required by law to designate an appropriate State agency that would continue to carry out all covenants contained in the Bonds (and in all other obligations) and the performance of all other obligations to complete the construction of projects or the performance of other obligations of the Authority, including lease, contract and other written obligations of the Authority. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full. Information about the Sunset process can be found at www.sunset.state.tx.us.

The 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.

In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are reviewed or approved by the Texas Higher Education Coordinating Board (the "Coordinating Board"). The projects originally financed by the Refunded Bonds were approved by the Coordinating Board to the extent 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, which is 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, the Daniel Building, which houses maintenance shops, the Vinson Health Center, University Supply, the Central Power Plant, the Business Administration Annex, and a recreation and health facility that 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 percentage of participant salaries currently provided by the State is 6.0% of annual compensation in fiscal year 2012 and 6.4% in fiscal year 2013. The contributory percentage of participant salaries currently provided by each participant is 6.4% of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies, because 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 ("ORP") 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 6.0% and 6.65% by the State and each participant, respectively. Because 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 $1,044,842 for the fiscal year ended August 31, 2011. 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 were $1,291,391.

Financial Support

As a State institution, the University receives approximately 26% 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 the Municipal Securities Rulemaking Board ("MSRB"). See "SELECTED FINANCIAL INFORMATION – Funding for the University."

[The Remainder of This Page is Intentionally Left Blank]

Table 2 - Enrollment Data

Headcount enrollment at the University has been as follows:

	Fall	Spring	Summer Session	
Scholastic Year	Semester	Semester	First Term	Second Term
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	2,360	1,653
2008-09	6,093	5,777	2,426	1,651
2009-10	6,341	6,056	2,492	1,796
2010-11	6,426	6,091	2,470	1,714
2011-12	6,181	5,710	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"). On August 31, 2011, the carrying amount of the University's deposits was $5,687,853 and the University's bank balance equaled $1,845,317. The entire amount of such bank balance was covered under the Dodd-Frank Deposit Insurance provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act with provides that all funds in a non-interest bearing transaction account are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporarily unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules.

[The Remainder of This Page is Intentionally Left Blank]

Investments

As of August 31, 2011 and August 31, 2010, the fair market value of the University's investments was as follows:

	2011	2010
U.S. Government Agency Obligations	$ 11,765,109	$ 12,636,445
Corporate Bonds	1,780,799	1,237,732
Fixed Income Exchange Traded Funds (EFTs)	2,587,522	—
Equities	9,624,120	2,989,621
Other Commingled Funds - Texpool	9,596,350	18,689,519
Other Commingled Funds - LOGIC	479,079	478,117
Other Commingled Funds - Goldman Sachs	751,786	59,913
Other Commingled Funds - Citibank	4,074,405	8,061,767
Certificates of Deposit - First National Bank	6,100,661	4,020,065
Money Market - JP Morgan Chase	1,003,405	1,301,201
Other Money Market funds	82,398	—
Alternative Investment (including hedge funds)	908,308	288,288
Total Investments	$ 48,753,942	$ 49,762,668
Current Assets - Short-Term Investments	$ 19,981,208	$ 25,336,548
Non-Current Assets - Restricted Short-Term Investments	4,255,992	16,150,844
Non-Current Assets - Restricted Investments	3,900,222	—
Non-Current Assets - Other Long Term Investments	20,616,520	8,275,275
Total Investments	$ 48,753,942	$ 49,762,667

Source: Annual Financial Report for the year ended August 31, 2011.

[The Remainder of This Page is Intentionally Left Blank]

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, 2011, the University's credit quality distribution for securities with credit risk exposure was as follows:

Investment Type	AAA	AA	A	BBB
U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$ 11,765,109			
Corporate Bonds		$ 240,282	$ 793,498	$ 747,019
Fixed Income Exchange Traded Funds (ETFs)	341,100	576,171	779,557	281,085
Comingled Funds - Texpool & LOGIC	10,075,429			

Investment Type	BB	B	Collateralized	Not Rated
Fixed Income Exchange Traded Funds (ETFs)	$ 51,062	$ 536,131		$ 22,417
Other Comingled Funds - Goldman Sachs				751,786
Other Comingled Funds - Citibank			$ 4,074,405	
Certificate of Deposit - First National Bank			6,100,661	
Money Market - JP Morgan			1,003,405	
Other Money Market				82,398
Equities				9,624,120
Alternative Investments (including hedge funds)				908,308

Source: Annual Financial Report for the year ended August 31, 2011

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 the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. Historically, 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 Colleges and Universities*, issued in June and November, 1999. See "APPENDIX B – FINANCIAL REPORT."

[The Remainder of This Page is Intentionally Left Blank]

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 2011, 2010, and 2009.

REVENUES	2011	2010	2009
Operating Revenues			
Student Tuition fees (net of scholarship allowances			
of $10,307,682, $8,646,024 and $6,627,083 respectively)	$ 30,074,871	$ 27,232,058	$ 26,643,222
Federal Grants	2,059,758	2,155,604	1,960,651
Federal Pass-Through Grants	239,951	489,810	312,774
State Grants Pass-Through from Other State Agencies	3,340,474	2,840,972	2,853,403
Other Grants and Contracts	19,006	142,774	111,415
Sales and Services of Educational Activities	1,165,349	1,295,668	1,024,507
Sales and Services of Auxiliary Enterprises (net of scholarship			
allowances of $57,414, $31,853 and $24,902, respectively)	8,383,510	7,702,512	6,026,988
Other Operating Revenue	1,517,980	1,436,170	1,352,382
Total Operating Revenues	**$ 46,800,896**	**$ 43,295,568**	**$ 40,285,342**
EXPENSES			
Operating Expenses			
Salaries and Wages	$ 37,412,149	$ 37,660,008	$ 35,488,151
Payroll Related Costs	10,066,127	9,703,005	8,999,761
Professional Fees and Services	3,137,746	4,039,952	3,690,644
Travel	1,400,170	1,426,050	1,319,010
Materials and Supplies	5,189,036	5,618,453	5,763,037
Communications and Utilities	3,332,719	3,234,312	3,259,461
Repairs and Maintenance	1,822,130	2,331,919	1,640,664
Rentals and Leases	549,104	525,350	469,025
Printing and Reproduction	96,012	170,421	207,114
Federal Pass Through Expenditures	167,229	415,922	446,501
Depreciation	9,827,660	9,000,304	6,847,408
Bad Debt Expense	174,902	2,180	178,166
Interest	622	3,253	172
Scholarships	10,743,304	8,852,668	6,508,101
Total Operating Expenses	**$ 83,918,910**	**$ 82,983,797**	**$ 74,817,215**
Operating Income (Loss)	$ (37,118,014)	$ (39,688,229)	$ (34,531,873)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	$ 18,252,263	$ 18,737,709	$ 19,174,314
Additional State Appropriations	4,676,181	5,094,390	4,724,833
Legislative Appropriations Lapsed	—	—	(118,918)
Federal Pass-Through Grants	625,759	1,068,928	—
Federal Grants	9,633,055	8,456,902	5,211,143
Gifts	3,030,962	3,491,801	4,866,258
Other Non-Operating Revenues (Expenses)	6,106	(14,885)	14,948
Investment income	766,675	778,884	1,343,754
Net Increase (Decrease) in Fair Value of Investments	218,119	65,892	(150,678)
Net Book Value of Capital Asset Disposals	(105,042)	(18,881)	(92,907)
Interest Expense on Capital Asset Financing	(3,813,140)	(3,447,048)	(1,369,365)
Total Non-Operating Revenues	**$ 33,290,938**	**$ 34,213,692**	**$ 33,603,382**
Income (loss) Before Capital Contributions, Additions to			
Endowments, and Special Items	(3,827,076)	(5,474,537)	(928,491)
Capital Contributions	325,000	345,000	1,888,800
HEAF Appropriation	3,559,443	3,810,377	3,810,377
Additions to Endowments	567,655	3,225,661	7,255,423
Transfers In	38,787	1,396,024	734,046
Transfers Out	(903,480)	(864,907)	(715,715)
Increase (Decrease) in Net Assets	$ (239,681)	$ 2,437,618	$ 12,044,440
Net Assets, Beginning of Year	**$ 89,138,120**	**$ 86,700,502**	**$ 74,656,062**
Net Assets, End of Year	**$ 88,898,440**	**$ 89,138,120**	**$ 86,700,502**

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2012 consisted of State appropriations, tuition and student fees, gifts, grants, scholarships, sales, services, 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 2010 and 2011, State appropriations comprised approximately 27% and 26% of the Operating Revenue (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 2012 and 2013: $21,112,716 and $21,207,843, plus other miscellaneous allocations, including that for Higher Education Assistance Funds. The State Legislature commences its next biennial regular session in January, 2013. As a starting point for budget deliberations in connection with the upcoming legislative session, the State's Legislative Budget Board and the Governor's Office of Budget, Planning and Policy have requested that State agencies and institutions of higher education such as the University prepare their legislative appropriation requests for general revenue and general revenue-dedicated appropriations for the 2013-14 biennium in a baseline amount that does not exceed the sum of amounts expended in fiscal year 2012 and budgeted in fiscal year 2013. Additionally, such entities must also submit supplemental appropriation request schedules showing how they would reduce their baseline request by an additional 10 percent (in 5 percent increments).

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 and in 2009 the State Legislature adjusted such allocation as permitted by the State Constitution such that for fiscal years 2011 through 2015 the annual allocation to the University is $3,559,433.

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. As of September 1, 2012, the University has one Constitutional Appropriation Bond Series 2004 outstanding in the amount of $2,860,000.

Tuition and Fees

Each Texas public university granting degrees charges tuition and fees as set by the State Legislature 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 54.051, Texas Education Code, currently requires (i) undergraduate tuition applicable to state residents to be charged at $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 an amount per semester hour equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Texas Higher Education Coordinating Board for each academic year). For the 2011-2012 and 2012-2013 academic years the

Texas Higher Coordinating Board has computed $363 and $401, respectively, per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this Official Statement as "State Mandated Tuition."

The Texas Higher Education Coordinating Board has authorized the University to charge all residents of the United States the in-state tuition rate for State Mandated Tuition, plus an additional $65 per semester credit hour. The University is also authorized to offer the in-state tuition rate for State Mandated Tuition to residents of Oklahoma counties that border the State without such additional fee.

Board Designated Tuition. In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513 of the Texas Education Code the amount of tuition that a governing board of an institution of higher education could independently charge students was capped at the State Mandated Tuition. Effective with the tuition that is charged for the fall 2003 semester, a governing board of an institution of higher education 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 legislation also granted authority to a governing board of an institution of higher education to set a different tuition rate for each program and course level offered by the institution. This authority has offered more opportunity for the Board to develop a tuition schedule that assists in meeting its strategic objectives 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 fiscal year 2012-2013 at $111.50 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.

Both the State Mandated Tuition and the Board Designated Tuition are included in Revenue Funds and are pledged for the benefit of Parity Obligations.

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. For its graduate programs, the Board has set tuition at $40 per semester credit hour in addition to the State mandated tuition, which is $50 per semester credit hour for such graduate programs.

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 2012 fall session.

[The Remainder of This Page is Intentionally Left Blank]

2012-2013 State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, Mandatory Fees, and Financial Set-Aside per Semester (Based on 15 Credit Hours per Semester for Undergraduates and 9 Credit Hours per Semester for Graduates)

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside[1]
Resident Undergraduate	$ 750.00	$1,672.50	N/A	$1,196.50	$3,619.00	$309.00
U.S Non-Resident Undergraduate	1,725.00	1,672.50	N/A	1,196.50	4,594.00	51.75
International Non-Resident Undergraduate	6,015.00	1,672.50	N/A	1,196.50	8,884.00	180.45
Resident Masters	450.00	1,003.50	$360.00	815.50	2,629.00	155.88
U.S. Non-Resident Masters	1,035.00	1,003.50	360.00	815.50	3,214.00	31.05
International Non-Resident Masters	3,609.00	1,003.50	360.00	815.50	5,788.00	108.27
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).

Notwithstanding the foregoing, the Texas Higher Education Coordinating Board has authorized the University to charge all residents of Oklahoma the in-state tuition rate, plus an additional $30.00 per semester credit hour, provided that residents of Oklahoma counties that border Texas may be charged in-state tuition without such additional $30.00 per semester credit hour.

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."

Tuition Revenue Bonds.

Pursuant to Chapter 55, Texas Education Code, revenue bonds issued by an institution of higher education, such as the University, may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the institution and all of the Parity Obligations of the University, including the Bonds, are secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. See "SECURITY FOR THE BONDS".

Historically, the Texas Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds ("Tuition Revenue Bonds") issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code.

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the Texas Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the Texas Legislature's appropriations for the reimbursement of debt service on Tuition

Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the State Legislature is under no legal obligation to continue such appropriations in any future biennium.

A portion of the Parity Obligations of the University constitutes Tuition Revenue Bonds. See "Table 4 - Outstanding Indebtedness". Tuition Revenue Bonds issued by the University carry no additional pledge or security and constitute Parity Obligations of the University which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the University.

