OFFICIAL STATEMENT
Dated April 7, 2010

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:
Insured Moody's: "Aa3" (negative outlook)
Underlying Moody's: "A2"
Underlying Fitch: "A+"
(See "RATINGS" herein)

$6,700,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS,
SERIES 2010

Dated Date: April 1, 2010 **Due: December 1, as shown herein**
Interest Accrues: Date of Delivery

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

The proceeds from the sale of the Bonds will be used for the purpose of (i) improving, renovating, enlarging and/or equipping the University's existing D.L. Ligon Coliseum and (ii) paying the costs related thereto. See "PLAN OF FINANCING - Purpose."

Interest on the Bonds will accrue from the date of delivery, and is payable on December 1, 2010, 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 Wells Fargo Bank, N.A., Houston, 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."

ASSURED GUARANTY CORP. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP. ("AGC" or the "Insurer"). See "BOND INSURANCE" herein.

See Inside Cover Page for Maturity Schedule
CUSIP Prefix: 882756

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

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of Fulbright & Jaworski L.L.P., Dallas, Texas, as to the validity of the issuance of the Bonds under the Constitution and the laws of the State of Texas and to the effect that, assuming continuing compliance by the Authority and the Board with certain requirements contained in the Resolution of the Authority and the Board authorizing the Bonds, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes under statutes, regulations, court decisions, and published rulings existing on the date thereof subject to the matters described under "TAX MATTERS" herein. See "TAX MATTERS" herein. The Bonds are expected to be available for delivery through DTC on or about April 29, 2010.

MATURITY SCHEDULE [1]
SERIES 2010

Due December 1	Maturing Amounts	Interest Rate	Initial Yield	CUSIP [2]
2011	$ 150,000	4.000 %	1.000 %	882756 K65
2012	155,000	4.000	1.360	882756 K73
2013	160,000	4.000	1.670	882756 K81
2014	170,000	4.000	2.030	882756 K99
2015	180,000	5.000	2.350	882756 L23
2016	185,000	5.000	2.800	882756 L31
2017	195,000	5.000	3.130	882756 L49
2018	205,000	5.000	3.400	882756 L56
2019	215,000	5.000	3.600	882756 L64
2020	225,000	5.000	3.800	882756 L72
2021	235,000	4.000	3.900	882756 L80
***	***	***	***	***
2026	290,000	4.125	4.280	882756 M55
2027	300,000	4.250	4.340	882756 M63
2028	315,000	4.250	4.410	882756 M71
2029	330,000	4.375	4.480	882756 M89
2030	345,000	4.375	4.600	882756 M97

$1,045,000 5.000% Term Bonds Due December 1, 2025, Priced to Yield 4.250% - CUSIP 882756 M48
$740,000 4.500% Term Bonds Due December 1, 2032, Priced to Yield 4.650% - CUSIP 882756 N39
$1,260,000 4.625% Term Bonds Due December 1, 2035, Priced to Yield 4.750% - CUSIP 882756 N62

(1) The Bonds are subject to redemption as set forth herein in the section “DESCRIPTION OF THE BONDS – Redemption.”
(2) CUSIP numbers have been assigned to the Bonds and are included solely for the convenience of the owners of the Bonds. 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 Authority, the University nor the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Gary E. Wood, Chair
Ruth C. Schiermeyer, Vice Chair
D. Joseph Meister, Secretary
Gerald Alley, Member
Rodney K. Moore - Member
Robert T. Roddy, Jr., Member
Massey Villarreal - Member

Certain Appointed Officers

Dwight Burns, Executive Director
Susan K. Durso, General Counsel

MIDWESTERN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Dr. Carol Carlson Gunn, Chairperson	Graford	February 25, 2012
Dr. F. Lynwood Givens, Secretary	Plano	February 25, 2012
Mr. Michael Bernhardt	Wichita Falls	February 25, 2016
Mr. J. Kenneth Bryant	Wichita Falls	February 25, 2016
Ms. Tiffany Burks	Grand Prairie	February 25, 2016
Mr. Charles E. Engleman	Wichita Falls	February 25, 2014
Mr. Shawn G. Hessing	Fort Worth	February 25, 2014
Mr. Samuel M. Sanchez	Fort Worth	February 25, 2016
Ms. Jane W. Spears	Wichita Falls	February 25, 2014
Mr. Leonard Benton (Student Regent)	Wichita Falls	May 31, 2010**

** 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	42 Years
Mr. Juan Sandoval	Vice President, Administration and Finance	5 Years
Ms. Gail Ferguson	Controller	21 Years
Mr. Roger Lee	General Counsel	30 Years

Consultants

Financial Advisor
First Southwest Company
Houston, Texas

Bond Counsel
Fulbright & Jaworski L.L.P.
Dallas, Texas

For additional information regarding Midwestern State University, please contact:

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

Mr. Tim Peterson
First Southwest Company
1021 Main Street, Suite 2200
Houston, Texas 77002
(713) 654-8616

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 Authority has no understanding with the Initial Purchaser 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 Initial Purchaser.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER 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, nor the Initial Purchaser 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 the Official Statement, and in other information provided by the University, that are not purely historical, are forward-looking statements, including statements regarding the University's expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in the Official Statement are based on information available to the University on the date hereof, and the University assumes no obligation to update any such forward-looking statements. 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.

AGC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted here from, other than with respect to the accuracy of the information regarding AGC supplied by AGC and presented under the heading "BOND INSURANCE" and "APPENDIX D – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

TABLE OF CONTENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT
relating to

$6,700,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE BONDS, SERIES 2010

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to provide certain information regarding the issuance by the Texas Public Finance Authority (the "Authority"), on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"), of a series of its bonds entitled "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2010" (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 2009 Fall Semester, the University had a total enrollment of approximately 6,342 students. The 2009-2010 budget of the University is approximately $90,287,041. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University, see "MIDWESTERN STATE UNIVERSITY" herein.

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

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, including Chapter 55, Texas Education Code, as amended (including particularly Section 55.13(c), Texas Education Code, as amended), Chapter 1232, Texas Government Code, as amended (the "Enabling Act") (including particularly Section 1232.101 of the Enabling Act ("Section 1232.101")), Chapters 1201 and 1371, Texas Government Code, as amended, and additionally pursuant to a resolution (the "Resolution") adopted by both the Board and the Authority's board.

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

Purpose

The proceeds from the sale of the Bonds will be used for the purpose of (i) improving, renovating, enlarging and/or equipping the University's existing D.L. Ligon Coliseum and (ii) paying the costs related thereto.

Sources and Uses of Funds

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

<u>Sources of Funds</u>	
Principal Amount of Bonds	$6,700,000.00
Net Premium	190,223.25
University Contribution for Issuance Costs	69,800.00
Total	$6,960,023.25
<u>Uses of Funds</u>	
Deposit to Construction Fund	$6,700,000.00
Deposit to Costs of Issuance Account	116,700.00
Underwriter's Discount	59,323.25
Bond Insurance	84,000.00
Total	$6,960,023.25

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 April 1, 2010, 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, 2010, 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 Wells Fargo Bank, N.A., Houston, 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

Optional Redemption

The Bonds scheduled to mature on and after December 1, 2021 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on December 1, 2020 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 Bonds of any maturity are to be redeemed, the Paying Agent/Registrar shall determine by lot, or other customary random method, the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such 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 there on are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

The Bonds maturing on December 1, 2025, 2032 and 2035 (the "Term Bonds") are also subject to mandatory redemption in part at a price of par, plus accrued interest to the date of redemption, on the dates and in the principal amounts as follows:

$1,045,000 Bonds Due December 1, 2025		$740,000 Bonds Due December 1, 2032		$1,260,000 Bonds Due December 1, 2035	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2022	$ 245,000	2031	$ 360,000	2033	$ 400,000
2023	255,000	2032 (maturity)	380,000	2034	420,000
2024	265,000			2035 (maturity)	440,000
2025 (maturity)	280,000				

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Term Bonds to be redeemed shall be selected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds of a maturity to be redeemed on each mandatory redemption date may be reduced, at the option of the Authority, by the principal amount of the Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the Authority at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption

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

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

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

With respect to any optional redemption of the 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 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 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 Bonds have not been redeemed.

Redemption Through The Depository Trust Company

The Paying Agent/Registrar and the Authority, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to The Depository Trust Company ("DTC"). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the 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 Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "Book-Entry-Only System" herein.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the Board believe the source of such information to be reliable, but takes 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 as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 and request that copies of notices be provided directly to them.

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

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

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

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

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

ESTIMATED DEBT SERVICE SCHEDULE

Fiscal Year Ended 8/31	Previously Issued Parity Obligations Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Debt Service
2010	$ 6,219,648				$ 6,219,648
2011	6,785,683	$ -	$ 333,751	$ 333,751	7,119,434
2012	6,794,101	150,000	303,506	453,506	7,247,608
2013	6,793,345	155,000	297,406	452,406	7,245,751
2014	6,800,658	160,000	291,106	451,106	7,251,764
2015	6,799,309	170,000	284,506	454,506	7,253,815
2016	6,522,368	180,000	276,606	456,606	6,978,974
2017	6,351,080	185,000	267,481	452,481	6,803,561
2018	6,352,744	195,000	257,981	452,981	6,805,725
2019	6,356,963	205,000	247,981	452,981	6,809,944
2020	5,671,609	215,000	237,481	452,481	6,124,090
2021	5,668,744	225,000	226,481	451,481	6,120,225
2022	5,664,093	235,000	216,156	451,156	6,115,249
2023	4,972,383	245,000	205,331	450,331	5,422,714
2024	4,965,073	255,000	192,831	447,831	5,412,904
2025	4,974,103	265,000	179,831	444,831	5,418,934
2026	4,291,120	280,000	166,206	446,206	4,737,326
2027	4,297,358	290,000	153,225	443,225	4,740,583
2028	4,291,135	300,000	140,869	440,869	4,732,004
2029	3,514,813	315,000	127,800	442,800	3,957,613
2030	3,366,734	330,000	113,888	443,888	3,810,622
2031	3,360,975	345,000	99,122	444,122	3,805,097
2032	3,358,841	360,000	83,475	443,475	3,802,316
2033	2,938,994	380,000	66,825	446,825	3,385,819
2034	2,506,694	400,000	49,025	449,025	2,955,719
2035	954,413	420,000	30,063	450,063	1,404,475
2036	-	440,000	10,175	450,175	450,175
	$ 130,572,974	$ 6,700,000	$ 4,859,111	$ 11,559,111	$ 142,132,085

See “Table 4 – Outstanding Indebtedness”.

SECURITY FOR THE BONDS

The Revenue Financing System

The Resolution confirms the creation in 1998 of the Midwestern State University Revenue Financing System (the "Revenue Financing System") to provide a financing structure for revenue supported indebtedness of the University and any research and service agencies or other components of the University 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. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category 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, 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, 2005 through August 31, 2009, 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."

	2005	2006	2007	2008	2009
Available Pledged Revenues Not Including Fund Balances	$26,986,759	$31,974,883	$32,063,017	$37,758,070	$40,724,788
Pledged Unappropriated Funds and Reserve Balances	$12,489,787	$13,133,928	$14,942,148	$11,601,546	$11,395,563
Total Pledged Revenues	$39,476,546	$45,108,811	$47,005,165	$49,359,616	$52,120,351

Prior to the issuance of the Bonds, the maximum annual debt service over the life of the Outstanding Parity Obligations is $6,800,658.

The University currently has $21,235,000 principal amount of Tuition Revenue Bonds outstanding and received $2,151,566 in fiscal year 2010 and $2,151,419 in fiscal year 2011 as an additional appropriation for debt service, which is not included in Pledged Revenues.

Additional Obligations

Parity Obligations

The Board reserves the right to issue or incur, or request that the Authority on its behalf, issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board or the Authority acting on behalf of the Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated

Financial Officer delivers to the Board and the Authority a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SELECTED FINANCIAL INFORMATION – Debt Management."

Nonrecourse Debt and Subordinate Debt

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

BOND INSURANCE

The Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. ("AGC" or the "Insurer") will issue its financial guaranty insurance policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

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

Assured Guaranty Corp.

AGC is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. AGC commenced operations in 1988. AGC is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders is obligated to pay any debts of AGC or any claims under any insurance policy issued by AGC.

AGC's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a Standard & Poor's Financial Securities LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA-" (Negative Outlook) insurer financial strength rating of AGC at the then current rating level. Each rating of AGC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGC in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGC. AGC does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Recent Developments

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA-" (Negative Outlook) insurer financial strength rating of AGC at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

In a press release dated December 18, 2009, Moody's announced that it had confirmed its "Aa3" insurance financial strength rating of AGC, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGC. At the same time, S&P revised its outlook on AGC to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGC.