The Texas Legislature has appropriated funds to reimburse the University in prior years in an amount equal to all or a portion of the debt service on the University's Tuition Revenue Bonds, including appropriations made during the 2011 session of the Texas Legislature in the amount of $2,158,781 for Fiscal Year 2012 and $2,158,238 for Fiscal Year 2013.

Neither the University nor the Authority can provide any assurances with respect to any future appropriations by the Texas Legislature. Future levels of State appropriations 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.

Endowments

Although not pledged to the payment of debt obligations, the University controls or is benefited by endowments valued, as of June 30, 2012, of approximately $16,619,208. As of June 30, 2012, endowment funds under the direct control of the University had a book value of $16,205,051 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, the Texas Bond Review Board, and approval or review by the Coordinating Board.

Future Debt

The University does not anticipate issuing additional bonds in the next twelve months.

[The Remainder of This Page is Intentionally Left Blank]

Table 4 - Outstanding Indebtedness

As of September 18, 2012, the University had outstanding the following described indebtedness:

		Principal
General Obligation Bonds		
Constitutional Appropriation Bonds, Series 2004	$	2,860,000
Subtotal	$	2,860,000
Revenue Financing System*		
Revenue Financing System Bonds, Series 2002[(1)]	$	910,000
Revenue Financing System Revenue and Refunding Bonds, Series 2003		2,980,000
Revenue Financing System Revenue and Refunding Bonds, Series 2007[(1)]		24,605,000
Revenue Financing System Revenue Bonds, Series 2008		35,505,136
Revenue Financing System Revenue Bonds, Series 2010		6,550,000
Subtotal	$	70,550,136
Revenue Financing System Revenue Refunding Bonds, Series 2012A	$	4,710,000
Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B		5,415,000
TOTAL REVENUE FINANCING SYSTEM BONDS	$	80,675,136

* Excludes the Refunded Bonds.

(1) All or a portion of such issue constitutes Tuition Revenue Bonds that currently qualify the University to be reimbursed from State appropriations for debt service payments made by the University on such obligations. Future reimbursement by the State for such debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium. See "SELECTED FINANCIAL INFORMATION - Funding for the University - Tuition Revenue Bonds."

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 THE 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 that 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 that 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 of 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, tuition charges 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, rentals, rates, fees, and charges for goods and services furnished by such Participant and, with respect to the Participants with enrolled students, tuition, 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) that are 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 that 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 approves and delivers to the Authority an Officers' Certificate to the effect that, to the knowledge thereof, 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 Board, 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 that 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 that, 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 that 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 times 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 that 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 agreements 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 that 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 do 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, that 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;

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

(viii) Adversely affect the tax-exempt status of the interest on the Outstanding Bonds to the owners thereof.

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 Bond") 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 Bonds 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, (1) lawful money of the United States of America sufficient to make 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 Bonds 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 Bond, 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 Bonds 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 Bond to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the Authority may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Bond as through it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

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 Bonds 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.

There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease Bonds as described above will be maintained at any particular rating category.

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 Board issued by the Authority 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 Andrews Kurth LLP, 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. 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 FOR SERIES 2012A BONDS," "TAX MATTERS FOR SERIES 2012B BONDS," "LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings"), and APPENDIX A, 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, McCall, Parkhurst & Horton L.L.P., 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. Therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

TAX MATTERS FOR SERIES 2012A BONDS

General

In the opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, interest on the Series 2012A Bonds will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or corporations, except as described below.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Series 2012A Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Series 2012A Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the Authority and the Board with certain covenants contained in the Resolution and has relied on representations by the Authority and the Board with respect to matters solely within the knowledge of the Authority and the Board, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Series 2012A Bond proceeds and any facilities finance therewith, the source of repayment of the Series 2012A Bonds, the investment of Series 2012A Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Series 2012A Bond proceeds and certain other amounts be paid periodically to the United States and that the Authority file an information report with the Internal Revenue Service. If the Authority and the Board should fail to comply with the covenants in the Resolution or if its representations relating to the Series 2012A Bonds that are contained in the Resolution should be determined to be inaccurate or incomplete, interest on the Series 2012A Bonds could become taxable from the date of delivery of the Series 2012A Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on the Series 2012A Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Series 2012A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the Board described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2012A Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners of the Series 2012A Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2012A Bonds, the Authority and the Board may have different or conflicting interests from the owners of the Series 2012A Bonds. Public awareness of any future audit of the Series 2012A Bonds could adversely affect the value and liquidity of the Series 2012A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Series 2012A Bonds, received or accrued during the year.

Prospective purchasers of the Series 2012A Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2012A Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Series 2012A Bonds.

Impact of President's 2013 Budget Proposed

On February 13, 2012, President Obama released the language of his proposed budget for fiscal year 2013 (the "Budget"). One of the provisions of the Budget would have the effect of imposing an additional amount of tax on certain "high income" taxpayers based on, among other things, the amount of interest on tax-exempt obligations, such as the Series 2012A Bonds, received by such taxpayers. As originally proposed, this provision will be effective for taxable years beginning on or after January 1, 2013, and will apply to interest on the Series 2012A Bonds and other tax-exempt obligations received by such taxpayers on or after that date. The introduction or enactment of this provision or any similar legislative proposal may also affect the market price for, or marketability of, the Series 2012A Bonds. Purchasers of the Series 2012A Bonds are advised to consult their tax advisors with respect to the impact of the Budget on their ownership of the Series 2012A Bonds.

Discount Bonds

Some of the Series 2012A Bonds may be offered at initial offering prices which are less than the stated redemption prices at maturity of such Series 2012A Bonds. If a substantial amount of any maturity of the Series 2012A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2012A Bonds of that maturity (the "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Series 2012A Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Series 2012A Bonds under the caption "TAX MATTERS FOR SERIES 2012A BONDS" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Series 2012A Bond at the initial offering price in the initial public offering of the Series 2012A Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Series 2012A Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Series 2012A Bond. See "TAX MATTERS FOR SERIES 2012A BONDS - General" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Authority. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Series 2012A Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Series 2012A Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such 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 Discount Bonds.

Premium Bonds

Some of the Series 2012A Bonds may be offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Series 2012A Bonds. If a substantial amount of any maturity of the Series 2012A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2012A Bonds of such maturity (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Series 2012A Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Series 2012A Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Series 2012A Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Series 2012A Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Series 2012A Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Series 2012A Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

TAX MATTERS FOR SERIES 2012B BONDS

General

The following is a general summary of United States federal income tax consequences of the purchase and ownership of the Series 2012B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2012B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Series 2012B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2012B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2012B Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Series 2012B Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and the discussion below is not binding on the IRS.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2012B BONDS.

Internal Revenue Service Circular 230 Notice

You should be aware that:

(i) the discussion with respect to United States federal tax matters in this Official Statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

(ii) such discussion was written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and

(iii) each taxpayer should seek advice based on his or her particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230.

Stated Interest On The Series 2012B Bonds

The stated interest on the Series 2012B Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when paid or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Disposition Of Series 2012B Bonds

A beneficial owner of Series 2012B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Series 2012B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Series 2012B Bond. Generally, the beneficial owner's adjusted tax basis in a Series 2012B Bond will be the beneficial owner's initial cost, increased by any original issue discount previously included in the beneficial owner's income to the date of disposition and reduced by any amortized bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series 2012B Bond.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Series 2012B Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" with respect to current or accrued interest on the Series 2012B Bonds or with respect to proceeds received from a disposition of Series 2012B Bonds. This withholding applies if such beneficial owner of Series 2012B Bonds: (i) fails to furnish to the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Series 2012B Bonds. Beneficial owners of the Series 2012B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding On Payments To Nonresident Alien Individuals And Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such beneficial owners of Series 2012B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2012B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Series 2012B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2012B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Reporting Of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to Series 2012B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2012B Bond for U.S. federal income tax purposes.

New Legislation

For taxable years beginning after December 31, 2012, newly enacted legislation is scheduled to impose a 3.8% tax on the "net investment income" of certain "high income" U.S. citizens and resident aliens, and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" would generally include gross income from interest, less certain deductions.

All holders of the Series 2012B Bonds should consult their own tax advisers with respect to the tax consequences of the new legislation described above and its application to the Series 2012B Bonds.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments investment securities 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 that have adopted investment policies and guidelines in accordance with the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended, ("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 that might apply to such institutions or entities or that 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

The Bonds were assigned ratings by Moody's and Fitch of "A1" and "AA-", respectively. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board and the Authority make no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Board will provide certain updated financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB") 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 six months after the end of each Fiscal Year. The Board will provide the updated information to the Authority and the MSRB.

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the Securities and Exchange Commission (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. The University is audited as part of the State of Texas audit, but separate financial statements are not available.

The Board's current fiscal year end is August 31. Accordingly, the Board must provide updated information within six months following August 31 of each year, unless the Board changes its fiscal year. If the Board changes its fiscal year, the Board will notify the MSRB of the change.

Material Event Notices

The Board also will provide timely notices of any of the following events with respect to the Bonds (not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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 the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or change of name of the trustee, if material. Neither the Bonds nor the Resolution make any provision for liquidity enhancement or require the funding of debt service reserves. In addition, the Board will provide timely notice of any failure by the Board to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB, and notify the Authority of any notice filings.

Availability of Information

The Board has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

During the last five years, the Board has complied with its previously continuing disclosure agreements in accordance with the Rule.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority, to purchase the Series 2012A Bonds at a purchase price of $4,780,631.17 (which represents the par amount of the Series 2012A Bonds, plus a net original issue premium of $98,881.90 and less an underwriting discount of $28,250.73). The bond purchase agreement pertaining to the Series 2012A Bonds provides that the Underwriters will purchase all of the Series 2012A Bonds, if any Series 2012A Bonds are purchased.

The Underwriters have agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority, to purchase the Series 2012B Bonds at a purchase price of $5,378,946.95 (which represents the par amount of the Series 2012B Bonds less an underwriting discount of $36,053.05). The bond purchase agreement pertaining to the Series 2012B Bonds provides that the Underwriters will purchase all of the Series 2012B Bonds, if any Series 2012B Bonds are purchased.

The senior managing underwriter of the Bonds is Southwest Securities.

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, it has 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 that are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The mathematical accuracy of certain computations included in the schedules provided by the Financial Advisor and reviewed by the Authority and the University relating to the computation of forecasted receipts of principal and interest on the Escrow Securities held in the Escrow Fund for the Refunded Bonds and the forecasted payments of principal, premium, if any, and interest to pay the Refunded Bonds were verified by Grant Thornton LLP, certified public accountants. Such computations were based solely on assumptions and information supplied by the Financial Advisor and reviewed by the Authority and the University. Grant Thornton LLP has restricted its procedures to verifying the mathematical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Series 2012A Bonds for federal income tax purposes and with respect to defeasance of the Series 2012A Refunded Bonds. See "TAX MATTERS FOR SERIES 2012A BONDS."

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) that, 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/ Robert P. Coalter
Robert P. Coalter, Executive Director
Texas Public Finance Authority

/s/ Marilyn Fowle
Marilyn Fowle, Vice President for
Administration and Finance
Midwestern State University

(THIS PAGE LEFT BLANK INTENTIONALLY)

SCHEDULE I

REFUNDED BONDS

The following Outstanding Parity Obligations are being defeased and refunded with a portion of the proceeds of the Series 2012A Bonds:

Texas Public Finance Authority
Midwestern State University
Revenue Financing System Revenue Bonds, Series 2002

Original Dated Date	Original Maturity Date	Original Maturity Amount	Interest Rate	Amount Refunded	Redemption Date
6/15/2002	12/1/2014	$485,000	4.350%	$485,000	12/1/2012
	12/1/2015	505,000	4.450	505,000	12/1/2012
	12/1/2016	530,000	4.550	530,000	12/1/2012
	12/1/2017	555,000	4.650	555,000	12/1/2012
	12/1/2018	585,000	4.750	585,000	12/1/2012
	12/1/2019	615,000	4.850	615,000	12/1/2012
	12/1/2020	645,000	5.000	645,000	12/1/2012
	12/1/2021	680,000	5.000	680,000	12/1/2012
Total		$4,600,000		$4,600,000	

The following Outstanding Parity Obligations are being defeased and refunded with a portion of the proceeds of the Series 2012B Bonds:

Texas Public Finance Authority
Midwestern State University
Revenue Financing System Revenue and Refunding Bonds, Series 2003

Original Dated Date	Original Maturity Date	Original Maturity Amount	Interest Rate	Amount Refunded	Redemption Date
8/1/2003	12/1/2016	$450,000	4.500%	$450,000	12/1/2013
	12/1/2017	470,000	5.000	470,000	12/1/2013
	12/1/2018	495,000	4.650	495,000	12/1/2013
	12/1/2019	520,000	4.750	520,000	12/1/2013
	12/1/2020	545,000	4.900	545,000	12/1/2013
	12/1/2021	570,000	5.000	570,000	12/1/2013
	12/1/2022	600,000	5.000	600,000	12/1/2013
	12/1/2023	630,000	5.000	630,000	12/1/2013
	12/1/2024	665,000	5.000	665,000	12/1/2013
Total		$4,945,000		$4,945,000	

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX A
DEFINITIONS

(THIS PAGE LEFT BLANK INTENTIONALLY)

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 that 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 that is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations that 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) that 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 Andrews Kurth LLP 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 Refunding Bonds, Series 2012A together with the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B 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 that 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 thereto.