For more information regarding AGC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission ("SEC") on March 1, 2010.

Capitalization of Assured Guaranty Corp.

As of December 31, 2009, AGC had total admitted assets of $3,049,898,249 (unaudited), total liabilities of $1,826,178,241 (unaudited), total surplus of $1,223,720,008 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,779,528,288 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to AGC are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010); and
- the filed portion of the Current Report on form 8-k of AGL dated March 22, 2010.

All consolidated financial statements of AGC and all other information relating to AGC included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE-Assured Guaranty Corp." shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of AGC incorporated by reference herein and of the statutory financial statements filed by AGC with the Maryland Insurance Administration are available upon request by contacting AGC at 31 West 52nd Street, New York, New York 10019 or by calling AGC at (212) 974-0100. In addition, the information regarding AGC that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

AGC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGC supplied by AGC and presented under the heading "BOND INSURANCE".

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)
Gary E. Wood	Chair	2015
Ruth C. Schiermeyer	Vice-Chair	2013
D. Joseph Meister	Secretary	2013
Gerald Alley	Member	2013
Rodney K. Moore	Member	2015
Robert T. Roddy, Jr.	Member	2011
Massey Villarreal	Member	2011

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 Dwight Burns, who has been employed in that position since May 2009.

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 Colonia 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 mission and performance of the Texas Public Finance Authority are currently being reviewed by the Legislature as required under the Texas Sunset Act. The Act provides that the Sunset Commission, composed of legislators and public members, periodically evaluate a state agency to determine if the agency is still needed, and what improvements are needed to ensure that state funds are well spent. Based on the recommendations of the Sunset Commission, the Texas Legislature ultimately decides whether an agency continues to operate into the future.

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. 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.

Gubernatorial Budget Reduction Request

On January 15, 2010, Governor Rick Perry, Lieutenant Governor David Dewhurst and Speaker of the House Joe Straus issued a joint request to all executive, legislative and judicial agencies of the State, including institutions of higher education (individually, a "State Agency" and, collectively, "State Agencies"), requesting that each State Agency submit a plan ("Savings Plan") to identify savings in priority increments totaling 5% of general revenue and general revenue-dedicated appropriations for the 2010-11 biennium. The request exempts (i) certain State programs and services and (ii) debt service payments on previously issued obligations. Plans were requested no later than February 15, 2010; the Authority submitted its plan on February 15, 2010.

With respect to the Authority, such 5% reduction equates to approximately $56,360 for the 2010-11 biennium. In order to achieve the requested reductions, the Authority submitted a plan identifying potential 5% reductions by proposing reductions in various areas, including administrative and support services, professional service contracts, equipment and maintenance renewals and staff salaries and benefits. The Authority is currently awaiting instructions from the Comptroller of Public Accounts regarding the procedures for transferring the fiscal year 2010 appropriations savings to a reduction account. However, the Authority does not expect the budget reductions to adversely affect the Authority's operations or financial condition.

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

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

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

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequently does, act through a designee. An application was submitted to the Texas Bond Review Board and approved on March 18, 2010. In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are also reviewed or approved by the Texas Higher Education Coordinating Board (the "Coordinating Board"). The projects that exceed two million dollars to be financed by the Bonds were approved by the Coordinating Board as required by law.

MIDWESTERN STATE UNIVERSITY

History and Organization

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

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

Location and Physical Facilities

The University is located in Wichita Falls, Texas, 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 percentages of participant salaries currently provided by the State and by each participant are 6.644% and 6.4%, respectively, 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 6.4% 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 $1,546,280 for the fiscal year ended August 31, 2009. 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 $701,149.

Financial Support

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

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
1999-00	5,717	5.498	2,090	1,623
2000-01	5,809	5,468	2,230	1,722
2001-02	5,999	5,798	2,568	1,899
2002-03	6,235	6,034	2,762	1,998
2003-04	6,480	6,039	2,901	2,037
2004-05	6,343	5,957	2,682	1,809
2005-06	6,274	5,884	2,638	1,872
2006-07	6,038	5,688	2,443	1,640
2007-08	6,021	5,736	2,360	1,653
2008-09	6,093	5,777	2,426	1,651
2009-10	6,341	6,056	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, 2009, the carrying amount of the University's deposits was $2,673,120 and total cash balances equaled $2,815,244. Bank balances of $250,000 were covered by federal depository insurance and $2,565,244 was collateralized with securities pledged by the bank granting the University a first priority security interest in the collateral that was held by the Federal Home Loan Bank of Dallas acting as Custodian for the University and the bank.

Investments

As of August 31, 2009 and August 31, 2008, the fair market value of the University's investments were as follows:

	2009	2008
U.S. Goverment		
U.S. Agency Obligations	$ 15,580,416	$ 18,330,555
Corporate Bonds	674,735	170,433
Equities	2,356,617	2,561,089
Other Commingled Funds – Texpool	19,471,575	46,452,452
Other Commingled Funds – LOGIC	476,925	470,937
Other Commingled Funds – Goldman Sachs	570,843	-
Other Commingled Funds – Citibank	3,003,253	12,154
Certificate of Deposit	1,001,156	-
Total	$43,135,520	$67,997,620

Source: Annual Financial Report for the year ended August 31, 2009

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 November 30, 2009, the University's credit quality distribution for securities with credit risk exposure was as follows:

	Market Value	
U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$19,605,415	Rated "AAA"
Corporate Bonds	611,965	Rated A
Corporate Bonds	503,264	Rated BBB
Commingled Funds -- Texpool	10,340,694	Rated "AAA"
Commingled Funds -- LOGIC	477,304	Rated "AAA"
Commingled Funds – Goldman Sachs	188,443	Not Rated
Commingled Funds – Citibank	7,022,172	Not Rated (Collateralized)
Equities	2,489,650	Not Rated
Certificate of Deposit	1,004,449	Not Rated (Collateralized)

Source: Annual Financial Report for the year ended August 31, 2009

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of November 30, 2009 the University's concentration of credit risk is as follows:

Issuer	**Market Value**	**% of Total Portfolio**
Federal Home Loan Bank	$10,360,154	25%
Federal Home Loan Mortgage Corp.	3,830,133	9%
Texpool—Commingled Funds	10,275,006	24%
Federal National Mortgage Assn.	3,756,221	9%

Source: Annual Financial Report for the year ended August 31, 2009

SELECTED FINANCIAL INFORMATION

Unaudited Annual Financial Reports

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

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

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

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

The fiscal year of the State and the University begins on September 1 of each year. The University is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the combined primary financial reports are in accordance with 'Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. Historically, these requirements follow, as near as practicable, the 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."

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 2007, 2008, and 2009.

REVENUES	**2009**	**2008**	**2007**
Operating Revenues			
Student Tuition and fees (net of scholarship allowances			
of $6,627,803, $5,612,383 and $4,045,366 respectively)	$ 26,643,222	$ 24,711,085	$ 21,421,100
Federal Grants	1,960,651	6,233,067	5,390,865
Federal Pass-Through Grants	312,774	250,689	184,781
State Grants	-	1,261,419	1,049,074
State Pass-Through Grants	2,853,403	428,943	483,441
Other Grants and Contracts	111,415	10,398	10,416
Sales and Services of Educational Activities	1,024,507	968,828	1,334,926
Sales and Services of Auxiliary Enterprises (net of scholarship			
allowances of $22,851 and $427,553 respectively)	6,026,988	5,541,095	4,867,096
Other operating revenues	1,352,382	1,295,767	558,873
Total Operating Revenues	**$ 40,285,342**	**$ 40,701,291**	**$ 35,300,572**
EXPENSES			
Operating Expenses			
Salaries and Wages	$ 35,488,151	$ 33,221,702	$ 31,873,425
Payroll Related Costs	8,999,761	8,578,388	8,246,112
Professional Fees and Services	3,690,644	3,111,242	2,531,533
Travel	1,319,010	1,538,137	1,306,967
Materials and Supplies	5,763,037	5,071,872	5,399,267
Communications and Utilities	3,259,461	3,760,721	3,861,039
Repairs and Maintenance	1,640,664	1,817,460	1,537,428
Rentals and Leases	469,025	439,819	465,188
Printing and Reproduction	207,114	319,201	454,524
Federal Pass Through Expenditures	446,501	223,943	-
Depreciation	6,847,408	6,023,910	5,980,203
Bad Debt Expense	178,166	224,092	114,567
Interest	172	45	338
Scholarships	6,508,101	5,809,933	6,082,334
Total Operating Expenses	**$ 74,817,215**	**$ 70,140,465**	**$ 67,852,925**
Operating Income (Loss)	**$ (34,531,873)**	**$ (29,439,174)**	**$ (32,552,353)**
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	$ 19,174,314	$ 18,656,663	$ 18,194,568
Additional State Appropriations	4,724,833	4,674,482	4,520,598
Legislative Appropriations Lapsed	(118,918)	-	-
Federal Grants	5,211,143	-	-
Gifts	4,866,258	3,586,983	3,018,828
Other Non-operating Revenues (Expenses)	14,948	(1,954)	(3,500)
Investment income	1,343,754	1,987,502	1,432,911
Net Increase (Decrease) in Fair Value of Investments	(150,678)	(245,152)	111,080
Gain (Loss) on Sale of Capital Assets	-	-	9,614
Net Book Value of Capital Asset Disposals	(92,907)	(56,531)	(24,182)
Interest Expense on Capital Asset Financing	(1,369,365)	(1,862,947)	(1,409,112)
Total Non-Operating Revenues	**$ 33,603,382**	**$ 26,739,046**	**$ 25,850,805**
Income (Loss) Before Capital Contributions, Additions to			
Endowments, and Special Items	$ (928,491)	$ (2,700,128)	$ (6,701,548)
Capital Contributions	1,888,800	1,962,126	4,359,595
HEAF Appropriation	3,810,377	3,434,348	2,289,565
Additions to Endowments	7,255,423	183,919	269,601
Transfers In	734,046	-	427,110
Transfers Out	(715,715)	(769,978)	(698,309)
Increase (Decrease) in Net Assets	**$ 12,044,440**	**$ 2,110,287**	**$ (53,986)**
Net Assets - Beginning of Year	**$ 74,656,062**	**$ 72,545,775**	**$ 72,599,761**
Restatements			
Net Assets – Beginning of Year, as Restated	**$ 74,656,062**	**$ 72,545,775**	**$ 72,599,761**
Net Assets - End of Year	**$ 86,700,502**	**$ 74,656,062**	**$ 72,545,775**

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2009, 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 2008 and 2009, State appropriations comprised approximately 32% and 27% 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 2008 and 2009: $18,656,663 and $19,174,314, plus other miscellaneous allocations, including that for Higher Education Assistance Funds, as shown below. The State Legislature commences its next biennial regular session in January, 2011.

In addition to the appropriation of general revenues of the State, the University receives a portion of an annual appropriation of funds made by the State Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution (the "Higher Education Assistance Funds"). The allocation of Higher Education Assistance Funds is made by the State in accordance with an equitable allocation formula. In 2005, the State Legislature approved a 10 year annual allocation (beginning in 2006-2007) to the University. The annual allocation to the University was $3,434,348 and $3,810,377 in 2008 and 2009.

The University may use the Higher Education Assistance Funds for capital improvements and renovations to the campus facilities, other than auxiliary enterprises. In addition, the University may issue bonds against such Higher Education Assistance Funds and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds. As of March 1, 2010, the University has one Constitutional Appropriation Bond Series 2004 outstanding in the amount of $5,515,000.

The University has received state appropriation for Tuition Revenue Bonds in the amount of $2,151,566 for fiscal year 2010 and $2,151,419 for fiscal year 2011

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 54.0512, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to $50 per semester credit hour; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which is computed by the Coordinating Board for each academic year). For the 2009-10 academic year, the Coordinating Board computed $327 per semester credit hour for nonresident undergraduate tuition, and increased this to $360 for the 2010-11 academic year.

Board Designated Tuition. During the 78th Texas Legislature (2003 Regular Session), the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a board of regents could independently charge students was capped at the levels described above with respect to State Mandated tuition. Effective with the tuition that is charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to herein as "Board Designated Tuition") that it considers necessary for the effective operation of the institution. The new legislation also granted authority to a governing board to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the Board to develop a tuition schedule that assists in meeting the strategic objectives of the University in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board will authorize any changes in Board Designated Tuition only after they have been thoroughly evaluated by the administration. The Board has authorized the Board Designated Tuition rate for fiscal year 2010-2011 at $96.55 per semester credit hour for all undergraduate students. No less than 20% of the Board Designated Tuition charged in excess of $46 per semester hour shall be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code, which were contained in House Bill 3015.

Board Authorized Tuition. Section 54.008 of the Texas Education Code permits the governing board of each institution of higher education to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State Mandated Tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board set $40 per semester credit hour in addition to the State mandated tuition, or $90 per credit hour for 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 2010 fall session.