"*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.

"*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 that 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*," or "*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 that 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 2002 Bonds, the Series 2003 Bonds, the Series 2007 Bonds, the Series 2008 Bonds and the Series 2010 Bonds.

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

"*Prior Encumbered Obligations*" means those outstanding bonds or other obligations of an institution that becomes a Participant of the Financing System after the date of adoption of the Resolution, that 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 that are hereafter designated by the Board as a Pledged Revenue.

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

"*Record Date*" means, with respect to the Bonds, the fifteenth day of the month preceding each 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, health and wellness facilities and programs at the University. To the extent authorized by law, the definition for "Revenue Funds" includes an intercollegiate athletics fee authorized by Section 54.5442, Texas Education Code; provided however, that such fee may be used only to develop and maintain an intercollegiate athletics program at the University, including providing funds to finance, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities or infrastructure related to such program. 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 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 $13,180,000 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.

"Series 2008 Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2008, issued in the original aggregate principal amount of $38,300,136 pursuant to the terms of the underlying resolution.

"Series 2010 Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2010, issued in the original aggregate principal amount of $6,700,000 pursuant to the terms of the underlying resolution.

"Series 2012A Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012A, issued pursuant to the terms of the Resolution and the Pricing Certificate.

"Series 2012B Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B, issued pursuant to the terms of the Resolution and the Pricing Certificate.

"*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 that 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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX B

FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2011

(THIS PAGE LEFT BLANK INTENTIONALLY)

Midwestern State University
Financial Report
(Unaudited)
For The Year Ended
August 31, 2011

Midwestern State University

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

Year Ended 8-31-2011 (UNAUDITED)

Table of Contents

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

ORGANIZATIONAL DATA
August 31, 2011

THE BOARD OF REGENTS

Term Expires May 31, 2012

Ms. Linda Aguilera, Student Regent	Wichita Falls

Term Expires February 25, 2012

Dr. F. Lynwood Givens	Plano
Dr. Carol Carlson Gunn	Graford
Mr. Samuel M. Sanchez	Keller

Term Expires February 25, 2014

Mr. Charles E. Engelman	Wichita Falls
Mr. Shawn G. Hessing	Fort Worth
Ms. Jane W. Spears	Wichita Falls

Term Expires February 25, 2016

Mr. Michael Bernhardt	Wichita Falls
Mr. J. Kenneth Bryant	Wichita Falls
Ms. Tiffany D. Burks	Grand Prairie

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

Year Ended 8-31-2011 (UNAUDITED)

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, 2011 and 2010.

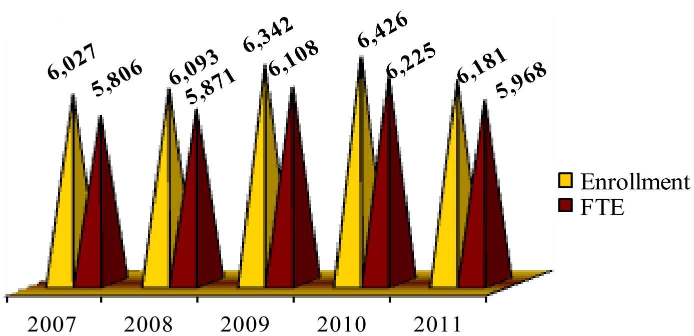
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

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

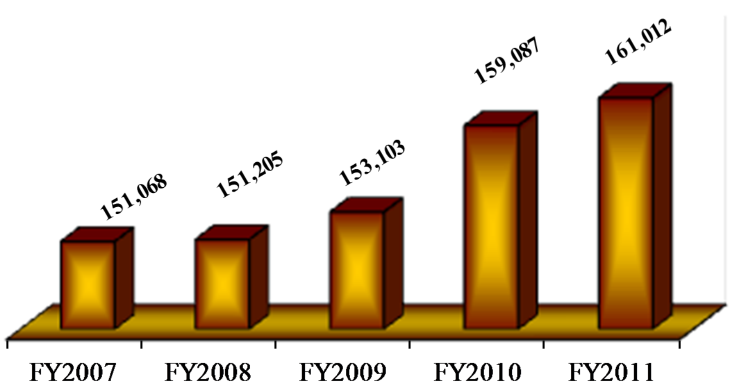
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2007. Increased academic standards and a statewide consistent pattern of very flat student enrollment explain the variance.

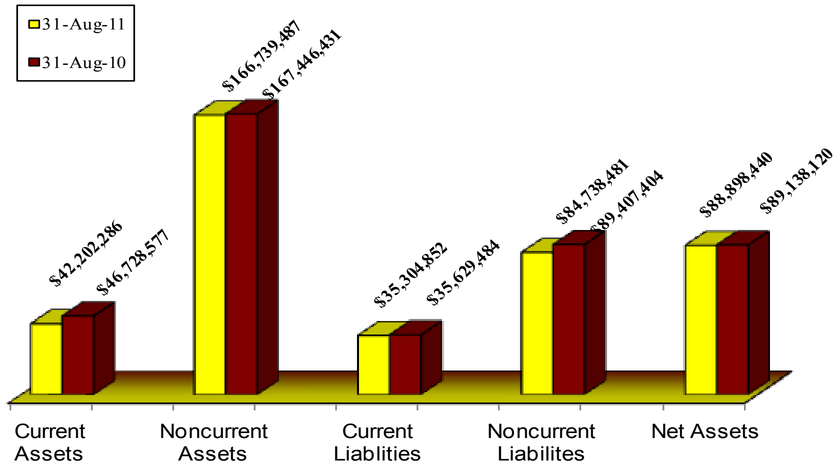
Beginning in 2006, and again in 2011, the university changed its academic standards to ensure students were prepared to pursue higher education. The increase in standards has created growth in student retention as more of our freshmen are better prepared for college which also improves graduation rates. Graduation rates may become financially important to the university as future state appropriations are contingent on such successful outcomes. In addition, the university is one of the few institutions in Texas capable of offering in -state tuition rates plus a $30/semester credit hour assessment to all US citizens, which is a great positive impact on future enrollment. Enrolled semester credit hours continue to improve since the lows of 2007, despite the drop in headcount enrollment.

Fall Headcount vs FTE



Total Enrolled Semester Credit Hours





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.

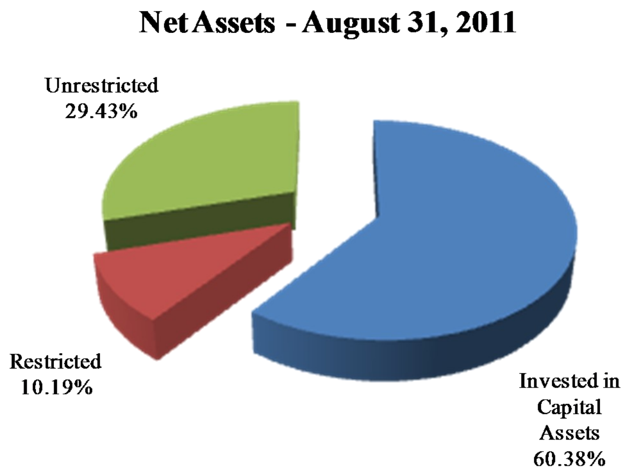
These comparative statements report the current status and changes to the university's net assets. Net assets, the difference between assets and liabilities, is one way to measure the university's financial position. Increases in net assets show an improvement in financial health while decreases often 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.

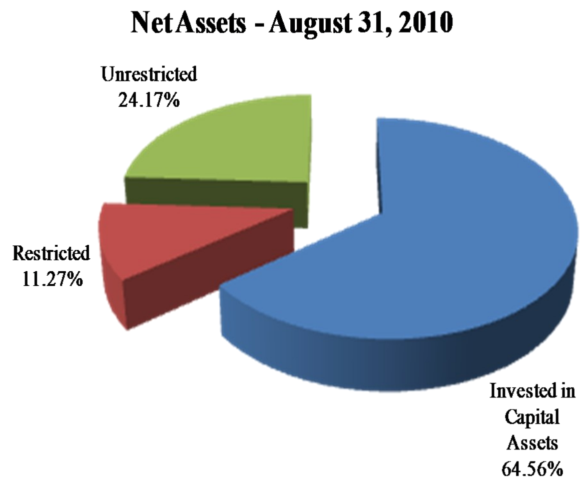
As the statement shows below, the university's net assets decreased a total of $239,680 from $89,138,120 in 2010 to $88,898,440 in 2011.

	2011	2010
Current Assets	$ 42,202,286	$ 46,728,577
Noncurrent Assets:		
Capital Assets	136,678,381	141,852,208
Other	30,061,106	25,594,223
Total Assets	$208,941,773	$214,175,008
Current Liabilities	$ 35,304,852	$ 35,629,484
Noncurrent Liabilities	84,738,481	89,407,404
Total Liabilities	120,043,333	125,036,888
Net Assets:		
Invested in Capital Assets	53,679,004	57,549,239
Restricted for:		
Debt Retirement		
Nonexpendable	3,900,222	3,705,061
Expendable:		
Capital Projects	1,211,967	1,890,072
Restricted by Contributor	3,949,667	4,447,794
Unrestricted	26,157,580	21,545,954
Total Net Assets	88,898,440	89,138,120
Total Liabilities and Net Assets	$208,941,773	$214,175,008

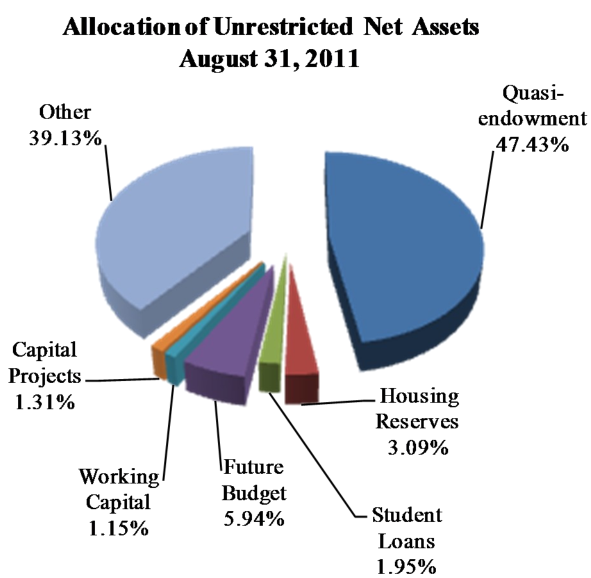
A N N U A L F I N A N C I A L R E P O R T

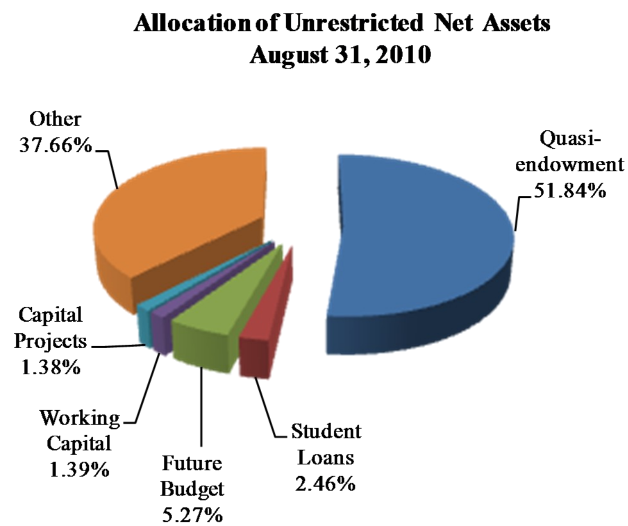
The following charts indicate the changes in net assets for the year ended August 31, 2011 as compared to the previous year.





The university reports unrestricted net assets of 29.43% of total net assets for the year ended August 31, 2011 and 24.17% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The category of other unrestricted net assets includes encumbrances, inventories, and unallocated unrestricted net assets. The following charts show how funds have been allocated:





Year Ended 8-31-2011 (UNAUDITED)

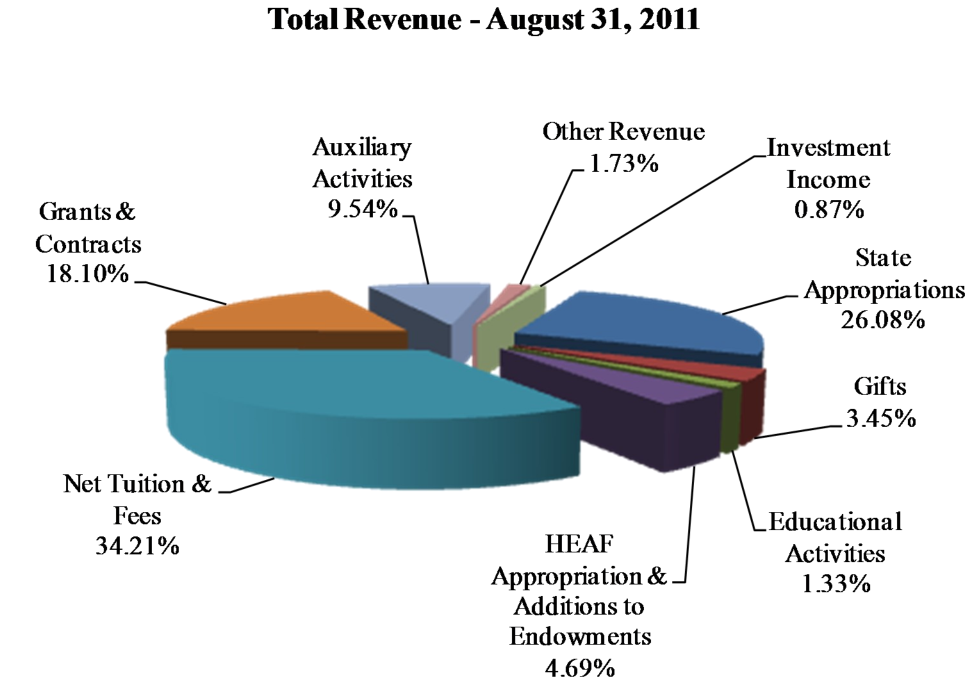
The University's Results of Operations

The statement of revenues, expenses, and changes in net assets reflects the university's operating results for the fiscal years ended August 31, 2011 and 2010. The comprehensive statements indicate the financial condition of the university, and comparatively analyze in what direction the university is moving. The following statements reveal the operating results of the university, as well as the non-operating revenues and expenditures. Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and food services. Certain federal, state, and private grants are considered operating revenues if they are not for capital purposes and are considered a contract for services. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

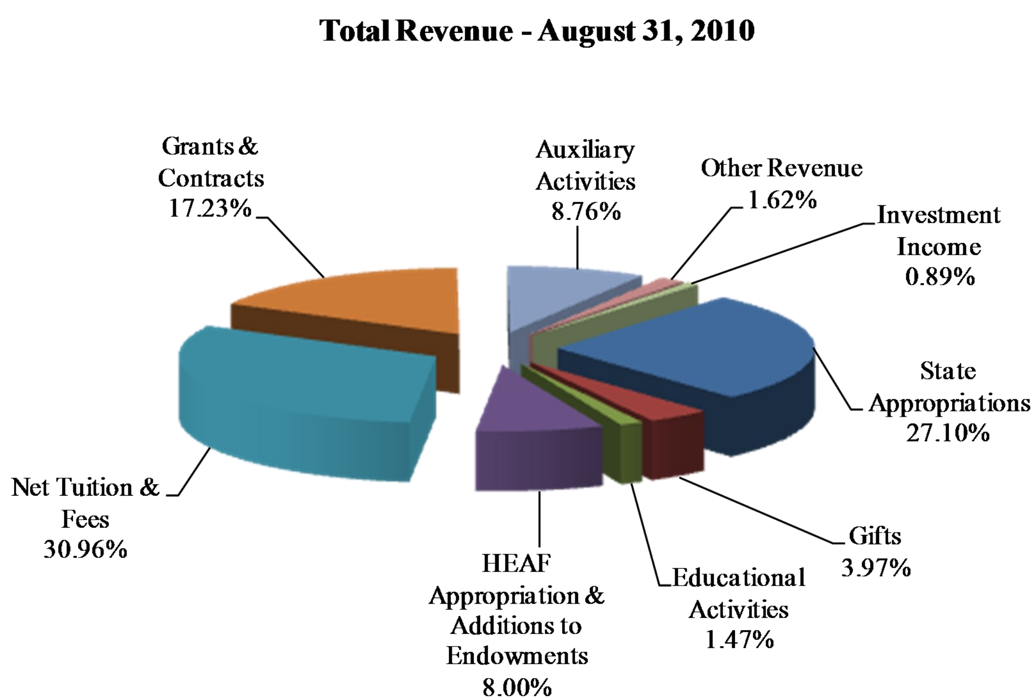
The statement below compares the operating results of the university for the years ended August 31, 2011 and 2010.

	2011	2010
Operating Revenue:		
Net tuition and fees	$ 30,074,871	$ 27,232,058
Grants and contracts	5,659,189	5,629,160
Sales and Service of Educational Activities	1,165,346	1,295,668
Sales and Services of Auxiliary Enterprises	8,383,510	7,702,512
Other	1,517,980	1,436,170
Total Operating Revenue	46,800,896	43,295,568
Total Operating Expenses	(83,918,910)	(82,983,797)
Operating Loss	(37,118,014)	(39,688,229)
Nonoperating Revenues (Expenses):		
State Appropriations	18,252,263	18,737,709
Additional State Appropriations	4,676,181	5,094,390
Legislative Appropriations Lapsed		
Federal Grants	10,258,814	9,525,830
Gifts	3,030,962	3,491,801
Other Nonoperating Revenues (Expenses)	6,106	(14,885)
Investment Income	766,675	778,884
Net Increase (Decrease) in Fair Value of Investments	218,119	65,892
Net Book Value of Capital Asset Disposals	(105,042)	(18,881)
Interest Expense on Capital Asset Financing	(3,813,140)	(3,447,048)
Total Nonoperating Revenue (Expense)	33,290,938	34,213,692
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(3,827,076)	(5,474,537)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	325,000	345,000
HEAF Appropriation	3,559,433	3,810,377
Additions to Endowments	567,655	3,225,661
Transfers In	38,787	1,396,024
Transfers Out	(903,480)	(864,907)
Increase (Decrease) in Net Assets	(239,681)	2,437,618
Net Assets, Beginning of Year	89,138,120	86,700,502
Net Assets, End of Year	$ 88,898,439	$ 89,138,120

This chart identifies the components of total revenue for the year ended August 31, 2011.

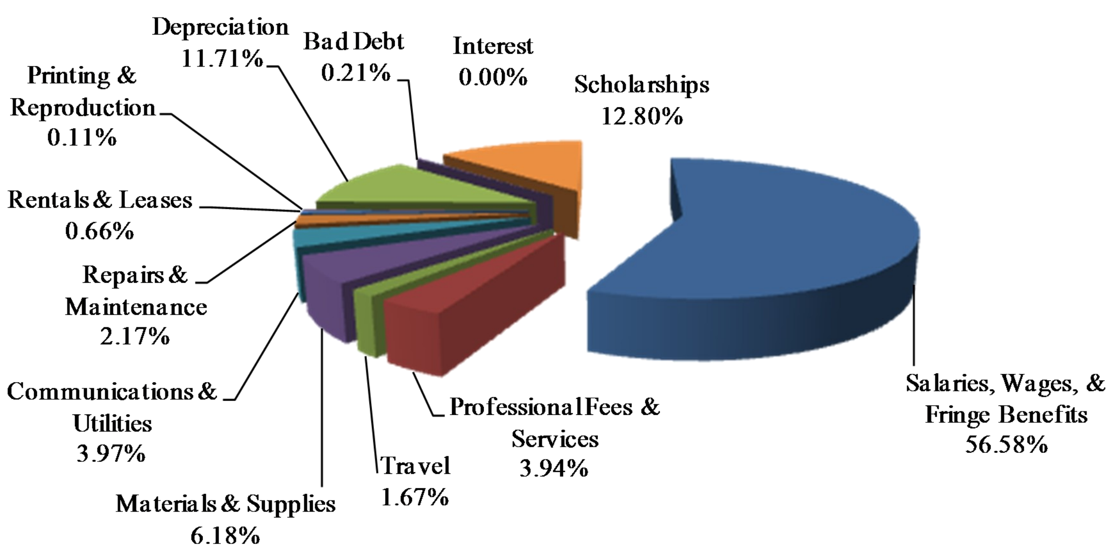


This chart reflects the same information for the year ended August 31, 2010.

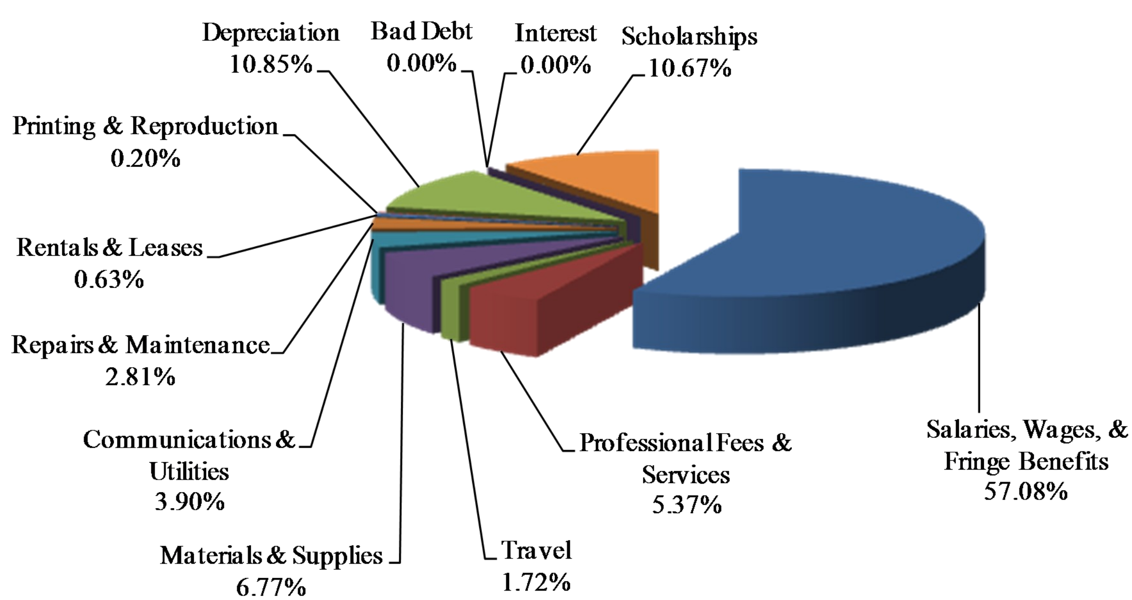


Total operating expenses for the year ended August 31, 2011 were $83,918,910 as compared to $82,983,797 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2011 and fiscal year 2010.

Total Operating Expenses - August 31, 2011



Total Operating Expenses - August 31, 2010



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

	2011	2010
Cash provided (used) by:		
Operating activities	$(27,728,042)	$(31,432,780)
Noncapital financing activities	35,644,381	41,967,795
Capital and related financing activities	(9,257,799)	(5,755,855)
Investing activities	1,970,862	(5,922,889)
Net increase (decrease) in cash	629,401	(1,143,729)
Cash – Beginning of year	5,058,452	6,202,181
Cash – End of year	$ 5,687,853	$ 5,058,452

There was a net increase in cash of $629,401.

Exhibit III, the Statement of Cash Flows, shows that the major sources of funds for operating activities are from student tuition and fees, grants and auxiliary enterprises. Tuition and fees accounted for $29.8 million, grants accounted for $5.8 million and auxiliary enterprises, including housing and dining, accounted for $8.2 million.

State appropriations in the amount of $22 million were 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 million, additions to endowments in the amount of $567 thousand, and $10.2 million in Federal non-operating grants.

The main uses of capital and related financing activities came from the financing of renovations to D.L. Ligon Coliseum, Clark Student Center, McCullough Hall, Bolin Hall, the Simulation Center and the Museum. Cash was used to purchase capital assets in the amount of $4.7 million and for the payment of principal and interest on capital debt in the amount of $8.2 million.

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2011, the university had $136.7 million invested in capital assets. This figure is net of accumulated depreciation and amortization of $98.6 million. Depreciation charges totaled $9.8 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

	2011	2010
Land and Land Improvements	$ 4,693,326	$ 4,933,518
Construction in Progress	4,054,395	476,298
Buildings and Building Improvements	179,063,725	178,656,165
Infrastructure	10,463,927	10,463,927
Facilities Improvements	6,353,046	6,353,046
Furniture and Equipment	11,916,954	11,746,579
Vehicles	1,471,851	1,458,796
Computer Software	2,165,669	2,285,669
Other Capital Assets	15,137,634	15,029,483
Total	$235,320,527	$231,403,481

Additions to assets of $5.7 million during fiscal year 2010-2011 included: renovations to McCullough Hall, Bolin Hall, the Simulation Center, the Museum and completion of the softball dressing room building.

The construction in progress at the end of the year is the continued renovation of D.L. Ligon Coliseum, the Clark Student Center electrical renovation, and several energy conservation measures.

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 $133 million in outstanding debt. Outstanding debt for the year ended August 31, 2010 was $141 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2011 compared with August 31, 2010.

	2011	2010
Revenue Bonds	$ 84,520,000	$ 86,940,136
General Obligation Bonds (HEAF)	4,210,000	5,515,000
Accrued long term interest payable on bonds	44,506,799	49,378,291
Total	$ 133,236,799	$ 141,833,427

Debt repayments made during the year included principal in the amount of $4,585,000 and interest in the amount of $4,011,628.