2010-2011 State Mandated Tuition, Board Designated Tuition,
Board Authorized Tuition, Mandatory Fees, and Financial Set-Aside per Semester
(Based on 15 Credit Hours per Semester)

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside[(1)]
Resident Undergraduate	$750.00	$1,448.25	N/A	$1,161.50	$3,359.75	$264.15
Non-Resident Undergraduate[(1)]	5,400.00	1,448.25	N/A	1,161.50	8,009.75	162.00
Resident Masters	450.00	868.95	$360.00	777.50	2,456.45	158.49
Non-Resident Masters	3,240.00	868.95	360.00	777.50	5,246.45	97.20
Resident Doctoral	N/A	N/A	N/A	N/A	N/A	N/A
Non-Resident Doctoral	N/A	N/A	N/A	N/A	N/A	N/A

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

the set-aside from Board Designated Tuition for resident undergraduate students, 5% is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465).

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

Endowments

Although not pledged to the payment of debt obligations, the University controls or is benefited by endowments valued, as of January 31, 2010, of approximately $34,661,417. As of January 31, 2010, endowment funds under the direct control of the University had a book value of $15,499,027 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 approved or reviewed by the Coordinating Board.

Future Debt

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

Table 4 - Outstanding Indebtedness

As of March 1, 2010, the University had outstanding the following described indebtedness:

	Principal
General Obligation Bonds	
Constitutional Appropriation Bonds, Series 2004	$ 5,515,000
Subtotal	$ 5,515,000
Revenue Financing System	
Revenue Financing System Bonds, Series 2002	$ 6,340,000 (1)
Revenue Financing System Revenue and Refunding Bonds, Series 2003	9,360,000
Revenue Financing System Revenue and Refunding Bonds, Series 2007	27,030,000 (2)
Revenue Financing System Revenue Bonds, Series 2008	37,510,136
Subtotal	$ 80,240,136
Revenue Financing System Revenue Bonds, Series 2010	$ 6,700,000
TOTAL REVENUE FINANCING SYSTEM BONDS	$ 86,940,136

(1) The Series 2002 Bonds are Tuition Revenue Bonds.
(2) A portion of the Series 2007 Bonds are Tuition Revenue Bonds.

The University has received **state appropriation** for Tuition Revenue Bonds in the amount of $2,151,566 for fiscal year 2010 and $2,151,419 for fiscal year 2011

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Establishment of Revenue Financing System

The Revenue Financing System has been established to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants 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 to its Annual Obligation.

Pledged Revenues

Tuition and Other Pledged Revenues

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

Annual Obligation

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

Anticipated Deficit

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

Economic Effect of Adjustments

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues at any of the Participants pursuant to the provisions described above will be based upon a certificate and recommendation of a Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant) 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 specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be outstanding to meet the financial obligations of the Revenue Financing System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(2) the Board and the Authority have received an Opinion of Counsel 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 time to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Special Obligations

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

Waiver of Covenants

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

Remedies

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

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

(iii) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues 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 does not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or

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

Amendments With Consent

Subject to the other provisions of the Resolution, the owners of Parity Obligations aggregating 51% in Outstanding Principal Amounts have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Resolution, 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.

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

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

Tax Exemption

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

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

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

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

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

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

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

The amount of premium that is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments 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

Moody’s Investors Service ("Moody’s") is expected to assign its municipal bond rating “Aa3” (negative outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a financial guaranty insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by AGC. The Bonds were assigned ratings by Moody’s and Fitch of “A2” and “A+”, 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.

On March 16, 2010, Moody’s announced that it will recalibrate its ratings of U.S. municipal bond issues and issuers to its global rating scale beginning in mid-April 2010 stating that the purpose of the recalibration is to enhance the comparability of credit ratings between municipal obligations and those issued by other entities, such as corporations. On March 25, 2010, Fitch announced it is proceeding with the recalibration of certain of its U.S. Public Finance credit ratings, including the recalibration of public higher education ratings. Additional information regarding the recalibration may be obtained from Moody’s and Fitch respectively.

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

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

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

Certain financial information required under prior agreements was not timely filed for fiscal years ending 2004 through 2006. All financial information has since been filed, including a notice of late filing. The Board has implemented procedures to ensure timely filing of all future financial information.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the Board accepted the bid of BOSC, Inc., (the "Initial Purchaser") to purchase the Bonds at a price of par plus a net cash premium of $46,900.00. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the Board to the Initial Purchaser. The Board has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION CERTIFICATE

At the time of payment for and delivery of the Bonds, the Authority and University will furnish certificates, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the respective descriptions and statements of or pertaining to the Authority and the University contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bids therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Authority and its affairs, or the University and its affairs, are concerned such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the Authority or the University and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources the Authority and the University believe to be reliable and the Authority and the University have no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Authority or the University since the date of the last audited financial statements of the Authority or University.

A complete transcript of proceedings incident to the authorization and issuance of the Bonds, including a certificate to the effect that no litigation of any nature has been filed or is pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds, will be furnished to the Initial Purchaser.

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.

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/ Dwight Burns
Dwight Burns, Executive Director
Texas Public Finance Authority

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A
DEFINITIONS

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

"*Bonds*" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2010, issued pursuant to the terms of the Resolution, 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 the Series 2002 Bonds, the Series 2003 Bonds, the Series 2007 Bonds and the Series 2008 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.

“*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.

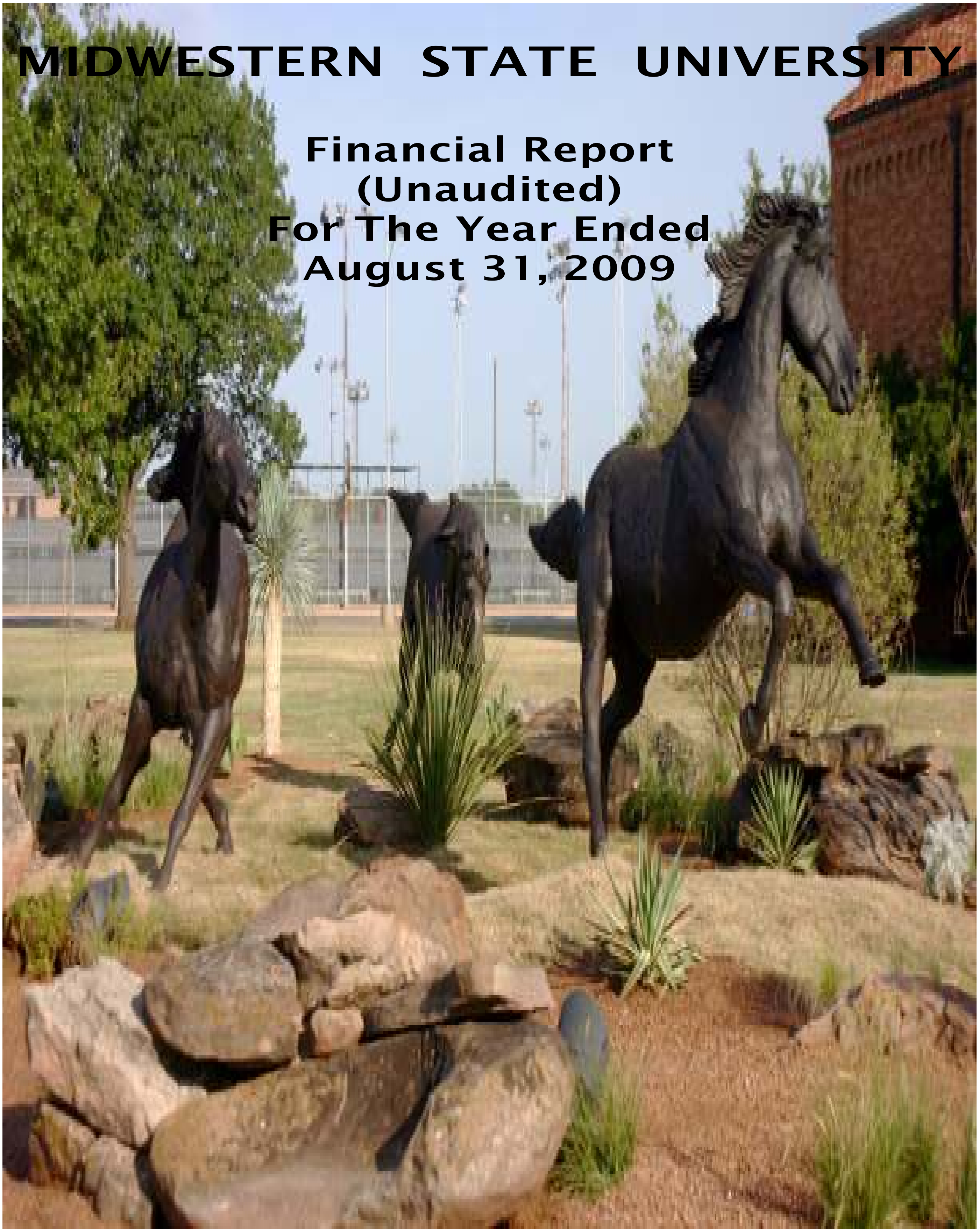
(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B
FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY
FOR THE YEAR ENDED AUGUST 31, 2009

(THIS PAGE INTENTIONALLY LEFT BLANK)

MIDWESTERN STATE UNIVERSITY

Financial Report
(Unaudited)
For The Year Ended
August 31, 2009



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 8-31-2009 (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, 2009

THE BOARD OF REGENTS

Term Expires May 31, 2010

Mr. Leonard Benton, Student Regent	Wichita Falls

Term Expires February 25, 2010

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

Term Expires February 25, 2012

Ms. Charlye O. Farris	Wichita Falls
Dr. F. Lynwood Givens	Plano
Dr. Carol Carlson Gunn	Graford

Term Expires February 25, 2014

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

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
8-31-2009
(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, 2009 and 2008.

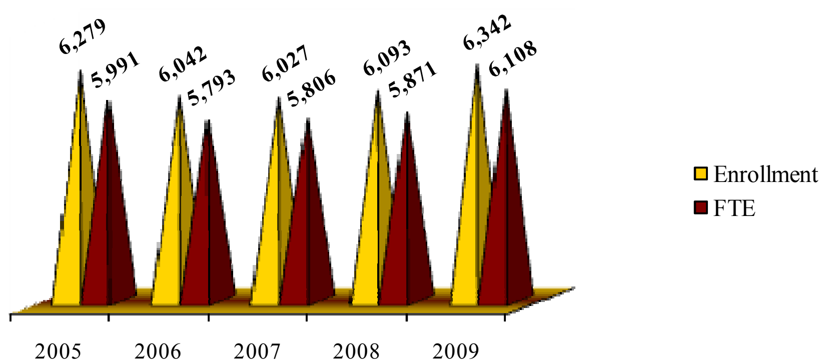
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

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

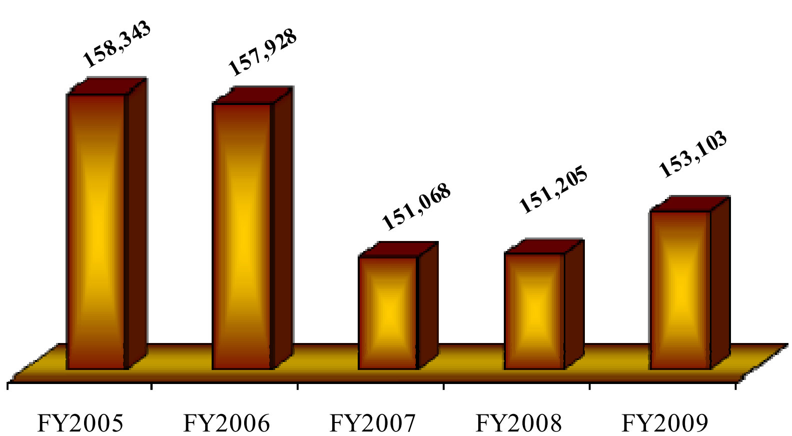
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2005. Increased academic standards and a statewide consistent pattern of very flat student enrollment explain this variance, however enrollment at Midwestern State University continues to steadily improve, in spite of a very flat population growth for this region.

Beginning in 2006, 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 continues to improve from a low of 151,068 in FY07.