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

Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU) continues to focus on its mission to offer the highest quality education to all of its students. MSU's mission was modified in the Texas Education Code by the 81st Legislature. MSU is now the only designated public liberal arts university in the State of Texas. It is clear that Midwestern State has focused its mission and is working toward excellence in undergraduate and master's level education.

The university is composed of three colleges of arts and sciences: Prothro-Yeager College of Humanities and Social Sciences, College of Science and Mathematics, and Lamar D. Fain College of Fine Arts; and three professional colleges: Dillard College of Business Administration, College of Health Sciences and Human Services, and Gordon T. and Ellen West College of Education.

Recent University Progress

- The university has been honored to receive a $2.25 million matching gift pledge to pay the remaining debt of $4.5 million on the Dillard College of Business Administration building constructed in 2006. The funds required for the match have been raised and the Dillard building debt will be paid over the next three years with these privately donated funds. The building will not be paid in one payment since the bond cannot be called and no interest would be saved. Regular payments in August of each of the next three fiscal years will be paid from private funds. The release of over $4 million in Higher Education Assistance Funds (HEAF) that are constitutionally dedicated to the university and are currently being used to pay the Dillard building debt will allow the university to take on a series of new projects that will begin in late Spring 2012. These projects will be funded with approximately $12 million from a bond underwritten by HEAF and several million dollars contributed by four major university donors and four local foundations. The projects will include the razing of five vacant buildings on the northwest corner of the university campus, the construction of new commuter parking lots on the northwest corner of the campus and across the street from the northwest corner of the campus (Louis J. Rodriguez Drive and Hampstead Lane).

- Further, the university will use donated funds and HEAF to add much needed laboratory space to the Bolin Science Hall, to expand the McCoy Engineering Building, and to totally renovate the buildings on the Christ Academy property. The Christ Academy property was purchased for $2.3 million in 2009. The renovated space will be beautiful, will be functional, and will house a portion of the university's music program, the mass communications program, and the university's counseling center. In addition to these improvements, the university will close some campus streets to improve the traffic flow and to beautify the campus. It will be landscaped with plants that are native to this area of Texas. The university is raising approximately $3.4 million to renovate the Wichita Falls Museum of Art at Midwestern State University. Funds will be raised to light the softball and soccer fields in order to bring more tournaments and visitors to the campus. Finally, private funds will be used to construct a football field house for the university's football program. Long range plans include the building of a new library or the complete renovation of the existing Moffett Library which was constructed in 1968.

- Grants, gifts, and contributions to Midwestern State continue to be one of the university's most significant financial strong points. The total gifts and grants received in 2010-2011 exceeded $3.9 million. The two annual giving campaigns (Annual Fund and President's Excellence Circle) accounted for $714,826 that go into competitive scholarships, student aid, and faculty and student research projects.

The most important factors facing MSU continue to be enrollment patterns, graduation rates, state funding levels, and models for distribution of state funds.

<u>Enrollment (Beginning Classes and Retention)</u>

- It was anticipated that the severity of the economic downturn and the increasing of admission standards would push some of our entering class into community colleges. This concern did turn into a reality and Midwestern State University experienced an enrollment downturn. The loss of income from this enrollment decline will not be taken from the university's reserve but the university's operating costs will be reduced in order to enter fiscal year 2013 in strong financial condition. Currently, the university is reviewing all of its services, programs, and costs in order to bring about efficiencies that will assist the university in expanding the capacity of growth programs such as mechanical engineering, nursing, respiratory care, and radiologic science.

- In regard to academic programs, low producing programs are being carefully scrutinized and currently the university is planning expansion of programs to include a master's degree in mechanical engineering, a new baccalaureate level degree program in manufacturing engineering, and the expansion of the geology program to include a master's program in professional geology.

- Since fiscal year 2010, the university's state funding has been cut by $12.2 million dollars. The university has absorbed those cuts by raising tuition 4% for fiscal year 2012, by redirecting operational costs, and raising private funds. Today the university's operating budget is composed of approximately 25% state funding, 25% donations and grants, and 50% tuition and fees. MSU's tuition remains below the State of Texas average.

- The deregulation of tuition in 2003 has proven to be a boon to most financially starved public institutions in Texas. The administration and board applauds the legislature for not capping tuition. The trust placed in boards and administrations by the legislature is critical to our future stability.

- The MSU's Board of Regents, upon recommendation of its administration, established the Mustangs Guarantee. The Mustangs Guarantee states that MSU will guarantee the payment of tuition and fees of those students from families having an adjusted gross income of less than $50,000. It is anticipated that the program will encourage students to investigate the cost of a college education rather than eliminating themselves without complete research.

- Midwestern State is located in one of the few areas of the state in which the population has been static since 1960. However, the university is located within 100 miles of the northwest corner of the Dallas/Fort Worth metroplex. Consequently, the university draws a significant number of high school graduates from this region of Texas. This has helped maintain a constant enrollment at the university and it is now proving to be one of the university's major areas of draw for future college graduates. As a consequence of these demographic patterns, MSU is no longer a regional university, but it is a traditional residential university of younger students coming from many large metropolitan areas in Texas, 41 states, and 52 different nations. It is clear that the university has prepared for and will experience enrollment increases. It will be a challenge to provide well-prepared faculty and the best equipment to educate these young people. It is critical that the State find means to continue to support its university system by at least funding collegiate inflation and enrollment growth.

- Finally, it is clear that this nation's economy must be rebuilt with a new model and it will take scores of college graduates in order to participate in the new knowledge-based economy. The greatest resource of the State of Texas is a system of higher education which must be maintained with reasonable levels of funding, the university must meet its responsibility by raising private funds from benefactors, as well as using State resources in a most effective and efficient manner. The most important funding matter before the legislature that relates to higher education is the development of a dependable, systematic, non-politicized funding model that will allow universities to plan and prepare for expanding enrollment and increasing costs of energy, faculty, and equipment.

This Page Intentionally Left Blank

Unaudited

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

ASSETS

		2011		2010
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand		$ 17,000		$ 16,000
Cash in Bank		3,421,796		1,642,987
Cash in State Treasury		4,702,214		4,708,531
Short-term Investments		19,981,208		25,336,548
State Appropriations		1,007,602		763,482
Restricted:				
Cash and Cash Equivalents:				
Cash in Bank		(2,453,157)		(1,309,067)
Short-term Investments				
Notes and Loans receivable		11,867		14,253
Net Receivables:				
Student Receivables		5,383,687		4,503,601
Federal Receivables		232,899		862,400
Other Intergovernmental Receivables		59,064		2,567
Interfund Receivable				122,717
Interest and Dividends		42,502		76,897
Other Receivables		1,336,360		1,432,341
Pledges receivable		435,258		263,906
Consumable Inventories		257,984		263,403
Prepaid Expenses		7,766,001		8,028,011
Total Current Assets		42,202,285		46,728,577
Noncurrent Assets:				
Restricted:				
Short-term Investments		4,255,992		16,150,844
Investments		3,900,222		
Loans and Contracts		78,034		93,723
Other Long term Investments		20,616,520		8,275,276
Deferred Financing Costs		1,210,338		1,074,380
Capital Assets, Non-depreciable:				
Land and Land Improvements	$ 4,693,326		$ 4,933,519	
Construction in Progress	4,054,395		476,298	
Other Capital Assets	3,480,715	12,228,436	3,480,715	8,890,532
Capital Assets, Depreciable:				
Buildings & Building Improvements	179,063,725		178,656,164	
Less Accumulated Depreciation	(70,773,319)	108,290,406	(63,367,533)	115,288,631
Infrastructure	10,463,927		10,463,927	
Less Accumulated Depreciation	(4,554,384)	5,909,544	(4,145,348)	6,318,579
Facilities and Other Improvements	6,353,046		6,353,046	
Less Accumulated Depreciation	(3,335,774)	3,017,272	(3,043,451)	3,309,595
Furniture and Equipment	11,916,954		11,746,579	
Less Accumulated Depreciation	(8,342,511)	3,574,443	(7,726,736)	4,019,843
Vehicles	1,471,850		1,458,796	
Less Accumulated Depreciation	(1,047,733)	424,118	(1,041,036)	417,760
Other Capital Assets	11,656,920		11,548,768	
Less Accumulated Depreciation	(9,498,507)	2,158,413	(9,223,303)	2,325,465
Intangible Capital Assets, Amortizable:				
Computer Software	2,165,669		2,285,669	
Less Accumulated Depreciation	(1,089,919)	1,075,750	(1,003,866)	1,281,803
Total Noncurrent Assets		166,739,488		167,446,431
Total Assets		$ 208,941,773		$ 214,175,008

LIABILITIES

	2011	2010
Current Liabilities:		
Accounts Payable	$ 4,148,355	$ 4,646,781
Accrued Liabilities	3,460,372	3,890,771
Employees' Compensable Leave	167,335	174,365
Room/Property Deposits	76,639	91,650
Deferred Revenues	22,361,752	21,913,510
Retainages and Contracts	62,474	102,388
Interfund Payable		122,716
Funds Held for Others	81,365	89,722
Capital Lease		12,581
Unamortized Discount on Rev Bonds	(12,344)	
Unamortized Discount on Rev Bonds	43,904	
Revenue Bonds Payable	3,565,000	3,280,000
Constitutional Appropriation Bonds	1,350,000	1,305,000
Total Current Liabilities	35,304,852	35,629,484
Noncurrent Liabilities:		
Employees' Compensable Leave	1,266,021	1,254,594
Room/Property Deposits	199,331	274,949
Capital Lease		7,725
Unamortized Discount on Rev Bonds	(246,566)	
Unaccreted Premium on Rev Bonds	379,373	
Revenue Bonds Payable	80,280,322	83,660,136
Constitutional Appropriation Bonds	2,860,000	4,210,000
Total Noncurrent Liabilities	84,738,481	89,407,404
Total Liabilities	120,043,333	125,036,888

NET ASSETS

	2011	2010
Invested in Capital Assets, net of related debt	53,679,004	57,549,239
Restricted for:		
Debt Retirement		
Nonexpendable	3,900,222	3,705,061
Expendable:		
Capital Projects	1,211,967	1,890,072
Restricted by Contributor	3,949,667	4,447,794
Unrestricted	26,157,580	21,545,954
Total Net Assets	88,898,440	89,138,120
Total Liabilities and Net Assets	$ 208,941,773	$ 214,175,008

The accompanying Notes to the Financial Statements are an integral part of this statement.

Unaudited

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

	2011	2010
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of $10,307,682 and $8,646,024, respectively)	$ 30,074,871	$ 27,232,058
Federal Grants	2,059,758	2,155,604
Federal Pass-Through Grants	239,951	489,810
State Grants Pass-Through from Other State Agencies	3,340,474	2,840,972
Other Grants and Contracts	19,006	142,774
Sales and Services of Educational Activities	1,165,346	1,295,668
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $57,414 and $31,853, respectively)	8,383,510	7,702,512
Other Operating Revenue	1,517,980	1,436,170
Total Operating Revenues	46,800,896	43,295,568
Operating Expenses:		
Salaries and Wages	37,412,149	37,660,008
Payroll Related Costs	10,066,127	9,703,005
Professional Fees and Services	3,137,746	4,039,952
Travel	1,400,170	1,426,050
Materials and Supplies	5,189,036	5,618,453
Communications and Utilities	3,332,719	3,234,312
Repairs and Maintenance	1,822,130	2,331,919
Rentals and Leases	549,104	525,350
Printing and Reproduction	96,012	170,421
Federal Pass Through Expenditures	167,229	415,922
Depreciation	9,827,660	9,000,304
Bad Debt Expense	174,902	2,180
Interest	622	3,253
Scholarships	10,743,304	8,852,668
Total Operating Expenses	83,918,910	82,983,797
Operating Loss	(37,118,014)	(39,688,229)
Nonoperating Revenues (Expenses):		
State Appropriations	18,252,263	18,737,709
Additional State Appropriations	4,676,181	5,094,390
Legislative Appropriations Lapsed		
Federal Pass-Through Grants	625,759	1,068,928
Federal Grants	9,633,055	8,456,902
Gifts	3,030,962	3,491,801
Other Nonoperating revenues (expense)	6,106	(14,885)
Investment Income	766,675	778,884
Net Increase (Decrease) in Fair Value of Investments	218,119	65,892
Net Book Value of Capital Asset Disposals	(105,042)	(18,881)
Interest Expense on Capital Asset Financing	(3,813,140)	(3,447,048)
Total Nonoperating Revenues (Expenses)	33,290,938	34,213,692
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(3,827,076)	(5,474,537)

	2011	2010
Capital Contributions	$ 325,000	$ 345,000
HEAF Appropriation	3,559,433	3,810,377
Additions to Endowments	567,655	3,225,661
Transfer In	38,787	1,396,024
Transfers Out	(903,480)	(864,907)
Increase (Decrease) in Net Assets	(239,681)	2,437,618
Net Assets, Beginning of Year	89,138,120	86,700,502
Net Assets, End of Year	$ 88,898,440	$ 89,138,120

The accompanying Notes to the Financial Statements are an integral part of this statement.

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

Unaudited

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2011

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 37,412,149	$ 20,784,250	$ 300,745	$ 403,093	$ 2,519,429
Payroll Related Costs	10,066,127	5,392,890	15,627	83,506	682,278
Professional Fees and Services	3,137,746	596,631	85,118	53,010	881,475
Travel	1,400,170	462,280	18,688	37,842	167,300
Materials and Supplies	5,189,036	613,668	35,554	151,374	720,901
Communications and Utilities	3,332,719	59,744	140	2,855	25,500
Repairs and Maintenance	1,822,130	211,688	75	28,673	86,470
Rentals and Leases	549,104	116,101	62	68,451	36,777
Printing and Reproduction	96,012	43,045	354	10,802	46,580
Federal Pass Through Expenditures	167,229				167,228
Depreciation & Amortization	9,827,660				
Bad Debt Expense	174,902				
Interest	622	7		116	26
Scholarships	10,743,304				
Total Operating Expenses	$ 83,918,910	$ 28,280,304	$ 456,363	$ 839,722	$ 5,333,964

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2010

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 37,660,008	$ 20,717,102	$ 289,903	$ 446,708	$ 2,620,146
Payroll Related Costs	9,703,005	5,213,484	23,479	95,085	641,576
Professional Fees and Services	4,039,952	563,711	88,354	43,756	1,088,994
Travel	1,426,050	560,463	39,638	35,876	211,880
Materials and Supplies	5,618,453	782,129	92,947	148,030	771,432
Communications and Utilities	3,234,312	54,316		2,759	30,557
Repairs and Maintenance	2,331,919	155,275	880	47,483	182,345
Rentals and Leases	525,350	106,315	4,629	83,614	56,822
Printing and Reproduction	170,421	45,185	2,801	36,831	33,162
Federal Pass Through Expenditures	415,922				415,922
Depreciation	9,000,304				
Bad Debt Expense	2,180				
Interest	3,253	6		14	26
Scholarships	8,852,668				
Total Operating Expenses	$ 82,983,797	$ 28,197,986	$ 542,631	$ 940,156	$ 6,052,862

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 5,356,797	$ 4,476,728	$ 2,441,882		$ 1,129,225	
1,391,094	1,254,772	941,598		304,362	
1,388,846	(661,448)	148,594		645,519	
641,102	59,913	5,736		7,310	
935,282	550,071	442,692		1,739,494	
223,078	(38,334)	2,135,707		924,031	
219,396	593,675	364,135		318,018	
172,715	117,609	9,108		28,282	
124,050	(141,821)	489		12,512	
					$ 9,827,660
174,902					
44	11	378		39	
			$ 10,743,304		
$ 10,627,306	$ 6,211,176	$ 6,490,319	$ 10,743,304	$ 5,108,792	$ 9,827,660

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 5,253,425	$ 4,595,349	$ 2,576,078		$ 1,161,296	
1,316,698	1,205,619	912,448		294,617	
1,544,098	(193,323)	414,564		489,800	
481,913	75,617	18,342		2,321	
1,032,873	632,093	653,717		1,505,232	
251,550	(36,372)	1,990,324		941,178	
172,207	889,099	548,310		336,319	
139,370	74,082	31,748		28,770	
185,306	(147,286)	1,106		13,317	
					$ 9,000,304
2,180					
75		1,815		1,317	
			$ 8,852,668		
$ 10,379,695	$ 7,094,878	$ 7,148,452	$ 8,852,668	$ 4,774,167	$ 9,000,304

The accompanying Notes to the Financial Statements are an integral part of this statement.

Unaudited

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

	2011	2010
Cash Flows from Operating Activities:		
Proceeds Received from Students	$ 29,843,453	$ 28,837,469
Proceeds Received for Sponsored Programs	5,875,588	4,971,858
Proceeds Received from Auxiliary Enterprises	8,293,540	8,190,146
Proceeds From Loan Programs	43,464	35,881
Proceeds From Other Revenues	2,683,326	2,731,839
Payments to Employees	(47,904,277)	(46,999,288)
Payments to Suppliers for Good and Services	(15,982,235)	(19,086,736)
Payments for Scholarships	(10,580,279)	(10,110,696)
Payments for Loans Provided	(622)	(3,253)
Net Cash Provided (Used) by Operating Activities	(27,728,042)	(31,432,780)
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	22,684,323	26,642,259
Proceeds from Endowment Gifts	567,655	3,187,697
Proceeds from Gifts	3,030,962	3,491,802
Proceeds from Other Noncapital Financing Activities	6,106	(14,885)
Proceeds from Nonoperating Grants	10,258,815	9,525,829
Transfers out to Other Funds	(903,480)	(864,907)
Net Cash Provided by Noncapital Financing Activities	35,644,381	41,967,795
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Debt		6,939,373
Proceeds from Capital Gifts	153,648	1,274,068
Proceeds from HEAF Appropriations	3,559,433	3,810,377
Proceeds From Interest on Capital Investments	31,663	149,029
Payments for Additions to Capital Assets	(4,720,088)	(10,491,546)
Principal Paid on Capital Related Debt	(4,573,747)	(3,860,000)
Interest Paid on Capital Related Debt	(3,708,709)	(3,386,933)
Payments of Costs of Debt Issuance		(190,223)
Net Cash Provided by Capital and Related Financing Activities	(9,257,800)	(5,755,855)
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	711,378	666,295
Proceeds from Sales and Maturities of Investments	22,864,207	28,208,508
Payments to Acquire Investments	(21,604,723)	(34,797,692)
Net Cash Provided (Used) by Investing Activities	1,970,862	(5,922,889)
Increase (Decrease) in Cash and Cash Equivalents	629,401	(1,143,729)
Cash and Cash Equivalents, September 1, 2010	5,058,452	6,202,181
Cash and Cash Equivalents, August 31, 2011	$ 5,687,853	$ 5,058,452

	2011	2010
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets:		
Current Assets:		
Cash On Hand	$ 17,000	$ 16,000
Cash In Bank	3,421,796	1,642,988
Cash in State Treasury	4,702,214	4,708,531
Restricted:		
Cash In Bank	(2,453,157)	(1,309,067)
	$ 5,687,853	$ 5,058,452
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (37,118,014)	$ (39,688,229)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	9,827,660	9,000,304
Bad Debt Expense	174,902	2,180
(Increase) Decrease in Receivables	(386,002)	276,763
(Increase) Decrease in Inventories	5,419	34,068
(Increase) Decrease in Prepaid Expenses	262,011	(1,281,180)
(Increase) Decrease in Loans	2,386	508
Increase (Decrease) in Payables	(906,146)	(1,466,771)
Increase (Decrease) in Deferred Income	448,242	1,574,902
Increase (Decrease) in Other Liabilities	(38,500)	114,674
Total Adjustments	9,389,972	8,255,448
Net Cash Used by Operating Activities	$ (27,728,042)	$ (31,432,781)
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	$ 218,119	$ 65,892
(Loss) Gain on Asset Disposals	(105,042)	(18,881)
Donated Investment Assets	7,500	59,900
Transfer In on Master Lease Purchase	38,788	1,396,024
Borrowing Under Capital Lease Purchase		20,306

Note 1: 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. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes.

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.

This Page Intentionally Left Blank

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2011, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/10	Adjustment	Reclassifications Completed CIP
Non-depreciable or Non-Amortizable Assets:			
Land and Land Improvements	$ 4,933,518		
Construction in Progress	476,298		$ (1,285,467)
Other Tangible Capital Assets	3,480,715		
Total Non-depreciable Assets or Non-Amortizable Assets:	8,890,531	0	(1,285,467)
Depreciable Assets:			
Buildings and Building Improvements	178,656,165		1,274,995
Infrastructure	10,463,927		
Facilities and Other Improvements	6,353,046		
Furniture and Equipment	11,746,579		10,472
Vehicles	1,458,796		
Other Capital Assets	11,548,768		
Total Depreciable Assets:	220,227,281	0	1,285,467
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(63,367,533)		
Infrastructure	(4,145,348)		
Facilities and Other Improvements	(3,043,451)		
Furniture and Equipment	(7,726,736)		
Vehicles	(1,041,036)		
Other Capital Assets	(9,223,304)		
Total Accumulated Depreciation	(88,547,408)	0	0
Depreciable Assets, Net	131,679,873	0	1,285,467
Amortizable Assets - Intangible			
Computer Software	2,285,669		
Total Amortizable Assets - Intangible	2,285,669	0	0
Less Accumulated Amortization for:			
Computer Software	(1,003,866)		
Total Accumulated Amortization	(1,003,866)	0	0
Amortizable Assets - Intangible, Net	1,281,803	0	0
Business-Type Activities Capital Assets, Net	$141,852,207	$ 0	$ 0

Additions	Deletions	Balance 08/31/11
	$ (240,192)	$ 4,693,326
$4,863,564		4,054,395
		3,480,715
4,863,564	(240,192)	12,228,436
	(867,435)	179,063,725
		10,463,927
		6,353,046
536,349	(376,446)	11,916,954
129,796	(116,741)	1,471,851
178,568	(70,417)	11,656,919
844,713	(1,431,039)	220,926,422
(7,490,065)	84,279	(70,773,319)
(409,036)		(4,554,384)
(292,323)		(3,335,774)
(961,126)	345,351	(8,342,510)
(123,438)	116,741	(1,047,733)
(345,619)	70,416	(9,498,507)
(9,621,607)	616,787	(97,552,227)
(8,776,894)	(814,252)	123,374,195
0	(120,000)	2,165,669
0	(120,000)	2,165,669
(206,053)	120,000	(1,089,919)
(206,053)	0	(1,089,919)
(206,053)	0	10,075,750
$(4,119,383)	$(1,054,444)	$136,678,381

Note 3: Deposits, Investments, & Repurchase Agreements

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.

The university also employs four investment managers to manage the assets of the university's endowments which total $16,307,800 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets.

Deposits of Cash in Bank

At August 31, the carrying amount of the university's deposits is presented below:

	2011	2010
Cash on Hand	$ 17,000	$ 16,000
Cash in Bank	968,639	333,920
Cash in State Treasury	4,702,214	4,708,531
Total Cash and Cash Equivalents	$5,687,853	$5,058,452

Current Assets—Cash and Cash Equivalents		
Cash on Hand	$ 17,000	$ 16,000
Cash in Bank	3,421,796	1,642,987
Cash in State Treasury	4,702,214	4,708,531
Current Assets– Restricted Cash and Cash Equivalents	(2,453,157)	(1,309,066)
Total Cash and Cash Equivalents	$5,687,853	$5,058,452

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the university will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university's policies and State Statute require the university's deposits 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 if they are not fully insured by FDIC.

The university's bank balance at August 31, 2011 was $1,845,317. The entire amount was covered under the Dodd-Frank Deposit Insurance provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act which provides that all funds in a non-interest bearing transaction account are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporarily unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules.

Investments

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

	2011	2010
U.S. Government Agency Obligations	$11,765,109	$12,636,445
Corporate Bonds	1,780,799	1,237,732
Fixed Income Exchange Traded Funds (ETFs)	2,587,522	
Equities	9,624,120	2,989,621
Other Commingled Funds - Texpool	9,596,350	18,689,519
Other Commingled Funds - LOGIC	479,079	478,117
Other Commingled Funds - Goldman Sachs	751,786	59,913
Other Commingled Funds - Citibank	4,074,405	8,061,767
Certificates of Deposit - First National Bank	6,100,661	4,020,065
Money Market - JP Morgan Chase	1,003,405	1,301,201
Other Money Market funds	82,398	
Alternative Investments (including hedge funds)	908,308	288,288
Total Investments	$48,753,942	$49,762,668

Current Assets—Short-Term Investments	$19,981,208	$25,336,548
Non-Current Assets—Restricted Short-Term Investments	4,255,992	16,150,844
Non-Current Assets—Restricted Investments	3,900,222	
Non-Current Assets—Other Long Term Investments	20,616,520	8,275,275
Total Investments	$48,753,942	$49,762,667

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, 2011, the university's credit quality distribution for securities with credit risk exposure was as follows:

Investment Type	AAA	AA	A	BBB
U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$ 11,765,109			
Corporate Bonds		$ 240,282	$ 793,498	$ 747,019
Fixed Income Exchange Traded Funds (ETFs)	341,100	576,171	779,557	281,085
Comingled Funds—Texpool & LOGIC	10,075,429			

Investment Type	BB	B	Collateralized	Not Rated
Fixed Income Exchange Traded Funds (ETFs)	$ 51,062	$ 536,131		$ 22,417
Other Comingled Funds—Goldman Sachs				751,786
Other Comingled Funds—Citibank			$ 4,074,405	
Certificate of Deposit—First National Bank			6,100,661	
Money Market—JP Morgan			1,003,405	
Other Money Market				82,398
Equities				9,624,120
Alternative Investments (including hedge funds)				908,308

Note 3: Continued

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2011, the university's concentration of credit risk is immaterial to any single issuer.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates. Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weight. The duration of an instrument can be calculated by first multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Modified duration estimates the sensitivity of the university's investments to changes in interest rates.