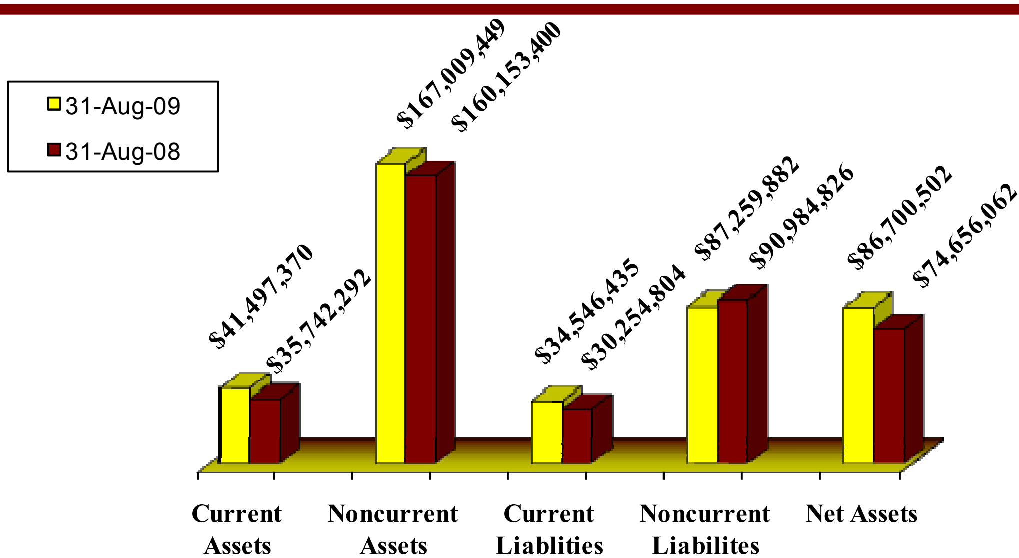
Fall Headcount vs FTE



Total Enrolled Semester Credit Hours



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



The Statement of Net Assets

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

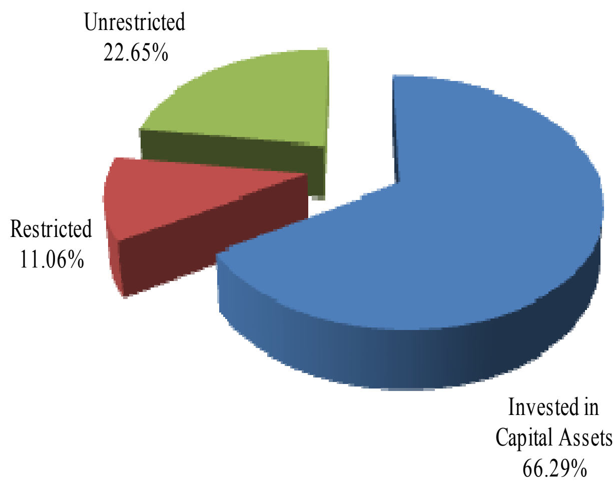
These comparative statements report the current status and changes to the university's net assets. Net assets, the difference between assets and liabilities, is one way to measure the university's financial position. Increases in net assets show an improvement in financial health while decreases often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

As the statement shows below, the university's net assets increased from $74,656,062 in 2008 to $86,700,502 in 2009.

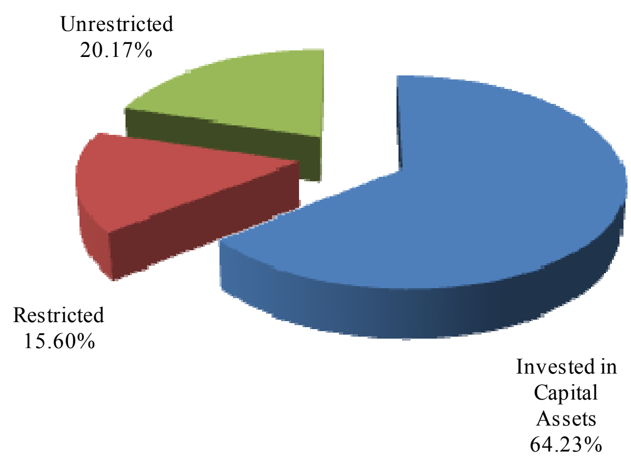
	2009	2008
Current Assets	$ 41,497,370	$ 35,742,292
Noncurrent Assets:		
Capital Assets	138,903,617	107,538,138
Other	28,105,832	52,615,262
Total Assets	$208,506,819	$195,895,692
Current Liabilities	$ 34,546,435	$ 30,254,804
Noncurrent Liabilities	87,259,882	90,984,826
Total Liabilities	121,806,317	121,239,630
Net Assets:		
Invested in Capital Assets	57,472,471	47,953,717
Restricted for:		
Debt Retirement		(296)
Nonexpendable	3,657,180	3,625,275
Expendable:		
Capital Projects	1,160,841	3,483,849
Restricted by Contributor	4,772,136	4,534,152
Unrestricted	19,637,874	15,059,365
Total Net Assets	86,700,502	74,656,062
Total Liabilities and Net Assets	**$208,506,819**	**$195,895,692**

The following charts indicate the changes in net assets for the year ended August 31, 2009 as compared to the previous year.

Net Assets - August 31, 2009

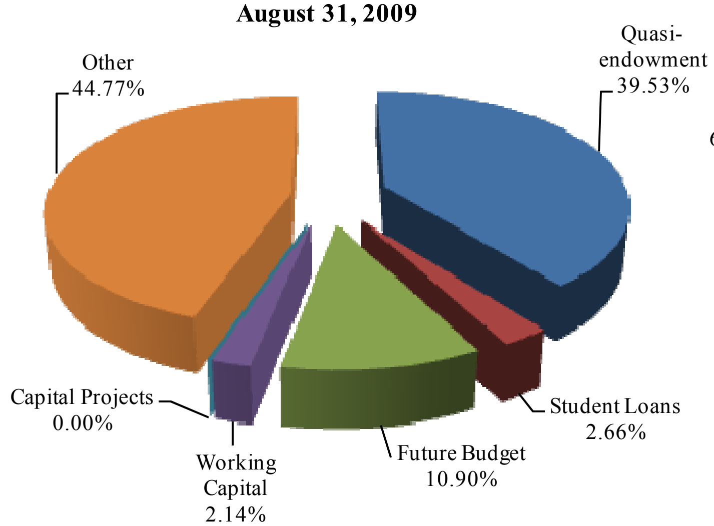


Net Assets - August 31, 2008

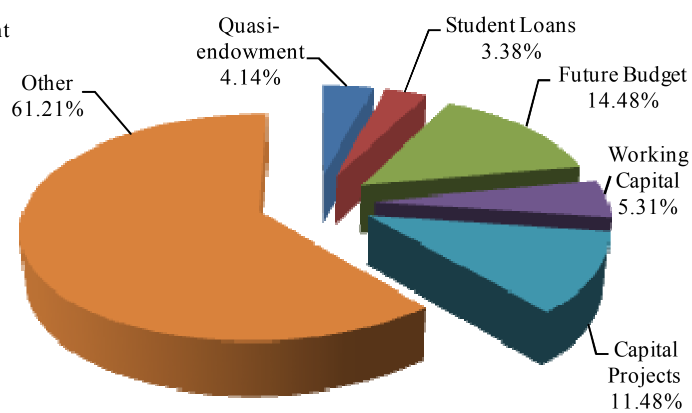


The university reports unrestricted net assets of 22.65% for the year ended August 31, 2009 and 20.17% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The category of other unrestricted net assets includes encumbrances, inventories, and unallocated unrestricted net assets. The following charts show how funds have been allocated:

Allocation of Unrestricted Net Assets
August 31, 2009



Allocation of Unrestricted Net Assets
August 31, 2008



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

Unaudited

The University's Results of Operations

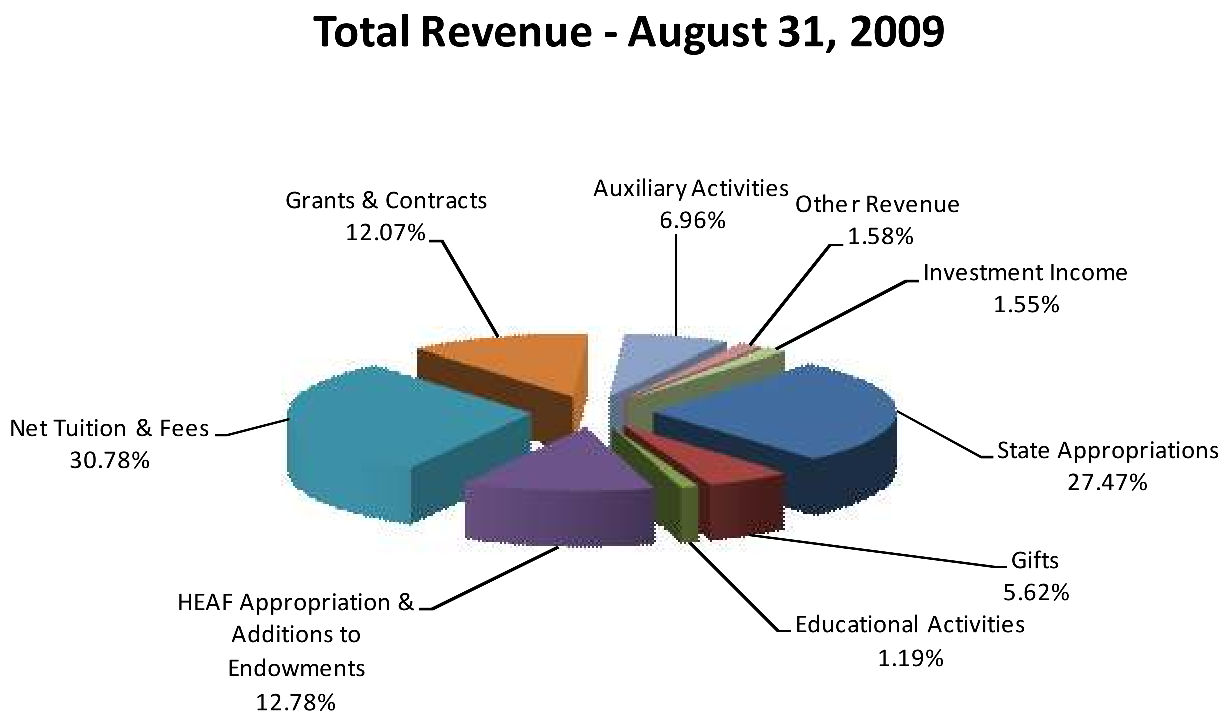
The statement of revenues, expenses, and changes in net assets reflects the university's operating results for the fiscal years ended August 31, 2009 and 2008. The comprehensive statements indicate the financial condition of the university, and comparatively analyze in what direction the university is 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, 2009 and 2008.

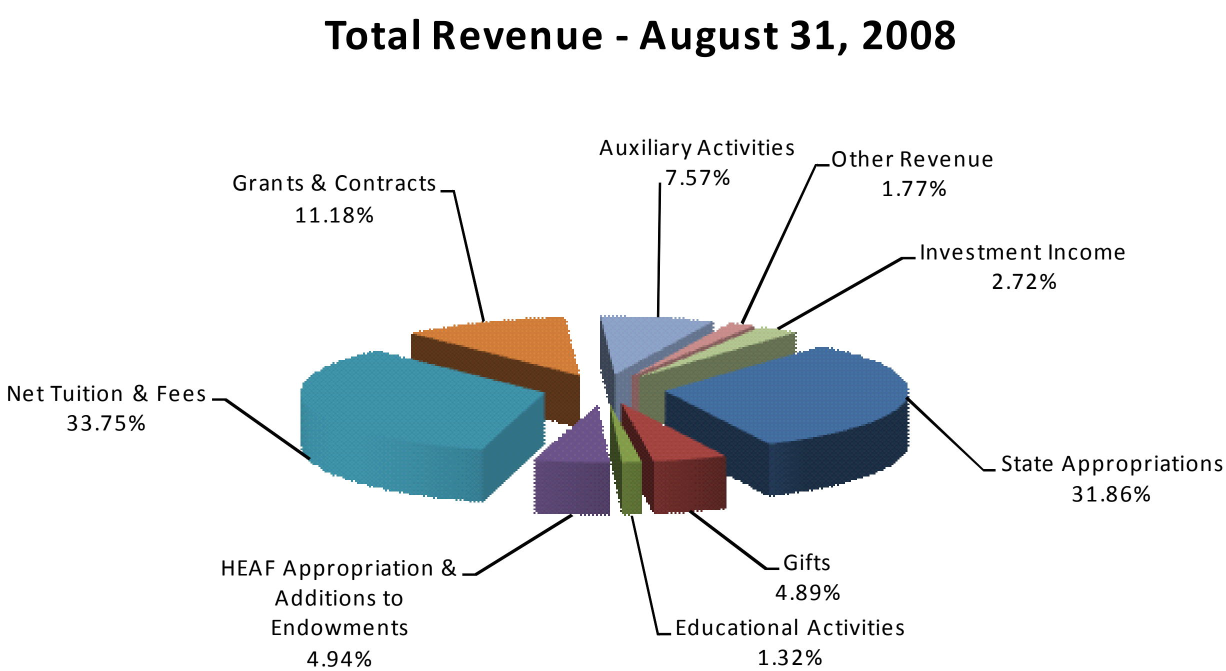
	2009	2008
Operating Revenue:		
Net tuition and fees	$ 26,643,222	$ 24,711,085
Grants and contracts	5,238,243	3,683,630
Sales and Service of Educational Activities	1,024,507	968,828
Sales and Services of Auxiliary Enterprises	6,026,988	5,541,095
Other	1,352,382	1,295,767
Total Operating Revenue	40,285,342	36,200,405
Total Operating Expenses	(74,817,215)	(70,140,465)
Operating Loss	(34,531,873)	(33,940,060)
Nonoperating Revenues (Expenses):		
State Appropriations	23,899,147	23,331,145
Legislative Appropriations Lapsed	(118,918)	
Federal Grants	5,211,143	4,500,886
Gifts	4,866,258	3,586,983
Other Nonoperating Revenues (Expenses)	14,948	(1,954)
Investment Income	1,343,754	1,987,502
Net Increase (Decrease) in Fair Value of Investments	(150,678)	(245,152)
Net Book Value of Capital Asset Disposals	(92,907)	(56,531)
Interest Expense on Capital Asset Financing	(1,369,365)	(1,862,947)
Total Nonoperating Revenue (Expense)	33,603,382	31,239,932
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(928,491)	(2,700,128)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	1,888,800	1,962,126
HEAF Appropriation	3,810,377	3,434,348
Additions to Endowments	7,255,423	183,919
Transfers In	734,046	
Transfers Out	(715,715)	(769,978)
Increase (Decrease) in Net Assets	12,044,440	2,110,287
Net Assets, Beginning of Year	74,656,062	72,545,775
Net Assets, End of Year	**$ 86,700,502**	**$ 74,656,062**