The university's investments exposed to interest rate risk as of August 31, 2011, were as follows:

Investment Type	Fair Value	Modified Duration
U.S. Government Agency Obligations	$ 11,765,109	3.19
Corporate Bonds	$ 1,780,799	4.38

Note 4: Short-Term Liabilities

Not Applicable

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-10	Restatement	Additions	Reductions	Balance 08-31-11	Amounts Due Within One Year
Revenue Bonds Payable	$86,940,136		$185,185 *	$3,280,000	$83,845,321	$3,565,000
Unamortized Premium on Revenue Bonds			498,665 *	75,388	423,277	43,904
Unamortized Discount on Revenue Bonds			(271,254) *	(12,344)	(258,910)	(12,344)
Subtotal	86,940,136		412,596	3,343,044	84,009,688	3,596,560
General Obligation Bond Payable	5,515,000			1,305,000	4,210,000	1,350,000
Compensable Leave	1,428,959		124,395	119,997	1,433,356	167,335
Capital Lease Obligations	20,306			20,306		
Total	$93,904,401	$0.00	$ 536,991	$4,788,347.35	$89,653,044	$5,113,895

*See Note 6

ANNUAL FINANCIAL REPORT

Year Ended 8-31-2011 (UNAUDITED)

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 $1,433,356. The University made lump sum payments totaling $119,997 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2011, and payments of $190,564 for August 31, 2010.

The University has an undetermined and unrecorded liability for employee's earned sick leave. Sick leave 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.

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A-Miscellaneous Bond Information, Schedule 2B-Changes in Bonded Indebtedness, Schedule 2C-Debt Service Requirements, Schedule 2D-Analysis of Funds Available for Debt Service and Schedule 2E-Defeased Bonds Outstanding.
General information related to Revenue Financing System bonds is summarized on this page and on the following pages:

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
- 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

Note 6: 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
- 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, 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 refunding a portion of the outstanding Revenue Refunding and Improvement Bonds, Series 1998
- Issued August 1, 2007
- $28,855,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- The discount on the bonds is being amortized on a straight-line basis over the life of the debt.
- Source of Revenue for Debt Service – Pledged Revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees and private gifts.

Revenue Financing System Revenue Bonds, Series 2008

- Issued by the Texas public Finance Authority (TPFA) on behalf of the University. To pay for constructing, equipping and furnishing an additional student housing facility; purchasing an existing student housing facility; improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum; constructing, equipping and furnishing an instrumental music facility
- Issued July 1, 2009
- $38,300,136; 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 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
- The Bonds are issued in part as current interest bonds, $37,955,000, and in part as premium capital appreciation bonds, $345,136

Note 6: Continued

Premium Capital Appreciation Bonds			Unamortized Premium on CAB			Combined Totals
Beginning Principal Amount		(345,136)	Beginning Premium		(498,665)	(843,801)
Amortization Entries	FY11	(185,185)	Amortization Entries	FY11	75,388	(109,797)
Balance at Year End		(530,321)	Balance at Year End		(423,277)	(953,598)
Future Entries:	FY12	(85,348)	Future Entries:	FY12	43,904	(41,445)
	FY13	(99,084)		FY13	55,837	(43,247)
	FY14	(115,031)		FY14	69,903	(45,127)
	FY15	(133,543)		FY15	86,457	(47,087)
	FY16	(155,035)		FY16	105,902	(49,133)
	FY17	(86,637)		FY17	61,274	(25,363)
		(674,678)			423,277	(251,402)
Maturity Value		(1,205,000)			0	(1,205,000)

Revenue Financing System Revenue Bonds, Series 2010

- Issued by the Texas public Finance Authority (TPFA) on behalf of the University. To pay for improving, renovating, enlarging and/or equipping the University's existing D.L. Ligon Coliseum
- Issued April 1, 2010
- $6,700,000; 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 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

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 are to be 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
- General Obligation Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Payable and secured solely from a first lien on and pledge of up to one-half of the annual appropriation for and on behalf of the University, from the State Treasury pursuant to the Constitutional Provision and "The Excellence in Higher Education Act."

Note 7: Derivatives

Not Applicable.

Note 8: Leases

There are no capital leases outstanding at August 31, 2011.

Note 9: Employees Retirement Plans for University Systems and Independent Universities

The state has established an optional retirement program for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The contributions made by the plan members and employers for the fiscal year ended August 31, 2011 compared to the previous year are shown below:

	Year Ended August 31, 2011	Year Ended August 31, 2010
Member Contributions	$1,148,451	$1,160,529
Employer Contributions	$1,270,927	$1,290,204
Total Remittance	$2,419,378	$2,450,733

Note 10: Deferred Compensation

The university's Board of Regents approved a non-qualified deferred compensation plan for the university President which provided for $2,500 per month to be set-aside for the President for thirty-six months, ending August 31, 2011, at which time the President received the full distribution of the $91,547 balance of the Deferred Compensation Account. A second non-qualified deferred compensation plan was approved by the Board of Regents, which provided for $1,250 per month to be set-aside for the President for twelve months beginning September 1, 2010 and ending August 31, 2011, at which time the amount of $3,750 per month would be set-aside for the President for twenty-four months, ending August 31, 2013. The balance of this account at August 31, 2011 was $15,055.

Note 11: Post-employment Health Care and Life Insurance Benefits

Not Applicable.

Note 12: Interagency Balances / Activities

University transactions with other state agencies are as follows:

Name of State Agency, Agency Number	Due From Other Agencies	Due To Other Agencies	Purpose
Due to Due From:			
Texas Department of Motor Vehicles, 608			
D23 Fund 5015	$ 1		Texas Collegiate License Plate Fund
Texas Tech University, 733			
D23 Fund 7999	56,362		Small Business Development Center
Stephen F. Austin State University, 755			
D23 Fund 7999	2,701		Stateview Program Development
Total Due From/To	$59,064		
	Transfer In	**Transfer Out**	
Operating Transfers:			
Texas Higher Education Coordinating Board, 781			
D23 Fund 5103		$ 318,935	Texas B-On-Time Loan Program
D23 Fund 0264		967	Dental Hygienist Degree or Certification Program
Texas Public Finance Authority, 347			
D23 Fund 7999		474,121	Master Lease Purchase Payment
D23 Fund 7999		109,457	Master Lease Purchase Payment
D23 Fund 7999	$ 38,787		Master Lease Purchase Payment
Total Transfers	$ 38,787	$ 903,480	

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

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances and Net Assets

Not Applicable.

Note 15: Contingencies and Commitments

There is no pending or threatened litigation.

Note 16: Subsequent Events

While the university does not expect any additional state resources by capital construction enhancement from state appropriations for the next biennium, the generous support of donor contributions will enhance its long-term and short-term capital needs for construction for the next two years, and thereby release other debt service support from HEAF appropriations currently committed to our Dillard College of Business facility through fiscal year 2014.

Note 16: Continued

Short-term capital projects will include a new University Police Building, renovation of Christ Academy, and razing of several old facilities to accommodate new parking. Beyond those projects, consultants for a new housing expansion project have reviewed the market potential for such an expansion and believe it is certainly a financially viable project, and the MSU administration has since received approval by the MSU Board of Regents to begin planning for a 350-bed residence hall, with an estimated cost between $22 to $24 million. The total cost of the project will be financed by a bond issue, and repaid by additional rental revenue.

A campus master plan being developed in FY 2012 includes a new library, accompanied with changes to the use of the current library with an estimated potential cost of $59 million. The existing facility would be used to accommodate the West College of Education Information Technology Center. Such construction is dependent on authorization from the Texas State Legislature for tuition revenue bonds which will be delayed until a favorable increase in the national economy.

Note 17: Risk Management

The university can be 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. The University participates in the statewide property insurance program and purchases 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, 2011, 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 $118,730 and $101,258 for worker's compensation coverage for fiscal years ending August 31, 2010 and 2011, 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 Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of $20,000/$40,000 bodily injury and $15,000 property damage. However, the university has chosen to carry liability insurance on its licensed vehicles in the amount of $250,000/$500,000/$100,000 with a combined single limit of $1,000,000 if the Texas Tort Claims Act is not applicable.

Note 18: Management Discussion and Analysis

See Introduction.

Note 19: The Financial Reporting Entity

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 $611,378 to the University during the year ended August 31, 2011, and $798,254 for the prior year. The MSU Charitable Trust remitted restricted gifts of $460,070 to the University during the year ended August 31, 2011 and $406,405 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2011 are reported by their trustees in the amount of $15,934,000 and $22,609,910, respectively.

Note 20: 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 21: Not Applicable to the AFR Reporting Requirements Process

Note 22: Donor Restricted Endowments

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	None	Restricted for Nonexpendable
Term Endowments	$ 6,547	Restricted for Nonexpendable
True Endowments	None	Restricted for Expendable

Note 23: Extraordinary and Special Items

Not Applicable.

Note 24: Disaggregation of Receivable and Payable Balances

Not Applicable.

Note 25: Termination Benefits

Not Applicable.

Note 26: Segment Information

Not Applicable.

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2011, with Comparative Totals for the Year Ended August 31, 2010

	CFDA Number	ID #	Univ/ Agy #	Pass-Through From Agency Amount	Pass-Through From University Amount	Pass-Through From Non State Entities Amount
U.S. Department of the Interior						
Pass-Through From:						
Stephen F. Austin State University						
National Land Remote Sensing-Education Outreach & Research	15.815		755		$ 5,042	
National Endowment for the Humanities						
Pass-Through From:						
Humanities Texas						
Promotion of the Humanities-Federal/State Partnership	45.129	45				
Direct Programs:						
Promotion of the Arts-Grants to Organizations and Individuals	45.024					
Promotion of the Humanities-Division of Preservation and Access	45.149					
Totals - National Endowment for the Humanities						
Small Business Administration						
Pass-Through From:						
TTU-Small Business Development Center	59.037		733		114,603	
U.S. Department of Education						
: Direct Program:						
Bilingual Education Professional Development	84.195					
Pass-Through From:						
THECB-Improving Teacher Quality State Grants	84.367		781	$ 34,375		
THECB-College Access Challenge Grant Program	84.378		781	43,295		
Totals - U.S. Department of Education				77,670		
U.S. Department of Health & Human Services						
Direct Program:						
Advanced Education Nursing Traineeships	93.358					
Research & Development Cluster						
National Science Foundation						
Direct Program:						
Biological Sciences	47.074		764			
Special Education (IDEA) Cluster						
U.S. Department of Education						
Pass-Through From:						
TAMU Texarkana-Special Ed Grants to State	84.027		764		40,636	
Statewide Data Systems Cluster						
U.S. Department of Education						
Pass-Through From:						
Statewide Data Systems	84.372		781	2,000		

		Pass-Through To			2011	2010
Direct Program	Total Pass-Through From & Direct Program	Agency or Univ Amount	Non-State Entities Amount	Expenditures	Total PT To and Expenditures Amount	Total PT To and Expenditures Amount
	$ 5,042			$ 5,042	$ 5,042	$ 2,218
						1,500
						3,858
4,000	4,000			4,000	4,000	
4,000	4,000			4,000	4,000	5,358
	114,603			114,603	114,603	121,781
279,354	279,354			279,354	279,354	292,323
	34,375			34,375	34,375	155,643
	43,295			43,295	43,295	145,371
279,354	357,024			357,024	357,024	593,337
26,920	26,920			26,920	26,920	32,700
						10,145
	40,636			40,636	40,636	39,368
	2,000			2,000	2,000	

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

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended August 31, 2011 with Comparative Totals for the Year Ended August 31, 2010

	CFDA Number	ID #	Univ/ Agy #	Pass-Through From: Agency Amount	Pass-Through From: University Amount	Pass-Through From: 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 Contributions	84.038					
Federal Pell Grant Program	84.063					
Federal Direct Student Loans	84.268					
Academic Competitiveness Grants	84.375					
National Science and Mathematics Access to Retain Talent (SMART)	84.376					
Teacher Education Assistance for College & HE Grants (TEACH)	84.379					
Total Student Financial Assistance Cluster Programs						
State Fiscal Stabilization Fund Cluster						
U.S. Department of Education						
Pass-Through From:						
THECB-ARRA Government Services, Recovery Act	84.397			$ 625,759		
Teacher Quality Partnership Grants Cluster						
U.S. Department of Education						
Teacher Quality Enhancement Grants	84.336					
TRIO Cluster						
U.S. Department of Education						
Direct Programs						
TRIO-Student Support Services	84.042					
TRIO-Upward Bound	84.047					
Totals—U.S. Department of Education						
WIA Cluster						
U.S. Department of Labor						
Pass-Through From:						
TWC-WIA Dislocated Workers	17.260					
Total Federal Financial Assistance				$ 705,429	160,281	