Year Ended 8-31-2009 (UNAUDITED)

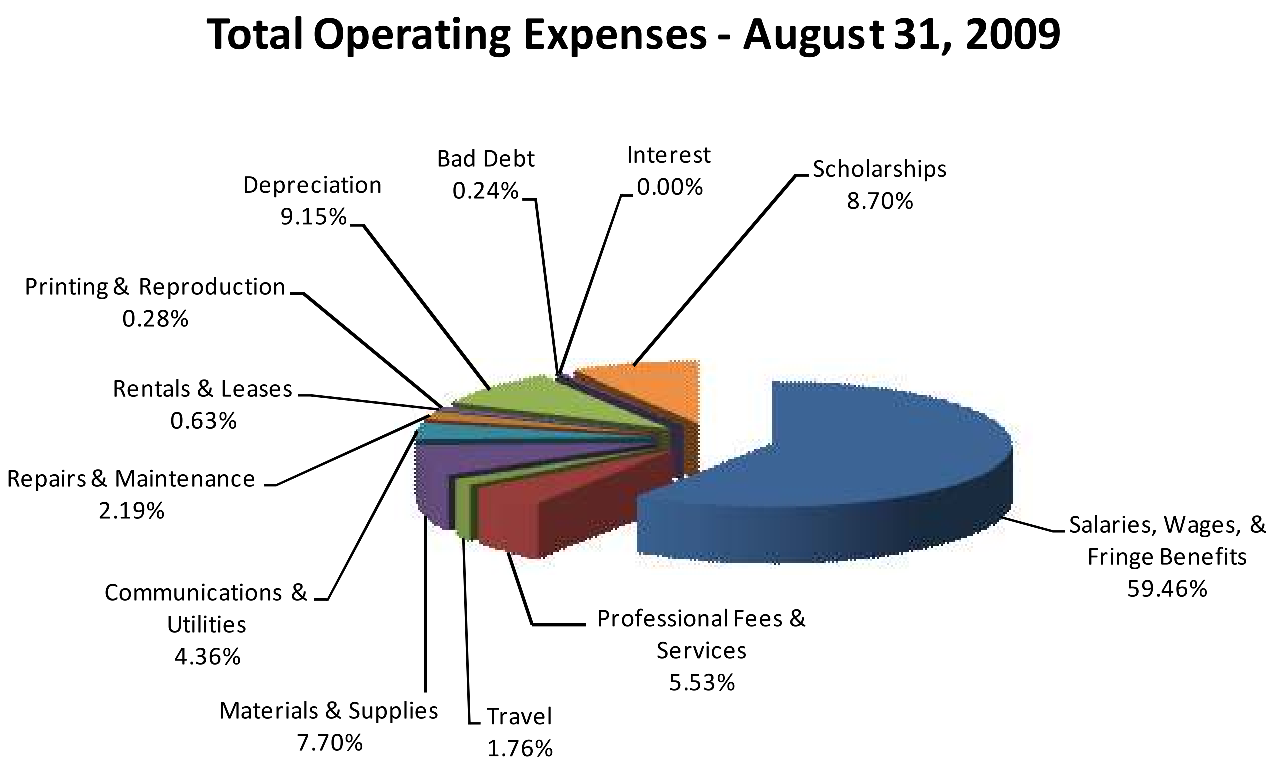
This chart identifies the components of total revenue for the year ended August 31, 2009.

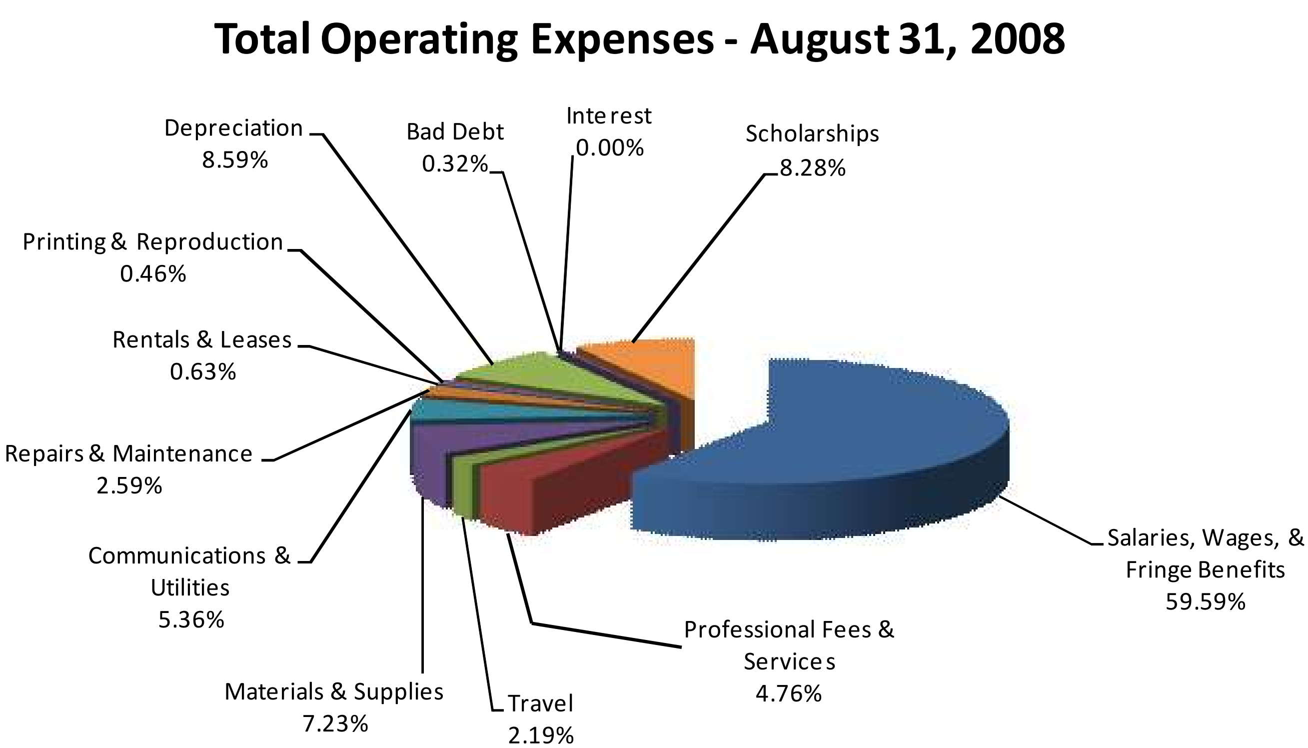


This chart reflects the same information for the year ended August 31, 2008.



Total operating expenses for the year ended August 31, 2009 were $74,817,215 as compared to $70,140,465 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2009 and fiscal year 2008.





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

	2009	2008
Cash provided (used) by:		
Operating activities	$(27,573,337)	$(19,878,566)
Noncapital financing activities	38,690,474	26,835,672
Capital and related financing activities	(34,840,565)	9,264,418
Investing activities	25,861,043	(14,892,814)
Net increase (decrease) in cash	2,137,615	1,328,710
Cash – Beginning of year	4,064,566	2,735,856
Cash – End of year	$ 6,202,181	$ 4,064,566

There was a net increase in cash of $2,137,615.

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 $25.5 million, grants accounted for $3.9 million and auxiliary enterprises, including housing and dining, accounted for $6.6 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 $4.8 million and additions to endowments in the amount of $7.2 million.

The main uses of capital and related financing activities came from the financing of renovations to D.L. Ligon Coliseum, the construction of additional student housing, the construction of the new Wellness Center, and the purchase of the Christ Academy property. Cash was used to purchase capital assets in the amount of $36.4 million and for the payment of principal and interest on capital debt in the amount of $4.7 million.

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

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2009, the university had $138.9 million invested in capital assets. This figure is net of accumulated depreciation of $81.6 million. Depreciation charges totaled $6.8 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

	2009	2008
Land and Land Improvements	$ 4,798,707	$ 3,489,583
Construction in Progress	4,070,380	17,241,336
Buildings and Building Improvements	164,487,287	119,701,229
Infrastructure	10,463,927	10,463,927
Facilities Improvements	6,353,046	5,411,783
Furniture and Equipment	14,106,212	12,593,633
Vehicles	1,342,084	1,386,842
Other Capital Assets	14,928,812	14,387,029
Total	**$220,550,455**	**$184,675,362**

Additions to assets of $35.8 million during fiscal year 2008-2009 included: the final Banner software module for payroll and human resources; new construction completion of Sundance Court student housing and the Student Recreation Center and Student Health Center; renovation completion on the McCoy School of Engineering building; Martin Building renovations; addition of the Mustang sculpture by Jack Stevens; completion of the Bolin Liberty Bell replica; the purchase of land and building from Christ Academy; and the donation of a home at 2708 Hamilton Blvd.

The $4.7 million representing construction in progress at the end of the year includes: continued construction of an instrumental music facility; and continued renovations of D.L. Ligon Coliseum.

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 $138 million in outstanding debt. Outstanding debt for the year ended August 31, 2008 was $145 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2009 compared with August 31, 2008.

	2009	2008
Revenue Bonds	$ 82,845,136	$ 85,365,136
General Obligation Bonds (HEAF)	6,770,000	7,985,000
Accrued long term interest payable on bonds	48,347,623	52,095,215
Total	$ 137,962,759	$145,445,351

Debt repayments made during the year included principal in the amount of $3,735,000 and interest in the amount of $1,369,365.

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

Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU) continues to focus on its mission in order 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 education.

Recent University Progress

- The completion of the Dillard College of Business Administration building, the new Bruce & Graciela Redwine Student Wellness Center, the renovation of the D.L. Ligon Coliseum, and the complete rebuilding of the Fowler building into a modern engineering laboratory facility provides our students with the space, equipment, and technology to provide them the most up-to-date training and education in the their fields of study.

- In addition to the completion of these buildings, the university has just completed, for occupation in fall 2009, the Sundance Court, apartment style residence housing that accommodates nearly 300 students. The university is now engaged in construction of a new instrumental music building that will be added to the Fain Fine Arts complex. Additionally, the university is planning the rehabilitation of buildings recently purchased from Christ Academy private school. These facilities will be used to house the Department of Music and the Academic Support and Advising Center. Long range plans include the building of a new library or the complete renovation of the existing Moffett Library which was constructed in 1968. Finally, the university will raze up to eight old buildings that occupy valuable space on the northwest corner of the main campus. This land will be used for new green space to enhance the beauty of the campus. It will also be used for additional student housing since the demographics of the university have shifted so much toward residential students.

- 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 2008-2009 was $24 million. The two annual giving campaigns (Annual Fund and President's Excellence Circle) accounted for $705,556 that go into competitive scholarships, student aid, faculty student research projects, and the university's honors program.

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

Enrollment (Beginning Classes and Retention)

- It was anticipated that the severity of the economic downturn would push most new students into community colleges. This concern did not turn into reality. MSU experienced the largest increase in enrollment in the fall of 2009 that it has experienced since the 1990s. The university's enrollment increased by 249 students resulting in a 4% increase in both headcount and credit hours.

- This pattern of enrollment may be explained in terms of more students returning to complete degrees, but it is also clear that the university's retention of students and graduation of students is on the increase. MSU raised its admissions standards in 2006 after a two decade hiatus in pushing the university's incoming class to higher standards. The results of the 2006 increase were so positive in terms of lowering the number of remedial classes and increasing freshman to sophomore and sophomore to junior retention that the university's Board of Regents voted unanimously on November 6, 2009, to raise admissions standards again beginning fall 2011. This increase in admissions standards, which is consistent with SAT and ACT recommendations for college readiness, as well as the recommendations of the 81st Legislature, will ensure that students entering MSU are prepared to do university-level work. It is a near certainty that the university's graduation rate will escalate. The university's reputation will continue to increase.

- The deregulation of tuition in 2003 had proven to be a boon to most financially starved public institutions in Texas. The administration and board applaud the 81st Legislature for not capping tuition. The trust placed in boards and administrations by the 81st Legislature was critical to our future stability.

- In order to control tuition in a systematic and understandable way, MSU's Board of Regents, upon recommendation of its administration, has established two clear programs that will inform and support those attending MSU.
  - ◊ The MSU Promise conveys to all students that the tuition and fees charged by Midwestern State will not be increased in any one year by more than five percent.
  - ◊ 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 these programs 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, all of the contiguous 48 states, and 53 different nations. It is clear that the university has prepared for and will experience enrollment increases. Consequently, 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.

State Funding Levels

- The key to a high quality education at MSU and other universities is well-maintained facilities, the most modern teaching equipment and laboratory equipment, and faculty well-prepared to teach university students. The maintenance of older buildings on all campuses in Texas has become and will continue to be an ever increasing cost. The funding of the infrastructure formula was increased by the 81st Legislature for the first time since 1998. This formula funding must continue.

- All universities were delighted that the 81^{st} legislative session abandoned the poor choices of the 80^{th} legislative session which put more money through special items into the universities than through the formula system. The use of standard formulas for university funding is critical. It would be highly detrimental if the State returns to a highly politicized special item funding of State institutions.

- 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

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
Exhibit I
Comparative Statement of Net Assets
August 31

ASSETS

		2009		2008
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand		$ 16,000		$ 15,700
Cash in Bank		3,652,556		518,115
Cash in State Treasury		3,513,061		4,094,651
Short-term Investments		16,250,279		16,408,475
State Appropriations		3,573,642		1,890,857
Restricted:				
Cash and Cash Equivalents:				
Cash in Bank		(979,436)		(563,900)
Short-term Investments				555,903
Notes and Loans receivable		14,761		14,916
Net Receivables:				
Student Receivables		4,413,935		3,740,440
Federal Receivables		254,761		156,235
Other Intergovernmental Receivables		213		143
Interest and Dividends		79,482		182,282
Other Receivables		2,410,943		439,850
Pledges receivable		1,252,874		2,377,068
Consumable Inventories		297,471		311,918
Prepaid Expenses		6,746,828		5,599,639
Total Current Assets		41,497,370		35,742,292
Noncurrent Assets:				
Restricted:				
Cash & Cash Equivalents				
Short-term Investments		16,810,746		36,122,808
Loans and Contracts		97,061		98,087
Other Long term Investments		10,074,495		14,910,434
Pledges Receivable-Capital Projects				601,465
Deferred Financing Costs		1,123,530		882,468
Capital Assets, Non-depreciable:				
Land and Land Improvements	$ 4,798,707		$ 3,489,583	
Construction in Progress	4,070,380		17,241,336	
Other Capital Assets	3,480,715	12,349,802	2,965,532	23,696,451
Capital Assets, Depreciable:				
Buildings & Building Improvements	164,487,287		119,701,229	
Less Accumulated Depreciation	(56,863,194)	107,624,093	(53,801,224)	65,900,005
Infrastructure	10,463,927		10,463,927	
Less Accumulated Depreciation	(3,736,313)	6,727,614	(3,327,277)	7,136,650
Facilities and Other Improvements	6,353,046		5,411,783	
Less Accumulated Depreciation	(2,750,533)	3,602,513	(2,503,509)	2,908,274
Furniture and Equipment	14,106,212		12,593,633	
Less Accumulated Depreciation	(8,429,863)	5,676,349	(7,944,948)	4,648,685
Vehicles	1,342,084		1,386,842	
Less Accumulated Depreciation	(923,555)	418,529	(843,012)	543,830
Other Capital Assets	11,448,097		11,421,497	
Less Accumulated Depreciation	(8,943,380)	2,504,717	(8,717,254)	2,704,243
Total Noncurrent Assets		167,009,449		160,153,400
Total Assets		**$ 208,506,819**		**$ 195,895,692**

Year Ended 8-31-2009 (UNAUDITED)

LIABILITIES

	2009	2008
Current Liabilities:		
Accounts Payable	$ 4,279,196	$ 2,930,437
Accrued Liabilities	4,905,025	3,851,047
Employees' Compensable Leave	121,286	124,765
Room/Property Deposits	86,218	74,126
Deferred Revenues	20,338,608	18,815,204
Retainages and Contracts	867,807	611,881
Funds Held for Others	88,295	112,344
Revenue Bonds Payable	2,605,000	2,520,000
Constitutional Appropriation Bonds	1,255,000	1,215,000
Total Current Liabilities	34,546,435	30,254,804
Noncurrent Liabilities:		
Employees' Compensable Leave	1,246,091	1,147,311
Room/Property Deposits	258,655	222,379
Revenue Bonds Payable	80,240,136	82,845,136
Constitutional Appropriation Bonds	5,515,000	6,770,000
Total Noncurrent Liabilities	87,259,882	90,984,826
Total Liabilities	121,806,317	121,239,630

NET ASSETS

	2009	2008
Invested in Capital Assets, net of related debt	57,472,471	47,953,717
Restricted for:		
Debt Retirement		(296)
Nonexpendable	3,657,180	3,625,275
Expendable:		
Capital Projects	1,160,841	3,483,849
Restricted by Contributor	4,772,136	4,534,152
Unrestricted	19,637,874	15,059,365
Total Net Assets	86,700,502	74,656,062
Total Liabilities and Net Assets	**$ 208,506,819**	**$ 195,895,692**

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

	2009	2008
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of $6,627,083 and $5,612,383, respectively)	$ 26,643,222	$ 24,711,085
Federal Grants	1,960,651	1,732,181
Federal Pass-Through Grants	312,774	250,689
State Grants Pass-Through from Other State Agencies	2,853,403	1,690,362
Other Grants and Contracts	111,415	10,398
Sales and Services of Educational Activities	1,024,507	968,828
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $22,851 and $427,553 respectively)	6,026,988	5,541,095
Other Operating Revenue	1,352,382	1,295,767
Total Operating Revenues	40,285,342	36,200,405
Operating Expenses:		
Salaries and Wages	35,488,151	33,221,702
Payroll Related Costs	8,999,761	8,578,388
Professional Fees and Services	3,690,644	3,111,242
Travel	1,319,010	1,538,137
Materials and Supplies	5,763,037	5,071,872
Communications and Utilities	3,259,461	3,760,721
Repairs and Maintenance	1,640,664	1,817,460
Rentals and Leases	469,025	439,819
Printing and Reproduction	207,114	319,201
Federal Pass Through Expenditures	446,501	223,943
Depreciation	6,847,408	6,023,910
Bad Debt Expense	178,166	224,092
Interest	172	45
Scholarships	6,508,101	5,809,933
Total Operating Expenses	74,817,215	70,140,465
Operating Loss	(34,531,873)	(33,940,060)
Nonoperating Revenues (Expenses):		
State Appropriations	19,174,314	18,656,663
Additional State Appropriations	4,724,833	4,674,482
Legislative Appropriations Lapsed	(118,918)	
Federal Grants	5,211,143	4,500,886
Gifts	4,866,258	3,586,983
Other Nonoperating revenues (expense)	14,948	(1,954)
Investment Income	1,343,754	1,987,502
Net Increase (Decrease) in Fair Value of Investments	(150,678)	(245,152)
Net Book Value of Capital Asset Disposals	(92,907)	(56,531)
Interest Expense on Capital Asset Financing	(1,369,365)	(1,862,947)
Total Nonoperating Revenues (Expenses)	33,603,382	31,239,932
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(928,491)	(2,700,128)

Year Ended 8-31-2009 (UNAUDITED)

	2009	2008
Capital Contributions	$ 1,888,800	$ 1,962,126
HEAF Appropriation	3,810,377	3,434,348
Additions to Endowments	7,255,423	183,919
Transfer In	734,046	
Transfers Out	(715,715)	(769,978)
Increase (Decrease) in Net Assets	12,044,440	2,110,287
Net Assets, Beginning of Year	74,656,062	72,545,775
Net Assets, End of Year	**$ 86,700,502**	**$ 74,656,062**

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

ANNUAL FINANCIAL REPORT

Unaudited

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2009

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 35,488,151	$ 19,856,048	$ 55,474	$ 415,672	$ 2,759,224
Payroll Related Costs	8,999,761	4,871,820	11,608	89,404	639,843
Professional Fees and Services	3,758,623	580,225	66,564	64,137	1,078,085
Travel	1,319,010	399,346	17,650	39,972	269,167
Materials and Supplies	5,763,037	726,510	189	149,008	1,173,422
Communications and Utilities	3,259,461	34,341		2,825	30,030
Repairs and Maintenance	1,640,664	113,225		41,765	119,495
Rentals and Leases	469,025	72,195	379	43,881	50,592
Printing and Reproduction	207,114	38,790	932	25,813	50,404
Federal Pass Through Expenditures	378,522				378,522
Depreciation	6,847,408				
Bad Debt Expense	178,166				
Interest	172				22
Scholarships	6,508,101				
Total Operating Expenses	$ 74,817,215	$ 26,692,500	$ 169,870	$ 872,477	$ 6,548,806

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2008

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$ 33,221,702	$ 18,642,852	$ 9,200	$ 441,224	$ 2,364,376
Payroll Related Costs	8,578,388	4,633,518	1,248	91,431	578,587
Professional Fees and Services	3,111,242	590,138	8	57,186	840,839
Travel	1,538,137	564,111	1,723	38,532	278,679
Materials and Supplies	5,071,872	753,354	12,576	165,830	899,783
Communications and Utilities	3,760,721	56,797		2,935	26,916
Repairs and Maintenance	1,817,460	126,666		51,056	37,088
Rentals and Leases	439,819	111,853		1,282	39,681
Printing and Reproduction	319,201	46,600	2,000	19,987	62,277
Federal Pass-Through Expenditures	223,943				223,943
Depreciation	6,023,910				
Bad Debt Expense	224,092	3,032			
Interest	45	6			2
Scholarships	5,809,933				
Total Operating Expenses	$ 70,140,465	$ 25,528,927	$ 26,755	$ 869,463	$ 5,352,171

Year Ended 8-31-2009 (UNAUDITED)

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 4,362,281	$ 4,356,563	$ 2,491,901		$ 1,190,988	
1,104,340	1,160,490	837,384		284,872	
1,339,468	(191,542)	285,401		536,285	
495,137	70,538	11,603		15,597	
1,067,005	560,274	497,424		1,572,320	
37,281	56,439	2,257,138		841,218	
90,372	719,182	326,870		229,755	
145,686	87,965	42,531		25,796	
188,513	(111,766)	974		13,454	
					$ 6,847,408
46,026	66,462			65,678	
		150			
			$ 6,508,101		
$ 8,876,109	$ 6,774,605	$ 6,751,376	$ 6,508,101	$ 4,775,963	$ 6,847,408

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 4,089,853	$ 4,300,815	$ 2,278,285		$ 1,095,097	
1,017,627	1,195,568	795,081		265,328	
1,189,287	(299,556)	149,777		583,563	
499,906	118,634	13,860		22,692	
726,945	528,361	452,738		1,532,285	
90,083	10,664	2,540,331		1,032,995	
87,991	555,083	734,660		224,916	
91,100	158,800	11,551		25,552	
158,443	15,585	1,010		13,299	
					$ 6,023,910
175,864	42,490			2,706	
	2	35			
			$ 5,809,933		
$ 8,127,099	$ 6,626,446	$ 6,977,328	$ 5,809,933	$ 4,798,433	$ 6,023,910