Note 3a: Student Loans Processed and Administrative Cost Recovered

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balances of Previous Years' Loans
U.S. Department of Education				
84.268 Federal Direct Student Loans Program	$28,547,813			
84.038 Federal Perkins Loan Program	16,000			$ 89,901
Total Department of Education	$28,563,813			$ 89,901

Note 7: Federal Deferred Revenue

CFDA Number/Program Name	Federal Deferred Revenue 09/01/10	Increase / (Decrease)	Federal Deferred Revenue 08/31/11
84.033 Federal Work Study Program	$ 2,293	$ (2,293)	
84.367 Improving Teacher Quality State Grants	69,501	(69,501)	
Total Deferred Revenue	$ 71,794	$ (71,794)	

Direct Program	Total Pass-Through From & Direct Program	Pass-Through To: Agency or Univ Amount	Pass-Through To: Non-State Entities Amount	Expenditures	2011 Total PT To and Expenditures Amount	2010 Total PT To and Expenditures Amount
$ 167,472	$ 167,472			$ 167,472	$ 167,472	$ 179,644
						24,951,829
134,876	134,876			134,876	134,876	103,466
16,000	16,000			16,000	16,000	20,000
9,633,055	9,633,055			9,633,055	9,633,055	8,456,902
28,547,813	28,547,813			28,547,813	28,547,813	2,302,760
268,542	268,542			268,542	268,542	226,225
84,000	84,000			84,000	84,000	83,901
161,259	161,259			161,259	161,259	54,955
39,013,017	39,013,017			39,013,017	39,013,017	36,379,682
	625,759			625,759	625,759	1,088,235
424,652	424,652	$ 167,229		257,423	424,652	867,265
205,632	205,632			205,632	205,632	
303,051	303,051			303,051	303,051	299,621
508,683	508,683			508,683	508,683	299,621
						6,122
$40,256,626	$41,122,336	$ 167,229		$40,955,107	$41,122,336	$39,445,832

Note 2: Reconciliation

	08/31/2011
Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	$ 2,059,758
Federal Grant Revenue - Non-Operating	9,633,055
Federal Pass-through Revenue-Operating	239,951
Federal Pass-through Revenue-Non-Operating	625,759
Total Federal Revenues	12,558,523
Reconciling Items: New Loans Processed	
Federal Perkins Loans Processed	16,000
Federal Direct Student Loans Processed	28,547,813
	$41,122,336

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

Unaudited

Schedule 1B - Schedule of State Grant Pass Through From/To State Agencies
For the Years Ended August 31

Operating Revenue:	2011	2010
Pass Through From:		
UT System (Agy #720)		
Joint Admission Medical Program (JAMP)	$ 13,362	$ 5,756
Texas Higher Education Coordinating Board (Agy #781)		
5th Year Accounting	0	5,000
Certified Educational Aide Program	95,880	0
College Readiness Initiative	7,620	103,196
College Work Study Program	31,357	33,235
Early High School Program HB 1479	14,906	0
Engineering Recruitment Program	22,246	18,000
Financial Aid - Professional Nursing	24,793	22,564
General Academic Enrollment Growth	14,525	16,601
Nursing & Allied Health	188,979	0
Professional Nursing Shortage Reduction Program	91,084	217,514
Texas Grants Program	2,695,722	2,307,106
Top 10% Scholarships	140,000	112,000
Total Operating Pass Through Revenue (Exhibit II)	$3,340,474	$2,840,972

Pass Through To:

None

Year Ended 8-31-2011 (UNAUDITED)

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

Year Ended 8-31-2011 (UNAUDITED)

Unaudited

Midwestern State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2011

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bonds:					
Constitutional Appropriation Bonds: Series 2004	$ 11,185,000	2.75% - 3.75%	2005	2013	None
Revenue Bonds:					
Revenue Financing System Revenue Bonds: Series 2002	8,965,000	4.00% - 5.00%	2003	2021	12-01-12
Building Revenue & Refunding 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
Revenue Financing System Revenue Bonds: Series 2008	38,300,136	3.00% - 5.25%	2008	2034	12-01-18
Revenue Financing System Revenue Bonds: Series 2010	6,700,000	4.00% - 5.00%	2012	2036	12-01-20
Total	$107,185,136				

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

Unaudited

Midwestern State University
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2011

Description of Issue	Bonds Outstanding 09-01-2010	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2011	Amounts Due Within One Year
General Obligation Bonds:						
Constitutional Appropriation Bonds:						
Series 2004	$ 5,515,000		$1,305,000		$ 4,210,000	$1,350,000
Revenue Bonds:						
Revenue Financing System Revenue Bonds:						
Series 2002	6,340,000		405,000		5,935,000	425,000
Building Revenue and Refunding Bonds:						
Series 2003	9,360,000		705,000		8,655,000	730,000
Revenue and Refunding Bonds:						
Series 2007	27,030,000		1,185,000		25,845,000	1,240,000
Revenue Financing System Revenue Bonds:						
Series 2008	37,510,136	185,185 *	985,000		36,710,321	1,020,000
Revenue Financing System Revenue Bonds:						
Series 2010	6,700,000		0		6,700,000	150,000
Total	$92,455,136	$185,185	$4,585,000		$88,055,321	$4,915,000

*Accretion on Capital Appreciation Bonds

Year Ended 8-31-2011 (UNAUDITED)

Unamortized Premium	Unamortized Discount	Unamortized Gain (Loss) On Refunding	Net Bonds Outstanding 08-31-2011	Amounts Due Within One Year
			$ 4,210,000	
			5,935,000	
			8,655,000	
	($258,910)		25,586,090	($12,344)
$ 423,277			37,133,598	43,904
			6,700,000	
$ 423,277	($258,910)		$88,219,688	$31,560

Unaudited

Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2011

Business Type Activities

Description of Issue	2012	2013	2014	2015	2016
General Obligation Bonds:					
Constitutional Appropriation Bonds:					
Series 2004					
Principal	$1,350,000	$1,405,000	$1,455,000		
Interest	127,362	79,150	27,281		
Revenue Bonds:					
Revenue Financing System Revenue Bonds:					
Series 2002					
Principal	425,000	445,000	465,000	485,000	505,000
Interest	266,176	247,133	227,239	206,809	185,024
Revenue Financing System Revenue and Refunding Bonds:					
Series 2003					
Principal	730,000	760,000	790,000	830,000	600,000
Interest	387,698	357,898	326,898	289,310	254,472
Revenue Financing System Revenue and Refunding Bonds:					
Series 2007					
Principal	1,240,000	1,290,000	1,350,000	1,400,000	1,455,000
Interest	1,083,332	1,032,733	979,932	924,933	866,014
Revenue Financing System Revenue Bonds:					
Series 2008					
Principal	1,020,000	1,055,000	1,095,000	1,140,000	1,180,000
Interest	1,641,895	1,605,582	1,566,589	1,523,258	1,476,858
Revenue Financing System Revenue Bonds:					
Series 2010					
Principal	150,000	155,000	160,000	170,000	180,000
Interest	303,506	297,406	291,106	284,506	276,606
Total	8,724,969	8,729,902	8,734,045	7,253,816	6,978,974
Less Interest	(3,809,969)	(3,619,902)	(3,419,045)	(3,228,816)	(3,058,974)
Total Principal	$4,915,000	$5,110,000	$5,315,000	$4,025,000	$3,920,000

2017-21	2022-26	2027-31	2032-36	Total Requirements
				$ 4,210,000
				233,793
2,930,000	680,000			5,935,000
539,759	17,000			1,689,140
2,480,000	2,465,000			8,655,000
925,791	254,375			2,796,442
6,795,000	6,025,000	5,055,000	1,235,000	25,845,000
3,425,094	2,133,180	778,872	47,984	11,272,074
6,450,000	7,955,000	9,735,000	7,755,000	37,385,000
6,855,495	5,337,215	3,262,143	720,956	23,989,991
1,025,000	1,280,000	1,580,000	2,000,000	6,700,000
1,237,406	960,357	634,903	239,563	4,525,359
32,663,545	27,107,127	21,045,918	11,998,503	133,236,799
(12,983,545)	(8,702,127)	(4,675,918)	(1,008,503)	(44,506,799)
$19,680,000	$18,405,000	$16,370,000	$10,990,000	$88,730,000
			Less Unamortized Accretion	(674,679)
				$88,055,321

Unaudited

Midwestern State University
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2011

Business Type Activities
Description of Issue

General Obligation Bonds	Application of Funds	
	Principal	Interest
Constitutional Appropriation		
Bond - Series 2004	$ 1,305,000	$ 172,194

Pledged and Other Sources and Related Expenditures for FY 2011

	Net Available for Debt Service		Debt Service	
Revenue Financing System Revenue Bonds	Total Pledged and Other Sources	Operating Expenses/ Expenditures And Capital Outlay	Principal	Interest
Revenue Financing System				
Revenue Bonds: Series 2002			$ 405,000	$ 283,814
Building Revenue & Refunding				
Bonds: Series 2003			705,000	415,516
Revenue and Refunding Bonds:				
Series 2007		$ 552,811	1,185,000	1,131,833
Revenue Financing System				
Revenue Bonds: Series 2008		47,986	985,000	1,674,520
Revenue Financing System				
Revenue Bonds: Series 2010		2,475,814		333,751
Total for all Revenue Financing System Revenue Bonds	$60,522,514	$ 3,076,611	$ 3,280,000	$ 3,839,434

Unaudited

Midwestern State University

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2011

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

Business Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
None for the Year Ended August 31, 2011		
Total	$0	$0

Year Ended 8-31-2011 (UNAUDITED)

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

Unaudited

Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2011

Business Type Activities

Description of Issue	Category	Amount Extinguished or Refunded	Refunded Issued Par Value	Cash Flow Increase (Decrease)	*Economic Gain/(Loss)
Revenue Bonds:					
None for the Year Ended August 31, 2011					
Total		$0	$0	$0	$0

Year Ended 8-31-2011 (UNAUDITED)

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

Unaudited

Midwestern State University

Schedule 3 - Reconciliation of Cash in State Treasury

For the Years Ended August 31

Cash in State Treasury	Unrestricted	Restricted	Current Year 2011	Prior Year 2010
General Revenue - Dedicated Fund 0264	$ 4,702,214		$ 4,702,214	$ 4,708,531
Special Mineral Fund - Fund 0412	0		0	0
Total Cash in State Treasury (Stmt of Net Assets)	$ 4,702,214		$ 4,702,214	$ 4,708,531

Year Ended 8-31-2011 (UNAUDITED)

This Page Intentionally Left Blank

APPENDIX C
FORMS OF BOND COUNSEL'S OPINIONS

(THIS PAGE LEFT BLANK INTENTIONALLY)

ANDREWS KURTH LLP
ATTORNEYS

111 Congress Avenue, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

October 9, 2012

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012A", dated September 15, 2012, in the aggregate principal amount of $4,710,000, by the Authority on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"). The Bonds have stated maturities of December 1 in each year from 2012 through 2020, inclusive. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the respective resolutions of the Authority and the Board authorizing the issuance of the Bonds (collectively, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolutions.

WE HAVE ACTED as Bond Counsel 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 of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds. The transcript contains certified copies of certain proceedings of the Authority, the Board and Wilmington Trust, National Association (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, certified public accountants, which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. 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.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Authority enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolutions), 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 Resolutions provide certain conditions under which the Authority and the Board may issue additional parity revenue obligations payable from the same source and secured in the same manner as the Bonds;

(3) The escrow agreement between the Board and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the resolutions authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolutions.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority and the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Board have covenanted in the Resolutions to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Authority or the Board fails to comply with the foregoing provisions of the Resolutions, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusions occurs.

WE CALL TO YOUR ATTENTION THAT interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS FOR SERIES 2012A BONDS" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in 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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

(THIS PAGE LEFT BLANK INTENTIONALLY)

ANDREWS KURTH LLP
ATTORNEYS

111 Congress Avenue, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

October 9, 2012

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B", dated September 15, 2012, in the aggregate principal amount of $5,415,000, by the Authority on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"). The Bonds have stated maturities of December 1 in each year from 2012 through 2024, inclusive. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the respective resolutions of the Authority and the Board authorizing the issuance of the Bonds (collectively, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolutions.

WE HAVE ACTED as Bond Counsel 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. In such capacity we have examined the Constitution and laws of the State of Texas; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds. The transcript contains certified copies of certain proceedings of the Authority, the Board and Wilmington Trust, National Association (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, certified public accountants, which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. 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.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Authority enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolutions), 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 Resolutions provide certain

conditions under which the Authority and the Board may issue additional parity revenue obligations payable from the same source and secured in the same manner as the Bonds;

(3) The escrow agreement between the Board and the Escrow Agent (the “Escrow Agreement”) has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the resolutions authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolutions.

WE EXPRESS NO OPINION as to the treatment of the interest on the Bonds for federal income tax purposes or any other matter.

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.

Financial Advisory Services
Provided By

FirstSouthwest[SM]