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

ANNUAL FINANCIAL REPORT

	2009	2008
Cash Flows from Operating Activities:		
Proceeds Received from Students	$ 25,513,958	$ 27,028,649
Proceeds Received for Sponsored Programs	3,896,330	2,860,459
Proceeds Received from Auxiliary Enterprises	6,653,718	5,712,273
Proceeds From Loan Programs	19,291	40,045
Proceeds From Other Revenues	2,376,889	2,264,595
Payments to Employees	(44,655,032)	(40,639,819)
Payments to Suppliers for Good and Services	(13,747,348)	(14,638,319)
Payments for Scholarships	(7,630,971)	(7,007,335)
Payments for Loans Provided	(172)	
Net Cash Provided (Used) by Operating Activities	(27,573,337)	(24,379,452)
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	22,097,444	23,911,980
Proceeds from Endowment Gifts	7,216,396	108,641
Proceeds from Gifts	4,866,258	3,586,983
Proceeds from Other Noncapital Financing Activities	14,948	(1,954)
Proceeds from Nonoperating Grants	5,211,143	4,500,886
Transfers out to Other Funds	(715,715)	(769,978)
Net Cash Provided by Noncapital Financing Activities	38,690,474	31,336,558
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Debt		38,300,136
Proceeds from Capital Gifts	2,509,659	2,366,588
Proceeds from HEAF Appropriations	3,810,377	3,434,348
Proceeds From Interest on Capital Investments	317,850	730,791
Payments for Additions to Capital Assets	(36,466,948)	(31,195,378)
Principal Paid on Capital Related Debt	(3,735,000)	(2,575,000)
Interest Paid on Capital Related Debt	(1,035,441)	(1,557,188)
Payments of Costs of Debt Issuance	(241,062)	(239,879)
Net Cash Provided by Capital and Related Financing Activities	(34,840,565)	9,264,418
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	1,151,799	1,179,651
Proceeds from Sales and Maturities of Investments	49,677,400	22,085,414
Payments to Acquire Investments	(24,968,156)	(38,157,879)
Net Cash Provided (Used) by Investing Activities	25,861,043	(14,892,814)
Increase (Decrease) in Cash and Cash Equivalents	2,137,615	1,328,710
Cash and Cash Equivalents, September 1, 2008	4,064,566	2,735,856
Cash and Cash Equivalents, August 31, 2009	$ 6,202,181	$ 4,064,566

Year Ended 8-31-2009 (UNAUDITED)

	2009	2008
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets:		
Current Assets:		
Cash On Hand	$ 16,000	$ 15,700
Cash In Bank	3,652,556	518,115
Cash in State Treasury	3,513,061	4,094,651
Restricted:		
Cash In Bank	(979,436)	(563,900)
	$ 6,202,181	$ 4,064,566
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (34,531,873)	$ (33,940,060)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	6,847,408	6,023,910
Bad Debt Expense	178,166	224,092
(Increase) Decrease in Receivables	(2,921,350)	800,070
(Increase) Decrease in Inventories	14,447	(4,547)
(Increase) Decrease in Prepaid Expenses	(1,147,189)	(1,156,408)
(Increase) Decrease in Loans	19,291	40,045
Increase (Decrease) in Payables	2,471,887	2,546,830
Increase (Decrease) in Deferred Income	1,523,404	1,089,454
Increase (Decrease) in Other Liabilities	(27,528)	(2,828)
Total Adjustments	6,958,536	9,560,618
Net Cash Used by Operating Activities	$ (27,573,337)	$ (24,379,442)
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	$ (150,679)	$ (245,152)
(Loss) Gain on Asset Disposals	(92,907)	(56,531)
Donated Investment Assets	1,104,800	8,907
Transfer In on Master Lease Purchase	734,046	

Note 1: Summary of Significant Accounting Policies

Introduction

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

Basis of Presentation

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

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

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

Basis of Accounting – Proprietary Fund Accounting

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

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

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

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

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

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

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

Net Assets

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

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

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

Cash and Cash Equivalents

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

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2009, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/08	Restatement	Reclassifications Completed CIP	Additions	Deletions	Balance 08/31/09
Non-depreciable Assets						
Land and Land Improvements	$ 3,489,583		$ 268,932	$ 1,040,192		$ 4,798,707
Construction in Progress	17,241,336		(46,087,166)	32,916,210		4,070,380
Other Capital Assets	2,965,532		515,183			3,480,715
Total Non-depreciable Assets:	23,696,451	0	(45,303,051)	33,956,402	0	12,349,802
Depreciable Assets:						
Buildings and Building Improvements	119,701,229		44,030,489	2,388,995	(1,633,426)	164,487,287
Infrastructure	10,463,927					10,463,927
Furniture and Equipment	12,593,633		331,299	1,789,746	(608,466)	14,106,212
Vehicles	1,386,842				(44,758)	1,342,084
Other Capital Assets	11,421,497			170,651	(144,051)	11,448,097
Facilities and Other Improvements	5,411,783		941,263			6,353,046
Total Depreciable Assets at Historical Cost:	160,978,911	0	45,303,051	4,349,392	(2,430,701)	208,200,653
Total Assets Before Depreciation	184,675,362	0	0	38,305,794	(2,430,701)	220,550,455
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(53,801,224)			(4,613,725)	1,551,755	(56,863,194)
Infrastructure	(3,327,277)			(409,036)		(3,736,313)
Furniture and Equipment	(7,944,948)			(1,082,146)	597,231	(8,429,863)
Vehicles	(843,012)			(125,301)	44,758	(923,555)
Other Capital Assets	(8,717,254)			(370,176)	144,050	(8,943,380)
Facilities and Other Improvements	(2,503,509)			(247,024)		(2,750,533)
Total Accumulated Depreciation	(77,137,224)	0	0	(6,847,408)	2,337,794	(81,646,838)
Depreciable Assets, Net	83,841,687	0	45,503,051	(2,498,016)	(92,907)	126,553,815
Capital Assets, Net	$107,538,138	$ 0	$ 0	$31,458,386	$ (92,907)	$138,903,617

Note 3: Deposits and Investments

Authorized Investments

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

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

Deposits of Cash in Bank

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

	2009	2008
Business-type Activities:		
Proprietary Funds Current Assets Cash in Bank	$ 3,652,556	$ 518,115
Proprietary Funds Current Assets Restricted Cash in Bank	(979,436)	(563,900)
Total Cash in Bank	$ 2,673,120	$ (45,785)

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

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

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

The university's bank balance at August 31, 2009 was $2,815,244. $250,000 of this amount was covered by FDIC insurance, and $2,565,244 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Federal Reserve Bank of New York acting as Custodian for the university and the bank. (As defined in 3 above.)

Investments

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

	2009	2008
U.S. Government		
U.S. Agency Obligations	$15,580,416	$18,330,555
Corporate Bonds	674,735	170,433
Equities	2,356,617	2,561,089
Other Commingled Funds - Texpool	19,471,575	46,452,452
Other Commingled Funds - LOGIC	476,925	470,937
Other Commingled Funds - Goldman Sachs	570,843	
Other Commingled Funds - Citibank	3,003,253	12,154
Certificate of Deposit	1,001,156	
Total	$43,135,520	$67,997,620

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, 2009, the university's credit quality distribution for securities with credit risk exposure was as follows:

U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	$15,580,416	Rated AAA
Corporate Bonds	$ 183,747	Rated A
Corporate Bonds	$ 490,988	Rated BBB
Commingled Funds - Texpool	$19,471,575	Rated AAA
Commingled Funds - LOGIC	$ 476,925	Rated AAA
Commingled Funds - Goldman Sachs	$ 570,843	Not Rated
Commingled Funds - Citibank	$ 3,003,253	Not Rated
Equities	$ 2,356,617	Not Rated
Certificate of Deposit	$ 1,001,156	Not Rated

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2009, the university's concentration of credit risk is as follows:

Issuer	Carrying Value	% of Total Portfolio
Texpool—Commingled Funds	$19,471,575	45%
Federal Home Loan Bank	$ 7,031,057	16%
Federal Home Loan Mortgage Corp.	$ 3,503,920	8%
Federal National Mortgage Assn.	$ 3,487,293	8%

Note 4: Short Term Debt

Not Applicable

ANNUAL FINANCIAL REPORT

Note 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2009, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-08	Restatement	Additions	Reductions	Balance 08-31-09	Amounts Due Within One Year
Compensable Leave	$ 1,272,076		$ 202,810	$ 107,509	$ 1,367,377	$ 121,286
General Obligation Bond Payable	7,985,000			1,215,000	6,770,000	1,255,000
Revenue Bonds Payable	85,365,136			2,520,000	82,845,136	2,605,000
Capital Lease Obligations						
Total	$ 94,622,212	$0	$ 202,810	$ 3,842,509	$ 90,982,513	$ 3,981,286

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 $1,367,377. The University made lump sum payments totaling $107,509 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2009, and payments of $106,499 for August 31, 2008.

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

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 the following pages:

Note 6: Continued

Revenue Refunding and Improvement Bonds, Series 1998

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To advance refund Tuition and General Fee Revenue Bonds, Series 1975 and Series 1989 and to renovate Bea Wood and O'Donohoe Halls, to construct a health and wellness center and to acquire various equipment.
- Issued September 1, 1998
- $9,860,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of revenue for debt service – Pledged Revenues, consisting of unrestricted current funds and revenues and unappropriated fund balances available, but not including remissions, governmental appropriations, gifts, grants, and contracts, and student service fees
- $5,525,000 refunded by Revenue and Refunding Bonds, Series 2007
- $825,000 not refunded

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

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, and student service fees and private gifts

Note 6: Continued

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
- 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

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: Capital Leases

The University had no capital leases for the period ended August 31, 2009.

Note 8: Operating Lease Obligations

Not Applicable.

Note 9: Employees Retirement Plans

Not Applicable.

Note 10: Deferred Compensation

Not Applicable.

Note 11: Postemployment 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 Transportation, 601			
D23 Fund 5015	$ 213		Texas Collegiate License Plate Fund
Total Due From/To	$ 213		
	Transfer In	Transfer Out	
Operating Transfers:			
Texas Higher Education Coordinating Board, 781			
D23 Fund 0264		$271,812	Texas B-On-Time Loan Program
D23 Fund 5103		1,035	Dental Hygienist Degree or Certification Program
Texas Public Finance Authority, 347			
D23 Fund 7999		47,978	Master Lease Purchase Payment
D23 Fund 7999		105,549	Master Lease Purchase Payment
D23 Fund 7999		289,341	Master Lease Purchase Payment
D23 Fund 7999	$695,061		Master Lease Purchase Payment
D23 Fund 7999	38,985		Master Lease Purchase Payment
Total Transfers	$734,046	$715,715	

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: Contingent Liabilities

There is no pending or threatened litigation.

Note 16: Subsequent Events

The construction of the Instrument Music Hall, renovations to the D.L. Ligon Coliseum, and acquisition of properties through donor fund support and local fund revenue will provide additional space support for our students, faculty, and staff. This includes the purchase of the Christ Academy property, contiguous to the main campus, and donated property valued at $1.1 million. In addition, MSU will issue bonds in the amount of $6.7 million for Phase II of the D.L. Ligon Coliseum. A portion of the athletic fee will be used to service this debt.

The university will be receiving $1.8 million from private donors during FY10 for improvements to athletic fields.

The university will continue to seek new tuition revenue bond funding of $40 million for the 2012 and 2013 biennium for extensive renovations to the Moffett Library. This is the university's number one project in the Campus Master Plan.

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, 2009, 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 $122,969 and $120,915 for worker's compensation coverage for fiscal years ending August 31, 2008 and 2009, 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.

Note 17: Continued

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 $1,137,803 to the University during the year ended August 31, 2009, and $1,136,444 for the prior year. The MSU Charitable Trust remitted restricted gifts of $828,950 to the University during the year ended August 31, 2009 and $666,729 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2009 are reported by their trustees in the amount of $13,340,000 and $19,828,853, respectively.

The balances, or transactions, of funds held in trust by other on behalf of the University are not reflected in the financial statements. At August 31, 2009, there were three other such funds held for the benefit of the University. Based upon the most recent available information, the assets of these funds are reported by the Trustees at values totaling $380,913.

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	None	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.

This Page Intentionally Left Blank

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2009, with Comparative Totals for the Year Ended August 31, 2008

	CFDA Number	Univ/Agy #	Pass-Through From Agency Amount	Pass-Through From University Amount	Pass-Through From Non State Entities Amount
National Endowment for the Humanities					
Direct Program:					
Promotion of the Arts-Grants to Org and Individuals	45.024				
Small Business Administration					
Pass-Through From:					
TTU-Small Business Development Center	59.037	733		$ 127,935	
U.S. Department of Education					
Direct Program:					
Bilingual Education Professional Development	84.195				
Teacher Quality Enhancement Grants	84.336	752			
Transition to Teaching	84.350				
Pass-Through From:					
THECB-Improving Teacher Quality State Grants	84.367	781	$ 105,830		
THECB-College Access Challenge Grant Program	84.378	781	42,334		
Totals - U.S. Department of Education			148,164		
Research & Development Cluster					
Direct Program:					
National Science Foundation-Biological Sciences	47.074				
U.S. Department of Health & Human Services					
Direct Program:					
Advanced Education Nursing Traineeships	93.358				
Special Education Cluster					
US Department of Education					
Pass-Through From:					
TAMU Texarkana-Special Ed Grants to State	84.027	764		36,675	
Student Financial Assistance Cluster					
US Department of Education					
Direct Programs					
Federal Supplemental Education Opportunity Grants	84.007				
Federal Family Education Loans	84.032				
Federal Work-Study Program	84.033				
Federal Perkins Loan Program--Federal Capital Cont.	84.038				
Federal Pell Grant Program	84.063				
Academic Competitiveness Grants	84.375				
National Science Mathematics Access to Retain Talent	84.376				
Total Student Financial Assistance Cluster Programs					
TRIO Cluster					
US Department of Education					
Direct Programs					
TRIO--Upward Bound	84.047				
Total Federal Financial Assistance			$ 148,164	$ 164,610	

		Pass-Through To			**2009**	**2008**
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
$ 6,047	$ 6,047			$ 6,047	$ 6,047	
	127,935			127,935	127,935	$ 106,038
208,979	208,979			208,979	208,979	210,968
991,333	991,333	$ 446,501		544,832	991,333	627,097
7,404	7,404			7,404	7,404	100,794
	105,830			105,830	105,830	65,170
	42,334			42,334	42,334	43,500
1,207,716	1,355,880	446,501		909,379	1,355,880	1,047,529
12,239	12,239			12,239	12,239	
						13,270
	36,675			36,675	36,675	35,982
141,574	141,574			141,574	141,574	168,253
23,648,605	23,648,605			23,648,605	23,648,605	20,025,621
146,656	146,656			146,656	146,656	130,274
1,532	1,532			1,532	1,532	15,991
5,211,143	5,211,143			5,211,143	5,211,143	4,500,886
114,850	114,850			114,850	114,850	145,367
47,423	47,423			47,423	47,423	55,310
29,311,783	29,311,783			29,311,783	29,311,783	25,041,702
284,146	284,146			284,146	284,146	280,849
$ 30,821,931	$ 31,134,705	$ 446,501		$ 30,688,204	$ 31,134,705	$ 26,525,370

Unaudited

Note 3: Student Loans

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				
84.032 Federal Family Education Program	$23,648,605			
84.038 Federal Perkins Loan Program	1,532			$ 111,823
Total Department of Education	$23,650,137			$ 111,823

Note 7: Federal Deferred Revenue

CFDA Number/Program Name	Deferred Revenue 09/01/08	Increase/ (Decrease)	Deferred Revenue 08/31/09
84.033 Federal Work Study Program		$ 8,386	$ 8,386
84.063 Federal Pell Grant Program	$ 95,146	(95,146)	
84.367 Improving Teacher Quality State Grants	9,090	(8,915)	175
Total Deferred Revenue	$ 104,236	$(95,675)	$ 8,561

Note 2: Reconciliation

Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	$ 1,960,651
Federal Grant Revenue - Non-Operating	5,211,143
Federal Pass-through Revenue-Operating	312,774
Total Federal Revenues	7,484,568
Reconciling Items: Add New Loans	
Federal Family Education Loans Processed	23,648,605
Federal Perkins Loans Processed	1,532
	$31,134,705

Unaudited

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

Operating Revenue:	2009	2008
Pass Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
5th Year Accounting	$ 5,000	
College Readiness Outreach	50,000	
College Read-TEA Texas Governor's School	117,860	
College Work Study Program	19,987	
CRU-Prof Svs & Grants	(160,759)	$ 218,522
Engineering Recruitment Program	5,000	5,000
Financial Aid - Professional Nursing	23,950	15,839
Higher Education Perf Incentive Funding	951,785	
Nursing and Allied Health		49,152
Prof Nursing Shortage	274,357	140,430
Texas Grants	1,566,223	
Total Operating Pass Through Revenue (Exhibit II)	$2,853,403	$ 428,943

Pass Through To:

None

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 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2009

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled First Year	Scheduled Last Year	First Call Date
General Obligation Bonds:					
Constitutional Appropriation Bonds: Series 2004	$11,185,000	2.75% - 3.75%	2005	2013	None
Revenue Bonds:					
Tuition & General Fee Revenue Bonds: Series 1998	9,860,000	3.45% - 5.10%	1998	2018	12-01-08
Revenue Financing System Revenue Bonds: Series 2002	8,965,000	4.00% - 5.00%	2003	2021	12-01-12
Building Revenue & Refund Bonds: Series 2003	13,180,000	2.00% - 5.00%	2003	2024	12-01-13
Revenue and Refunding Bonds: Series 2007	28,855,000	4.00% - 4.625%	2008	2032	12-01-16
Revenue Financing System Revenue Bonds: Series 2008	38,300,136	3.00% - 5.250%	2008	2034	12-01-18
Total	$110,345,136				

Year Ended 8-31-2009 (UNAUDITED)

Unaudited

Midwestern State University
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2009

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	Bonds Outstanding 09-01-2008	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2009	Amounts Due Within One Year
General Obligation Bonds:						
Constitutional Appropriation Bonds: Series 2004	$7,985,000		$1,215,000		$6,770,000	$1,255,000
Revenue Bonds:						
Tuition & General Fee Revenue Bonds: Series 1998	420,000		420,000			
Revenue Financing System Revenue Bonds: Series 2002	7,095,000		370,000		6,725,000	385,000
Building Revenue and Refunding Bonds: Series 2003	10,695,000		655,000		10,040,000	680,000
Revenue and Refunding Bonds: Series 2007	28,855,000		680,000		28,175,000	1,145,000
Revenue Financing System Revenue Bonds: Series 2008	38,300,136		395,000		37,905,136	395,000
Total	$93,350,136	$ 0	$ 3,735,000	$ 0	$89,615,136	$ 3,860.000

Year Ended 8-31-2009 (UNAUDITED)

Unaudited

Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2009

Business Type Activities

Description of Issue	2010	2011	2012	2013	2014
General Obligation Bonds:					
Constitutional Appropriation Bonds:					
Series 2004					
Principal	$1,255,000	$1,305,000	$1,305,000	$1,405,000	$1,455,000
Interest	213,794	172,194	127,362	79,150	27,281
Revenue Bonds:					
Revenue Financing System Revenue Bonds:					
Series 2002					
Principal	385,000	405,000	425,000	445,000	465,000
Interest	300,361	283,814	266,176	247,133	227,239
Revenue Financing System Revenue and Refunding Bonds:					
Series 2003					
Principal	680,000	705,000	730,000	760,000	790,000
Interest	440,635	415,516	387,698	357,898	326,898
Revenue Financing System Revenue and Refunding Bonds:					
Series 2007					
Principal	1,145,000	1,185,000	1,240,000	1,290,000	1,350,000
Interest	1,178,432	1,131,833	1,083,332	1,032,733	979,932
Revenue Financing System Revenue Bonds:					
Series 2008					
Principal	395,000	985,000	1,020,000	1,055,000	1,095,000
Interest	1,695,220	1,674,520	1,641,895	1,605,582	1,566,589
Total	7,688,442	8,262,877	8,271,463	8,277,496	8,282,939
Less Interest	(3,828,442)	(3,677,877)	(3,506,463)	(3,322,496)	(3,127,939)
Total Principal	$3,860,000	$4,585,000	$4,765,000	$4,955,000	$5,155,000

2015-19	2020-24	2025-29	2030-34	2035-39	Total Requirements
					$ 6,770,000
					619,781
2,660,000	1,940,000				6,725,000
800,303	148,289				2,273,315
2,845,000	2,865,000	665,000			10,040,000
1,170,666	536,657	16,625			3,652,593
7,590,000	5,515,000	6,100,000	2,760,000		28,175,000
4,016,107	2,641,339	1,285,069	233,562		13,582,339
5,180,136	7,280,000	9,145,000	10,820,000	930,000	37,905,136
8,120,251	6,015,615	4,156,835	1,718,675	24,413	28,219,595
32,382,463	26,941,900	21,368,529	15,532,237	954,413	137,962,759
(14,107,327)	(9,341,900)	(5,458,529)	(1,952,237)	(24,413)	(48,347,623)
$18,275,136	$17,600,000	$15,910,000	$13,580,000	$ 930,000	$89,615,136

Unaudited

Midwestern State University
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2009

Business Type Activities
Description of Issue

General Obligation Bonds	Application of Funds	
	Principal	Interest
Constitutional Appropriation		
Bond - Series 2004	$ 1,215,000	$ 252,412

Pledged and Other Sources and Related Expenditures for FY 2009

Revenue Financing System Revenue Bonds	Net Available for Debt Service: Total Pledged and Other Sources	Net Available for Debt Service: Operating Expenses/ Expenditures And Capital Outlay	Debt Service: Principal	Debt Service: Interest
Tuition & General Fee Revenue				
Bonds: Series 1998			$ 420,000	$ 9,240
Revenue Financing System				
Revenue Bonds: Series 2002			370,000	315,701
Building Revenue & Refunding				
Bonds: Series 2003			655,000	462,360
Revenue and Refunding Bonds:				
Series 2007		$ 6,650,033	680,000	1,214,933
Revenue Financing System				
Revenue Bonds: Series 2008		18,233,262	395,000	1,492,946
Total for all Revenue Financing System Revenue Bonds	$52,120,351	$24,883,295	$ 2,520,000	$ 3,495,180

Unaudited

Midwestern State University

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2009

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, 2009		
Total	$0	$0

Year Ended 8-31-2009 (UNAUDITED)

Unaudited

Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2009

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, 2009					
Total		$0	$0	$0	$0

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

Year Ended 8-31-2009 (UNAUDITED)

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 2009	Prior Year 2008
General Revenue - Dedicated Fund 0264	$ 3,513,061		$ 3,513,061	$ 4,094,651
Special Mineral Fund - Fund 0412	0		0	0
Total Cash in State Treasury (Stmt of Net Assets)	$ 3,513,061		$ 3,513,061	$ 4,094,651

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

(THIS PAGE INTENTIONALLY LEFT BLANK)

FULBRIGHT & JAWORSKI L.L.P.
A REGISTERED LIMITED LIABILITY PARTNERSHIP
2200 ROSS AVENUE, SUITE 2800
DALLAS, TEXAS 75201-2784
WWW.FULBRIGHT.COM

TELEPHONE: (214) 855-8000 FACSIMILE: (214) 855-8200

[date]

IN REGARD to the authorization and issuance of the "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2010" (the "Bonds"), dated April 1, 2010 (the "Bond Date"), in the principal amount of $6,700,000, we have examined the legality and validity of the issuance thereof by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"), which Bonds are issuable in fully registered form only. The Bonds have stated maturities of December 1 in the years specified in the resolution adopted by the Authority and the Board authorizing the issuance of the Bonds (the "Resolution"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds, and interest thereon accrues from the dates, at the rates, and in the manner and is payable on the dates, all as provided in the Resolution.

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

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the Board and the Authority in connection with the issuance of the Bonds, including the Resolution, (ii) certifications and opinions of officers of the Authority and the Board relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the University and to certain other facts solely within the knowledge and control of the Authority and the University, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the Authority and the University (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

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

1. The Bonds have been duly authorized by the Authority and the Board, and the Bonds issued in compliance with the provisions of the Resolution are valid and legally binding special obligations of the Authority, issued on behalf of the Board, in accordance with the terms thereof, payable solely from and equally and ratably secured by a lien on and pledge of the

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

2. Assuming continuing compliance after the date hereof by the Authority and the Board with the provisions of the Resolution and in reliance upon representations and certifications of the Authority and the Board made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (a) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

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

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

APPENDIX D
SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

ASSURED GUARANTY CORP.

Financial Guaranty Insurance Policy

Issuer: | **Policy No.:**

Obligations: | **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**AGC**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

AGC will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which AGC shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by AGC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and AGC shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in AGC. Upon and to the extent of such disbursement, AGC shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by AGC to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of AGC under this Policy to the extent of such payment.

This Policy is non-cancelable by AGC for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of AGC, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or AGC are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless AGC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to AGC may be mailed by registered mail or personally delivered or telecopied to it at 31 West 52nd Street, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel at the same address and at generalcounsel@assuredguaranty.com or at the following Facsimile Number: (212) 445-8705, or to such other address as shall be specified by AGC to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by AGC on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, AGC may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to AGC pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to AGC. All payments required to be made by AGC under this Policy may be made directly by AGC or by the Fiscal Agent on behalf of AGC. The Fiscal Agent is the agent of AGC only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of AGC to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGC hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to AGC to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and AGC expressly reserves, AGC's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by AGC of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of AGC with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, AGC has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon AGC by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:_________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel