OFFICIAL STATEMENT
DATED MARCH 29, 2010

NEW ISSUES - Book-Entry-Only

ENHANCED/UNENHANCED RATINGS: Fitch: N/A/"A+" (positive outlook)
Moody's: "Aa3" (negative outlook)/"A2" (stable outlook)
(See "BOND INSURANCE" and "OTHER INFORMATION – Ratings" herein)

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX EXEMPTION" herein. Interest on the New Money Bonds is not includable in the alternative minimum taxable income of individuals and corporations, and interest on the Refunding Bonds is not includable in the alternative minimum taxable income of individuals, or except as described herein, corporations. See "TAX EXEMPTION" for a discussion of the alternative minimum tax consequences for corporations that purchase the Refunding Bonds.

TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY

$35,035,000	$3,415,000
Revenue Financing System Revenue Bonds, Series 2010	**Revenue Financing System Revenue Refunding Bonds, Series 2010A**

Dated Date: April 1, 2010
Interest Accrues: Date of Delivery

Due: August 15, 2010 and October 15, as shown on the inside cover page

The Texas Public Finance Authority (the "Authority"), on behalf of the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"), is issuing the $35,035,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2010 (the "New Money Bonds") and the $3,415,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds, Series 2010A (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds") pursuant to the authority and for the purposes hereinafter specified. 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 (the "STATE"), 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 WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS" herein.

Proceeds of the New Money Bonds, together with other available funds, will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging, or equipping property, buildings, structures, facilities, roads, or related infrastructure, including a new residence hall and parking garage (the "Project") and (ii) paying the cost of issuance associated with the New Money Bonds; proceeds of the Refunding Bonds, together with other available funds, will be used for (i) refunding certain outstanding obligations of the Board heretofore issued by the Authority on behalf of the University, as further identified in Schedule I hereto and (ii) paying the costs of issuance associated with the Refunding Bonds. See "PLAN OF FINANCING" herein.

Interest on the Bonds will accrue from the date of delivery, is payable at stated maturity, as well as on October 15, 2010 (and each April 15 and October 15 thereafter), and is calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the initial purchasers thereof named below (the "Underwriters"). Interest on and principal of the Bonds will be payable by Wells Fargo Bank, N.A., Austin, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System."

The New Money Bonds are subject to redemption as set forth herein in the section "DESCRIPTION OF THE BONDS – Redemption." The Refunding Bonds are not subject to redemption prior to stated maturity.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.

MATURITY SCHEDULE
(See Inside Cover Page)
CUSIP Prefix: 882756

The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State of Texas and the approving opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., San Antonio, Texas. The Bonds are expected to be available for initial delivery through DTC on or about April 27, 2010.

ESTRADA HINOJOSA & COMPANY, INC.

J.P. MORGAN | **MORGAN KEEGAN & COMPANY**

TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY

CUSIP No. Prefix[2]: 882756

$35,035,000
REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2010

Maturity [1]	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix[2]
10/15/2010	1,310,000	2.000	0.450	G29
10/15/2011	1,295,000	2.000	0.680	G37
10/15/2012	1,315,000	2.000	1.340	G45
10/15/2013	1,345,000	2.000	1.670	G52
10/15/2014	1,380,000	2.500	2.070	G60
10/15/2015	1,415,000	3.000	2.430	G78
10/15/2016	1,455,000	3.000	2.890	G86
10/15/2017	1,505,000	3.500	3.220	G94
10/15/2018	1,560,000	3.500	3.440	H28
10/15/2019	1,615,000	3.500	3.640	H36
10/15/2020	1,675,000	3.750	3.850	H44
10/15/2021	1,750,000	5.000	3.830[3]	H51
10/15/2022	1,840,000	5.000	3.910[3]	H69
10/15/2023	1,935,000	5.000	4.000[3]	H77
10/15/2024	2,035,000	5.000	4.080[3]	H85
10/15/2025	2,130,000	4.125	4.280	H93
10/15/2026	2,220,000	4.250	4.360	J26
10/15/2027	2,315,000	4.250	4.440	J34
10/15/2028	2,415,000	4.375	4.510	J42
10/15/2029	2,525,000	4.375	4.580	J59

(Interest to accrue from the date of delivery)

$3,415,000
REVENUE FINANCING SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A

Maturity [4]	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix[2]
08/15/2010	265,000	2.000	0.900	J67
10/15/2010	675,000	2.000	0.900	J75
10/15/2011	390,000	2.000	0.680	J83
10/15/2012	400,000	2.000	1.340	J91
10/15/2013	405,000	2.000	1.670	K24
10/15/2014	420,000	2.500	2.070	K32
10/15/2015	425,000	2.500	2.430	K40
10/15/2016	435,000	3.000	2.890	K57

(Interest to accrue from the date of delivery)

(1) The New Money 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 by Standard and Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are included solely for convenience of the registered owners of the Bonds. 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 Board, the Co-Financial Advisors nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
(3) Yield calculated based on the assumption that the New Money Bonds denoted and sold at a premium will be redeemed on October 15, 2020, which is the first date on which such New Money Bonds are redeemable by the Issuer.
(4) The Refunding Bonds are not subject to redemption prior to stated maturity.

TEXAS PUBLIC FINANCE AUTHORITY

BOARD OF DIRECTORS

CERTAIN APPOINTED OFFICERS

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

STEPHEN F. AUSTIN STATE UNIVERSITY

BOARD OF REGENTS

Name	Residence	Term Expiration
Mr. James A. Thompson, Chair	Sugar Land	January 31, 2011
Mr. Melvin R. White, Vice-Chair	Pflugerville	January 31, 2011
Mr. John R. "Bob" Garrett, Secretary	Tyler	January 31, 2013
Mr. Carlos Z. Amaral	Plano	January 31, 2013
Mr. Richard B. Boyer	The Colony	January 31, 2011
Dr. Scott H. Coleman	Houston	January 31, 2015
Mr. James H. Dickerson	New Braunfels	January 31, 2013
Ms. Valerie E. Ertz	Dallas	January 31, 2015
Mr. Steve D. McCarty	Alto	January 31, 2015
Ms. Morgan A. Tomberlien (Student Regent) [1]	Longview	May 31, 2010

[1] State law does not allow a student regent to vote on matters before the Board of Regents (Section 51.355, as amended, Texas Education Code).

CERTAIN APPOINTED OFFICIALS

Name	Title	Length of Service
Dr. L. Baker Pattillo	President	43 years
Mr. Danny R. Gallant	Vice President for Finance and Administration	26 years
Ms. Dora Fuselier	Controller	13 years
Vacant	General Counsel	____ [1]

[1] The University expects to commence a national search to fill this position in late Spring 2010, with a goal of hiring a permanent General Counsel in Fall 2010.

CONSULTANTS

Co-Financial Advisors	Bond Counsel
First Southwest Company Dallas, Texas and Kipling Jones & Company Houston, Texas	Andrews Kurth LLP Austin, Texas

For additional information regarding Stephen F. Austin State University, please contact:

Mr. Danny R. Gallant
Vice President for Finance and Administration
Stephen F. Austin State University
P.O. Box 6108, SFA Station
Nacogdoches, Texas 75962
(936) 468-2203

Ms. Mary Williams
Senior Vice President
First Southwest Company
325 North St. Paul, Suite 800
Dallas, Texas 75201
(214) 953-4021

USE OF INFORMATION

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 University since the date hereof.

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

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

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

None of the Authority, the Board, the University nor the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system or Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM”) and its municipal bond insurance policy, appearing (or incorporated by reference) under the caption “BOND INSURANCE”.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “Appendix D – Specimen Municipal Bond Insurance Policy”.

The statements contained in the Official Statement, and in other information provided by the Board or University, that are not purely historical, are forward-looking statements, including statements regarding the Board’s or 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 Board or the University on the date hereof, and the Board and University assume no obligation to update any such forward-looking statements. See “LEGAL MATTERS – Forward-Looking Statements” herein.

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OFFICIAL STATEMENT

relating to

TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY

$35,035,000 **REVENUE FINANCING SYSTEM** **REVENUE BONDS, SERIES 2010**	**$3,415,000** **REVENUE FINANCING SYSTEM REVENUE** **REFUNDING BONDS, SERIES 2010A**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, Schedule, and 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 of Stephen F. Austin State University (the "Board"), of $35,035,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2010 (the "New Money Bonds") and the $3,415,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds, Series 2010A (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in APPENDIX A, except as otherwise indicated herein.

Stephen F. Austin State University (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 12,845 students. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. For a general description of the University, see "STEPHEN F. AUSTIN STATE UNIVERSITY" herein.

The Authority is the issuer of the 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 Finance and Administration, Stephen F. Austin State University, P.O. Box 6108, SFA Station, Nacogdoches, Texas 75962, (936) 468-2203. 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.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Board's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Authority for Issuance of the New Money Bonds

The New Money Bonds are being issued in accordance with the general laws of the State, Chapter 55, Texas Education Code, as amended, including particularly Section 55.13(c); Chapter 1232, Texas Government Code, as amended (the "TPFA Enabling Act"), including particularly, Section 1232.101 ("Section 1232.101"); Chapter 1201, Texas Government Code, as amended; Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and additionally pursuant to a resolution (the "Resolution") adopted by both the Board and the Authority's governing body. As permitted by Chapter 1371, the Board and the Authority's governing body, in the Resolution, delegated to certain designated officials the authority to establish and approve final terms of sale of the New Money Bonds, which terms of sale are evidenced in a "Pricing Certificate" relating to the New Money Bonds executed on March 29, 2010.

Purpose of the New Money Bonds

Proceeds of the New Money Bonds, together with other available funds, will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging, or equipping a property, buildings, structures, facilities, roads, or related infrastructure, including a new residence hall and parking garage (the "Project") and (ii) paying the cost of issuance associated with the New Money Bonds.

Authority for Issuance of the Refunding Bonds

The Refunding Bonds are being issued in accordance with the general laws of the State, the TPFA Enabling Act, including particularly, Section 1232.101 ("Section 1232.101"); Chapter 1201, Texas Government Code, as amended; Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and additionally pursuant to the Resolution adopted by both the Board and the Authority's governing body. As permitted by Chapter 1207, the Board and the Authority's governing body, in the Resolution, delegated to certain designated officials the authority to establish and approve final terms of sale of the Refunding Bonds, which terms of sale are evidenced in a "Pricing Certificate" relating to the Refunding Bonds executed on March 29, 2010.

Purpose of the Refunding Bonds

The Refunding Bonds are being issued for the purpose of (i) refunding certain outstanding obligations of the Authority heretofore issued on behalf of the University, as identified in Schedule I attached hereto (the "Refunded Obligations") and (ii) paying the costs of issuing the Refunding Bonds.

Refunded Obligations

The Refunded Obligations are being called for redemption on April 29, 2010 (the "Redemption Date"). The principal and interest due on the Refunded Obligations are to be paid on the Redemption Date from funds to be deposited with the paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Resolution and Pricing Certificate (as defined in the Resolution and as referenced above) provide that with respect to the Refunded Obligations, proceeds from the sale of the Refunding Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent in an amount sufficient to accomplish the discharge and final payment of such Refunded Obligations on the Redemption Date. Such funds will be held uninvested by the Refunded Obligations Paying Agent in a trust clearing account pending their disbursement to redeem the Refunded Obligations on the Redemption Date. By the deposit with the Refunded Obligations Paying Agent in such trust clearing account, the Authority will have effected the defeasance of all the Refunded Obligations in accordance with applicable law.

Authority's Issuance of Bonds on the University's Behalf

Pursuant to Section 1232.101, the Authority has the exclusive authority to issue bonds on behalf of the University, except for constitutional appropriation bonds which are issued by the University. Further, Section 55.13(c) of the Texas Education Code 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 for the issuance of the New Money Bonds in an amount sufficient to finance approximately $35 million of estimated project costs. The total project costs associated with the residence hall is expected to be approximately $25 million and the total project costs associated with the parking garage is expected to be $10 million.

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Sources and Uses of Funds

The proceeds of the New Money Bonds, together with other funds to be provided by the University, will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$35,035,000.00
Net Original Issue Premium	590,709.45
Total	$35,625,709.45
Uses of Funds	
Deposit to Construction Fund	$35,000,000.00
Costs of Issuance (1)	625,408.22
Additional Proceeds	301.23
Total	$35,625,709.45

(1) Includes Underwriters' Discount and Bond Insurance Premium.

The proceeds of the Refunding Bonds, together with other funds to be provided by the University, will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$3,415,000.00
Original Issue Premium	34,641.50
Total	$3,449,641.50
Uses of Funds	
Deposit to Refunded Obligations Paying Agent	$3,396,444.38
Costs of Issuance (1)	53,124.40
Additional Proceeds	72.72
Total	$3,449,641.50

(1) Includes Underwriters' Discount and Bond Insurance Premium.

THE AUTHORITY

The Authority is a public authority and body politic and corporate originally created in 1984 by an act of the Texas Legislature as the Texas Public Building Authority. The Authority (formerly known as the Texas Public Building Authority) succeeded to 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 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 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 D. Burns, who has been employed in that position since May 2009.

Pursuant to the TPFA Enabling Act and Chapters 1401 and 1403, Texas Government Code, as amended, the Authority issues general obligation bonds 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; and 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 (the "CPRIT"). In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code, as amended.

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, the Texas Historical Commission, Midwestern 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, the Texas Department of Transportation, and the Texas Juvenile Probation Commission, and the CPRIT.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds 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 bonds. 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 TPFA 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 TPFA Enabling Act, as amended by the 80th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

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.

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.

At this time, the Authority cannot predict whether, or in what manner, Savings Plans may be implemented by the State, nor can the Authority predict the effect of measures, if any, resulting from the implementation of Savings Plans on the operations or financial condition of the State. However, the Authority does not expect that any such measures will adversely affect the Authority's operations or financial condition or the provision for or payment of debt service on the Authority's outstanding debt.

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

Under the TPFA 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 TPFA 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 to be financed with the proceeds of the Bonds were approved by the Coordinating Board as required by law.

DESCRIPTION OF THE BONDS

General

The Bonds are dated April 1, 2010. The New Money Bonds mature on October 15 in each of the years and in the amounts shown on the inside front cover page hereof. The Refunding Bonds mature on August 15, 2010 and on October 15 in each of the years, and in the amounts, all as shown on the inside front cover page hereof. Interest on the Bonds will accrue from their date of initial delivery, will bear interest at the per annum rates shown on the inside front cover page hereof, and will be payable at stated maturity only with respect to the Refunding Bonds maturing on August 15, 2010, and on April 15 and October 15 of each year with respect to all other Bonds, commencing October 15, 2010, until maturity (or prior redemption with respect to the New Money Bonds). Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount.

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 Austin, Texas the designated payment office for the Paying Agent/Registrar for the Bonds (the "Designated Payment Office"), 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 Payment Office described herein, the Authority will execute, and the Paying Agent/Registrar, initially Wells Fargo Bank, N.A., Austin, 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 denominations, 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 denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds.

Whenever any Bonds are so surrendered for exchange, the Authority and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver the Bonds, which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Record Date for Interest Payment

The regular record date ("Record Date") for determining the party entitled to the receipt of the interest payable on the Bonds on any interest payment date means the last business day of the month next 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 Bonds is registered on such Record Date, and will be paid to the person in whose name this 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

The New Money Bonds scheduled to mature on and after October 15, 2021 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on October 15, 2020 or on any date thereafter, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and, if in part within a maturity, the particular New Money Bonds or portion thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

The Refunding Bonds are not subject to redemption prior to stated maturity.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of New Money Bonds or portions thereof prior to maturity a written notice of such redemption will be sent by the Paying Agent/Registrar at least 30 days prior to the date fixed for any such redemption, to the registered owner of each New Money 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 or receive such notice, or any defect therein or in the sending thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any New Money Bond. So long as the Bonds remain in DTC's book-entry-only system ("Book-Entry-Only System"), the Paying Agent/Registrar shall only be required to send such notice of redemption to DTC (or its nominee) see "DESCRIPTION OF THE BONDS – Book-Entry-Only System").

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

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

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

Paying Agent/Registrar

In the Resolution, the Board covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Board will 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 for the Bonds under the Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under the Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to the Authority and to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

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 accredited by DTC while the Bonds are registered in its nominee 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 cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (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 United States 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). One fully registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (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 Bonds. 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.

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.

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

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.

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

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

Principal and interest payments on the Bonds and redemption proceeds of the New Money Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on the payment 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, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of New Money Bonds redemption proceeds and principal and interest payments relating to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

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

Use of Certain Terms in Other Sections of this Official Statement

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.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority, the Co-Financial Advisors or the Underwriters.

Effect of Termination of Book-Entry-Only System; Notices

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Authority, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "DESCRIPTION OF THE BONDS – Transfer, Exchange and Registration" herein.

THE PAYING AGENT/REGISTRAR, THE BOARD, AND THE AUTHORITY, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE. NONE OF THE BOARD, THE AUTHORITY, NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC 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.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). 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 an exhibit to this Official Statement.

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

Assured Guaranty Municipal Corp. (Formerly known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc.. ("Holdings"). Holdings is an 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. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia SA ("Dexia"). In connection with such acquisition, Holdings' financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the United States Securities and Exchange Commission (the "SEC") on July 8, 2009.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services 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 AGM at the then current rating level. Each rating of AGM 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 AGM 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 AGM. AGM 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

Ratings. 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 AGM 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.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, 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 Financial Security Assurance Inc., now known as AGM. At the same time, S&P continued its negative outlook on AGM. 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 AGM.

For more information regarding AGM'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 SEC on March 1, 2010. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

Capitalization of AGM

At December 31, 2009, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,232,359,793 and its total net unearned premium reserve was approximately $2,391,940,484 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE GENERAL RISKS

As a result of the Authority's purchase of the Policy, the following risk factors related to municipal bond insurance policies generally apply.

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Authority that is recovered by the Authority from the holder of a Bond as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Authority (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Resolution" herein). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Bondholders. Additionally, the Insurer's consent may be required in connection with amendments to the Resolution. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the pledge of the Pledged Revenues. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the enhanced long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors that could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. See the disclosure described in "RATINGS" herein.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the Authority, the University, the Co-Financial Advisors, or the Underwriters have made independent investigation into the claims paying ability of any Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is given.

DEBT SERVICE REQUIREMENTS[1]

Fiscal Year Ending 8/31	Outstanding Debt Service ($)[2]			The New Money Bonds ($)			The Refunding Bonds ($)			Total
	Principal ($)	Interest ($)	Combined ($)	Principal ($)	Interest ($)	Combined ($)	Principal ($)	Interest ($)	Combined ($)	Combined ($)
2010	6,530,000.00	6,321,789.28	12,851,789.28				265,000.00	1,590.00	266,590.00	13,118,379.28
2011	5,839,575.00	6,533,904.90	12,373,479.90	1,310,000.00	1,269,896.25	2,579,896.25	675,000.00	62,439.17	737,439.17	15,690,815.32
2012	6,505,000.00	5,674,447.52	12,179,447.52	1,295,000.00	1,288,087.50	2,583,087.50	390,000.00	54,175.00	444,175.00	15,206,710.02
2013	6,770,000.00	5,414,422.52	12,184,422.52	1,315,000.00	1,261,987.50	2,576,987.50	400,000.00	46,275.00	446,275.00	15,207,685.02
2014	7,040,000.00	5,128,166.27	12,168,166.27	1,345,000.00	1,235,387.50	2,580,387.50	405,000.00	38,225.00	443,225.00	15,191,778.77
2015	7,355,000.00	4,817,132.52	12,172,132.52	1,380,000.00	1,204,687.50	2,584,687.50	420,000.00	28,925.00	448,925.00	15,205,745.02
2016	7,680,000.00	4,489,616.27	12,169,616.27	1,415,000.00	1,166,212.50	2,581,212.50	425,000.00	18,362.50	443,362.50	15,194,191.27
2017	8,005,000.00	4,144,827.52	12,149,827.52	1,455,000.00	1,123,162.50	2,578,162.50	435,000.00	6,525.00	441,525.00	15,169,515.02
2018	8,360,000.00	3,782,492.52	12,142,492.52	1,505,000.00	1,075,000.00	2,580,000.00				14,722,492.52
2019	8,735,000.00	3,404,160.02	12,139,160.02	1,560,000.00	1,021,362.50	2,581,362.50				14,720,522.52
2020	9,125,000.00	3,010,987.52	12,135,987.52	1,615,000.00	965,800.00	2,580,800.00				14,716,787.52
2021	9,510,000.00	2,608,737.52	12,118,737.52	1,675,000.00	906,131.25	2,581,131.25				14,699,868.77
2022	9,930,000.00	2,191,056.27	12,121,056.27	1,750,000.00	830,975.00	2,580,975.00				14,702,031.27
2023	9,285,000.00	1,764,487.52	11,049,487.52	1,840,000.00	741,225.00	2,581,225.00				13,630,712.52
2024	9,700,000.00	1,343,693.77	11,043,693.77	1,935,000.00	646,850.00	2,581,850.00				13,625,543.77
2025	10,135,000.00	908,750.01	11,043,750.01	2,035,000.00	547,600.00	2,582,600.00				13,626,350.01
2026	8,235,000.00	502,193.75	8,737,193.75	2,130,000.00	452,793.75	2,582,793.75				11,319,987.50
2027	2,610,000.00	260,887.50	2,870,887.50	2,220,000.00	361,687.50	2,581,687.50				5,452,575.00
2028	2,740,000.00	139,937.50	2,879,937.50	2,315,000.00	265,318.75	2,580,318.75				5,460,256.25
2029	1,560,000.00	39,000.00	1,599,000.00	2,415,000.00	163,296.88	2,578,296.88				4,177,296.88
2030				2,525,000.00	55,234.38	2,580,234.38				2,580,234.38
Total	145,649,575.00	62,480,690.70	208,130,265.70	35,035,000.00	16,582,696.26	51,617,696.26	3,415,000.00	256,516.67	3,671,516.67	263,419,478.63

(1) See “Security For the Bonds” and “Table 4 – Outstanding Indebtedness.” Also, see “SELECTED FINANCIAL INFORMATION – Financing Programs” for information concerning other indebtedness of the University secured by other sources.

(2) Excludes the Refunded Obligations and the Bonds.

SECURITY FOR THE BONDS

The Revenue Financing System

The Resolution confirms the creation in 1998 of the Stephen F. Austin State University Revenue Financing System (the "Revenue Financing System"). The Revenue Financing System was established 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 thereunder be included, by Board action, as participants in the Revenue Financing System ("Participants"). The Revenue Financing System is intended to facilitate the assembling of all of the University's revenue-supported debt capacity into a single financing program in order to provide a cost effective debt program to Participants and to maximize the financing options available to the Board. Presently, only the University is a Participant, and the University currently has no plans to add additional Participants. 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 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. Presently there are no Prior Encumbered Obligations outstanding as described in Table 4 herein below. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A – DEFINITIONS."

Pledge Under Resolution

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

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board for the payment of Parity Obligations. Revenue Funds include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges; provided, however, that the following will not be included in Pledged Revenues unless and to the extent set forth in a Resolution authorizing the issuance of Parity Obligations: (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 – Higher Education Fund Bonds"); 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"). All legally available funds of the University, including unrestricted funds 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."

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 WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS." Also, see "SELECTED FINANCIAL INFORMATION – Financing Programs" for information concerning other indebtedness of the University secured by other sources.

Table 1 – Pledged Revenues

The following table contains a summary of the Pledged Revenues for the Fiscal Years Ending August 31, 2005 through 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, gifts, grants and contracts within the Educational and General Fund Group; and student service fees and private gifts in the Auxiliary Fund Group, as such terms are used in "APPENDIX B-FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2009."

	Fiscal Year Ended August 31 (1)				
	2009	**2008**	**2007**	**2006**	**2005**
Pledged Revenues (2)	$112,048,875	$105,264,453	$92,566,133	$80,877,816	$65,872,054
Pledged Auxiliary Unappropriated Balance	9,440,752	9,097,617	7,128,016	6,220,183	5,694,837
Total Pledged Revenues	$121,489,626	$114,362,070	$99,694,149	$87,097,999	$71,566,891

(1) In 2007, 2008, and 2009, tuition and fees were reported as a gross amount; in 2005 and 2006, tuition and fees were reported net of exemptions.

(2) Includes Student Center Fees and Student Recreational Sports Fees, which may only be used for payment of debt service on bonds issued to finance (and for purposes related to) the student center and student recreational facilities and programs, respectively. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Pledged Revenues." For the fiscal years ending August 31, 2009 and 2008, Pledged Revenues includes (i) Student Center Fees in the amount of $2,103,669 and $2,108,796, respectively, and (ii) Student Recreational Sports Fees in the amount of $2,706,403 and $2,693,435, respectively. Excludes State appropriations in the amount of $4,746,581 for each of the 2010 and 2011 fiscal years (totaling $9,493,162 for the 2010/2011 State biennium) for payment of debt service on tuition revenue bonds (TRBs). See "SELECTED FINANCIAL INFORMATION - Financing Programs".

Source: Unaudited annual financial reports for Fiscal Years ended August 31, 2005, 2006, 2007, 2008, and 2009, and Stephen F. Austin University Controller's Office.

Projected maximum and average annual debt service on the Outstanding Parity Obligations, including the Bonds, is $15,690,815.32 and $12,543,784.70, respectively (excludes the Refunded Obligations). See "PRO FORMA DEBT SERVICE REQUIREMENTS." The foregoing projection of maximum and average annual debt service on the Parity Obligations includes debt service on $53,130,000 aggregate principal amount of TRBs in respect of which the University expects to be reimbursed from State appropriations. See "SELECTED FINANCIAL INFORMATION – Financing Programs – Tuition Revenue Bonds" and "Table 4 – Outstanding Indebtedness."

Additional Obligations

Future Financings

The University does not anticipate the issuance of any Parity Obligations in 2010/2011.

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 – Future Capital Improvement Needs and Projected Debt Issuance."

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.

STEPHEN F. AUSTIN STATE UNIVERSITY

General Description

The University was created by the 36th Texas Legislature in 1921. From its inception as primarily a college for teacher training, the University's scope has been greatly expanded to that of a regional university.

The University is located in Nacogdoches, Texas, the county seat of Nacogdoches County. Nacogdoches, one of the oldest cities in Texas, was originally established in 1716 as the site of the Guadalupe de Nacogdoches Mission. Today it is a city of approximately 30,000 people with an economy based on timber, agriculture, poultry production, fertilizer and feed producing plants, and wood processing, as well as general commerce.

The main campus includes over 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 699 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 29 major instructional buildings and 16 residence halls, representing an investment of approximately $277 million. The East Texas Research Center, located in the library, manages the University's archives and serves as a Regional Historical Resource Depository ("RHRD") for inactive records of eight East Texas counties for the State of Texas. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History Collection. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory. At August 31, 2009, the cost value of all University capital assets net of depreciation was over $201 million.

Curriculum

The University is a comprehensive institution serving students (97% Texas residents) through a variety of undergraduate and graduate programs. More than 80 undergraduate programs and 49 Master's programs are available in six colleges (Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts, and Sciences and Mathematics). The Master's degrees include two terminal degree programs and Master of Fine Arts in Art and Master of Social Work. Additionally, the University offers the Doctor of Philosophy in Forestry, the Doctor of Education in Educational Leadership, and the Doctor of Philosophy in School Psychology.

First Time Freshman Statistics

	Fall Semester Enrollment for Fiscal Year[1]				
	2010	2009	2008	2007	2006
Men	844	859	858	845	757
Women	1,519	1,451	1,324	1,401	1,164
Total	2,363	2,310	2,182	2,246	1,921
% Change	2.29%	5.87%	<2.85%>	16.92%	9.52%
One Year Retention Rate[2]	65.00%	63.00%	64.00%	64.00%	67.00%

(1) Represents Full-Time Enrollment Students.
(2) One-year retention rates for the fall year are return rates for the first-time, full-time freshmen enrolled in the prior fall term.
Source: Stephen F. Austin State University Office of Institutional Research.

Table 2 – Enrollment Data [1]

	Fiscal Year 2010	Fiscal Year 2009			
Type of Student:	Fall 2009	Summer II 2009	Summer I 2009	Spring 2009	Fall 2008
Texas Resident	12,379	3,947	4,463	10.770	11,538
Out of State	290	88	95	262	270
Foreign	164	57	57	183	174
Inter-institutional	12	9	39	11	8
Total	12,845	4,101	4,654	11,226	11,990
Hazlewood Act	55	21	27	48	48
High School scholarship	18	0	0	23	20
Good Neighbor	8	2	1	6	6
St. Commission Blind/Deaf	44	23	26	50	56
Orphaned Children of Public Employees	4	2	1	3	5
Foster Care	15	8	7	15	15
Concurrent Enrollment	193	11	29	127	97
Distance Education[2]	793	773	838	593	551
Other Exemptions & Out of State Waivers	299	142	157	381	356

(1) Includes combined headcount number for Undergraduate and Graduate students.
(2) Distance Education Waiver implemented in Fall 2008.
Source: Stephen F. Austin Bursar Office, Report RFA110, RFA520E and BFA062

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Fall Enrollment Trend Data

Fiscal Year	Students	Semester Hours
2010	12,845	157,769
2009	11,990	148,790
2008	11,607	145,669
2007	11,756	146,554
2006	11,435	142,247
2005	11,287	138,654
2004	11,408	140,221
2003	11,356	141,479
2002	11,569	146,739
2001	11,484	145,499
2000	11,919	150,767
1999	12,132	153,555
1998	12,041	152,503
1997	11,690	147,577
1996	11,758	147,842
1995	12,206	153,533
1994	12,493	159,649
1993	12,721	162,372
1992	12,687	162,639

Source: Stephen F. Austin State University Office of Institutional Research.

Degrees Awarded by School and Percent of Total

	For Fiscal Year Ended August 31,									
	2009		2008		2007		2006		2005	
Business	334	15.22%	306	13.45%	307	13.91%	325	15.01%	311	13.69%
Education	582	26.50%	603	26.51%	598	27.10%	583	26.93%	559	24.61%
Fine Arts	130	5.92%	147	6.46%	102	4.62%	101	4.67%	125	5.50%
Forestry and Agriculture	92	4.19%	83	3.65%	76	3.44%	71	3.28%	117	5.15%
Liberal and Applied Arts	414	18.86%	475	20.88%	480	21.75%	444	20.51%	491	21.62%
Sciences & Mathematics	192	8.75%	198	8.70%	171	7.75%	176	8.13%	182	8.01%
Graduate	451	20.55%	463	20.35%	473	21.43%	465	21.48%	486	21.40%
Total	2,195	100.00%	2,275	100.00%	2,207	100.00%	2,165	100.00%	2,271	100.00%

Source: Stephen F. Austin State University Office of Institutional Research.

Faculty Profile

During the fall semester 2009, the University employed 485 full-time instructional faculty and 192 part-time faculty (excludes teaching assistants).

Approximately 83% of the full-time faculty hold academic rank and 43% of full-time faculty are tenured. The following data apply to the full-time faculty:

Academic Credentials	Number	Academic Rank	Number	% Tenured
Doctorate	329	Professor	107	100.00
Master's Degree (or equivalent)	150	Associate Professor	91	93.41
Other	6	Assistant Professor	151	10.60
		Instructor	55	3.64
		Lecturer	37	0.00
		Visiting/Spec. Professor	8	0.00
		Adjunct	36	0.00
Total	485	Total	485	43.30

Source: Stephen F. Austin State University Office of Institutional Research.

Deposits and Investments

In 2005, the University implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3. This statement establishes and modifies disclosure requirements related to investment risks: credit risk including custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. The statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign credit risk. See "APPENDIX B – FINANCIAL REPORT OF STEPHEN F. AUSTIN FOR THE YEAR ENDED AUGUST 31, 2009 – NOTE 3."

Deposits of Cash in Bank

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. At August 31, 2009, the carrying amount of the University's deposits was $81,548,229.16 and total cash balances equaled $83,596,120.01. Bank balances of $2,364,322.33 were covered by federal depository insurance, $81,231,797.68 was covered by collateral pledged in the University's name and $0 was uninsured and uncollateralized. The collateral was held in the safekeeping departments of unrelated banks that act as the pledging banks' agents. Cash and Temporary Investments, as reported on the Balance Sheet contained in APPENDIX B.

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Investments and Cash

As of August 31, 2009, the fair value of cash and investments are as presented below:

Business-Type Activities:	Market Value
U.S. Government	
U.S. Treasury Securities	$ 2,641,091.80
U.S. Government Agency Obligations	5,640,479.40
Corporate Obligations	1,991,170.07
Equity	3,448,616.46
International Obligations (Government and Corp)	399,703.31
International Equity	895,592.68
Fixed Income Money Market and Bond Mutual Fund	26,408,047.77
Other commingled Funds (Texpool)	397,074.02
Alternative Investments	1,250,472.42
Total Investments	43,072,248.03
Plus: Cash in Bank	57,314,010.46
Total Cash and Temporary Investment	$100,386,258.49

As displayed on Statement of Net Assets:

Bank Deposits:	
Cash in Bank	$ 57,314,010.46
Investments:	
Current Assets:	
Cash Equivalents	397,074.02
Short-Term Investments	16,015,892.05
Restricted Cash Equivalents	13,878,143.61
Restricted Short-Term Investment	2,390,945.35
Non-Current Assets:	
Restricted:	
Endowments	8,711,490.27
Unrestricted:	
Investments: Quasi-Endowments	4,445,521.28
Operating	21,467,400.15
Subtotal (Investments)	124,620,477.19
Less: Certificates of Deposit	(24,234,218.70)
Total Cash and Temporary Investments	$100,386,258.49

Investments as of January 31, 2010:

	Market Value
U.S. Government	
U.S. Treasury Securities	$ 637,630.85
U.S. Government Agency Obligations	450,460.00
Corporate Obligations	2,200,820.71
Equity	3,371,452.00
International Obligations (Government and Corp)	
International Equity	1,016,835.00
Fixed Income Money Market and Bond Mutual Fund	22,252,401.20
Other commingled Funds (Texpool)	12,111.39
Alternative Investments	1,431,811.43
Total Investments	$ 31,373,522.58

Endowments

The University spending policy provides for a target distribution rate of between 4% and 5%. The policy states that if returns permit, an amount equal to the rate of inflation will be added back to each endowment balance. Additionally if there are any returns beyond the inflation rate, then this amount will be added to a contingency reserve that may be distributed during years of poor investment performance. In 2009, 4% of the weighted average market value of the endowment pooled investments was either distributed to spending accounts or used to offset investment losses in the individual endowment accounts. No amounts were added to the contingency reserve account.

Retirement Plans

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

The State has also established an optional retirement program ("ORP") for institutions of higher education for certain administrative personnel and faculty. Participation in the ORP is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The ORP allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. 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 effective as of January 1, 2010 is comprised of 6.40% from the ORP appropriation and 2.10% from other funding sources. The 6.40% contribution is mandatory with the other 2.10% being at the discretion of the Board. The Board has approved the additional contributions for these employees. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.40% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

GASB 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2009 fiscal year was $2,006,468.00 and the amount contributed by the University was $2,240,786.52.

The retirement expense to the State for the participants was $2,671,688.20 for the fiscal year ended August 31, 2009. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

University's Budget Reduction Plan

As described under "THE AUTHORITY – Gubernatorial Budget Reduction Request," Governor Rick Perry and other State government leaders, issued a joint request to all State Agencies requesting that each State Agency submit a Savings Plan to identify savings in priority increments totaling 5% of general revenue and general revenue-dedicated appropriations for the 2010-11 biennium. With respect to the University, such 5% reduction equates to approximately $4,000,000. In order to achieve the requested reductions, the University submitted a plan identifying potential 5% reductions by reducing staffing levels through hiring freezes, reducing travel and operational expense, and deferring capital spending.

At this time, the Board cannot predict whether, or in what manner, Savings Plans may be implemented by the State, nor can the Board predict the effect of measures, if any, resulting from the implementation of Savings Plans on the operations or financial condition of the State. However, the Board does not expect that any such measures will adversely affect the University's operations or financial condition or the provision for or payment of debt service on the Board's outstanding debt.

SELECTED FINANCIAL INFORMATION

Financial Reports

The Vice President for Finance and Administration is responsible for the operational activities and financial management of Stephen F. Austin State University's debt, cash, risk, budgets, accounting, financial statements, and investment management of the operating and endowment funds.

State CAFR

The State issues an audited Comprehensive Annual Financial Report ("CAFR"), prepared in accordance with generally accepted accounting principles, for the State as a whole. The CAFR is normally available in April of each year. The CAFR is prepared by the Comptroller of Public Accounts and is audited by the State Auditor's Office. The State Auditor expresses an opinion on the CAFR but does not express an opinion on the financial reports of individual member units, including those of Stephen F. Austin State University.

The Fiscal Year of the State and Stephen F. Austin State University begins on September 1 of each year. Annually, not later than November 20th, an unaudited financial report dated as of August 31, prepared from the books of Stephen F. Austin State University, must be delivered to the Governor and the State Comptroller of Public Accounts. In certifying the financial reports included in the CAFR, the State Auditor examines the financial records of Stephen F. Austin State University. *No independent audit in support of this detailed review is required or obtained by Stephen F. Austin State University*.

Stephen F. Austin State University Financial Reports

Stephen F. Austin State 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 financial statements are materially in accordance with "Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements." The requirements are also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education as revised by GASB No. 34 and No. 35, published by the National Association of College and University Business Officers (NACUBO).

Attached to this Official Statement as "APPENDIX B – FINANCIAL REPORT OF STEPHEN F. AUSTIN FOR THE YEAR ENDED AUGUST 31, 2009" is the most recent unaudited annual financial report for the University. The University's unaudited financial statements consist of the Statement of Net Assets as of August 31, 2009, the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2009, and the Statement of Cash Flows for the Year Ended August 31, 2009.

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

The table on the following pages presents the Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years 2009, 2008, 2007, 2006, and 2005.

	For Fiscal Years Ending August 31,				
	2009	2008	2007	2006	2005
Operating Revenues:					
Sales of Goods and Services					
Tuition & Fees – Pledged	$72,088,646	$67,239,336	$57,443,265	$51,289,442	$44,887,862
Tuition & Fees – Non-Pledged	3,562,408	3,436,716	3,294,241	3,129,963	3,026,693
Tuition – Discounts / Allowances	(15,364,145)	(13,392,578)	(12,311,029)	(10,604,734)	(8,663,434)
Auxiliary Enterprise – Pledged	33,593,431	30,791,332	28,323,272	22,694,200	20,512,199
Auxiliary Enterprise – Non-Pledged	1,460,298	1,152,567	1,411,209	887,554	945,004
Auxiliary Enterprise – Discounts/Allowances	(6,546,048)	(5,420,832)	(5,074,719)	(4,180,322)	(3,708,889)
Other Sales of Goods and Svcs – Pledged	4,442,240	4,428,406	3,754,490	3,682,579	3,136,212
Other Sales of Goods and Svcs. – Non-Pledged	931,862	1,028,787	1,230,398	1,171,220	815,526
Interest and Investment Income (PR)	114,603	189,529	188,608	183,728	65,316
Federal Revenue	19,914,109	17,431,335	15,503,620	14,842,223	13,945,060
Federal Pass Through Revenue from non-State Agency	141,402				
Federal Pass Through Revenue	3,969,013	3,321,741	3,237,154	4,235,374	849,382
State Grant Revenue		837,983	786,906	575,061	468,160
State Grant Pass through Revenue	6,883,874	4,042,864	3,878,375	4,367,220	4,230,341
Local Contracts and Grants	824,448	595,523	502,475	238,027	355,812
Other Contracts and Grants	486,882	302,670	416,792	651,246	837,666
Other Operating Revenues	4,460	4,108	10,765	21,191	64,011
Total Operating Revenues	126,507,482	115,989,487	102,595,824	93,185,972	81,766,923
Operating Expenses:					
Cost of Goods Sold	8,865,592	7,793,097	6,570,532	5,811,669	5,376,380
Salaries and Wages	81,874,369	75,959,933	70,782,231	67,752,061	64,118,502
Payroll Related Costs	20,911,956	19,572,226	18,445,775	17,332,491	16,081,665
Professional Fees and Services	1,694,081	1,624,462	1,477,896	1,674,622	1,710,449
Travel	2,412,501	2,278,773	2,026,920	1,924,836	1,934,403
Materials and Supplies	14,665,367	15,038,190	17,184,358	121,129,681	5,472,001
Communication and Utilities	12,624,376	11,788,438	11,475,015	10,966,934	9,180,234
Repairs and Maintenance	3,193,879	3,895,941	3,114,489	1,938,882	1,639,948
Rentals and Leases	1,910,739	2,110,336	1,682,376	1,789,196	1,252,072
Printing and Reproduction	560,397	698,274	662,366	631,263	550,108
Federal Pass Through Expenditure	1,104,068	1,056,690	663,595	799,018	75,133
State Pass Through Expenditure	27,164		6,374,641		
Depreciation	10,014,071	9,939,710	7,715,953	5,724,050	4,058,098
Bad Debt Expense	251,695	317,074	212,877	5,645	(5,155)
Interest Expense	32	476	944	516	1,624
Scholarships	13,563,337	13,152,371	13,125,624	11,191,935	11,138,205
Claims and Settlements	(21,793)	250	45	6,436	
Other Operating Expenses	6,218,699	5,681,633	5,481,912	5,631,531[1]	8,472,881
Total Operating Expenses	179,870,528	170,907,876	160,686,656	145,310,764	131,056,548
Operating Income (Loss)	(53,363,046)	(54,918,389)	(58,090,832)	(52,124,791)	(49,289,625)

(1) Furniture, equipment and other controlled expenditures that do not meet capitalization thresholds were recognized as Other Operating Expenses until fiscal year ending August 31, 2006.

Source: Unaudited Financial Reports for the fiscal years ended August 31, 2009, 2008, 2007, 2006, and 2005.

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

	For Fiscal Years Ending August 31,				
	2009	2008	2007	2006	2005
Nonoperating Revenues (Expenses):					
Legislative Revenue	43,685,586	43,677,367	40,045,553	40,092,510	38,026,807
Additional Appropriations	10,763,260	10,756,380	9,824,597	9,590,476	88,886,299
Federal Pass Through Revenue			13,611		
Gifts	2,884,361	2,467,782	2,247,463	2,298,280	2,399,512
Land Income		3,200	100	700	
Other Rental Income		2,768			
Investment Income (Pledged)	2,447,307	2,405,550	2,370,880	1,536,190	1,074,910
Investment Income (Non-Pledged)	(464,637)	290,619	369,273	291,448	460,561
Net Increase (Decrease) Fair Value Pledged	(856,677)	325,692	167,467	103,580	(233,699)
Net Increase (Decrease) Fair Value Nonpledged		(496,831)			
Investing Activities Expenses	(50,579)	(80,559)	(16,753)	(90,156)	(107,183)
Income on Loans Receivable	103,486	(115,694)	217,006	139,804	144,903
Interest on Capital Investments Pledged	(15,553)	34,097	121,310	1,302,184	225,664
Interest Expenses and Fiscal Charges	(5,397,152)	(5,216,737)	(3,487,419)	(1,743,338)	(1,021,076)
Gain (Loss) on Sale of Capital Assets	71,023	(119,971)	(16,040)	(123,501)	(42,260)
Unrealized Gain (Loss) on Capital Investments					
Settlement of Claims	68,620	(12,219)	260,511	4,567	20,000
Other Nonoperating Revenues	10,174				89,152
Other Nonoperating Expenses		(1,615)	(10,630)	(6,905)	(1,151)
Total Nonoperating Revenues (Expenses)	53,249,240	53,919,827	52,106,930	53,431,839	49,922,439
Income (Loss before Other Revenues, Expenses, Gains/Losses and Transfers	(113,806)	(998,562)	(5,983,902)	1,307,048	632,814
Other Revenues, Expenses, Gains/Losses and Transfers					
Capital Contributions	1,422,277	372,361	1,795,674		
Capital Appropriations (HEF)	6,907,643	7,025,771	4,683,847	4,683,847	6,633,109
Additions to Permanent & Term Endowments	123,723	136,678	835,173	551,399	582,393
Lapsed Appropriations		(550,000)			
Transfers-In/(Out) to other state agencies	(828,844)	(700,235)	(854,614)	(507,293)	(227,476)
Total Other Revenue, Expenses, Gain/Losses and Transfers	7,624,800	6,284,575	6,460,080	4,727,953	6,988,026
Change in Net Assets	7,510,993	5,286,013	476,178	6,035,001	7,620,840
Total Net Assets, Sept. 1, 20xx	117,670,218	113,091,719	112,615,541	108,454,259	115,410,271
Restatements:	(42,493)	(707,515)		(1,873,719)	(14,576,852)
Total Net Assets, Sept. 1, 20xx as Restated	117,627,726	112,384,205	$112,615,541	$106,580,540	$100,833,419
Total Net Assets, August 31	$125,138,719	$117,670,218	$113,091,719	$112,615,541	$108,454,259

Source: Unaudited Financial Reports for the fiscal years ended August 31, 2009, 2008, 2007, 2006, and 2005.

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2009 consisted of government appropriations; tuition and student fees; gifts, investment and endowment income; sales and services, and other sources; auxiliary enterprises; and other sources. 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.

Tuition and Fees

Each Texas public university granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and the designated tuition fee was subject to a per-semester-credit-hour cap set by the Texas Legislature, which permitted undergraduate tuition applicable to State residents to be charged up to up to $96 per semester credit hour for the 2004-2005 academic year, up to $100 per semester credit hour in the 2005-2006 academic year and thereafter. Tuition and fee charges subsequent to deregulation for the 2010-11 academic year are comprised of "State Mandated Tuition" and "Board Designated Tuition," as further described below.

State Mandated Tuition

Section 54.051, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to $50 per semester credit hour for the 2010-11 academic year; and (ii) tuition of a non-resident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the non-resident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than this State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2010-11 academic year, the Coordinating Board computed $360 per semester credit hour for non-resident undergraduate tuition. The tuition rates described above are referred to in this document as "State Mandated Tuition." Section 56.033 of the Texas Education Code requires that not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge be set aside for Texas Public Education Grants. Section 56.095 of the Texas Education Code authorizes each institution to set aside $2 for each semester hour for which a doctoral student is enrolled pursuant to the Doctoral Loan Incentive Program.

Academic Year	**Fee/ Semester Hour**
Fall 2005-2006	$50
Fall 2006-2007	50
Fall 2007-2008	50
Fall 2008-2009	50
Fall 2009-2010	50
Fall 2010-2011	50

Board Designated Tuition

During the regular session of the 78th Texas Legislature that ended June 2, 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to as "Board Designated Tuition") that it considers necessary for the effective operation of the institution. The new legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the University to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board has authorized the Board Designated Tuition rate, beginning with the 2010 fall semester, at $119.85 per semester credit hour for all University students. No less than 20% of the Board designated tuition charged to resident undergraduate students in excess of $46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated tuition charged to resident graduate students in excess of $46 per semester hour will be set aside to provide financial assistance to resident graduate students, consistent with the provisions of Texas Education Code Section 56.012.

Academic Year	Designated Tuition (General Fee)/Semester	Capped Aggregate Amount
Fall 2005-2006	$76	$1,216
Fall 2006-2007	85	1,360
Fall 2007-2008	97	1,552
Fall 2008-2009	106	1,696
Fall 2009-2010	111	1,776
Fall 2010-2011	119.85	1,918

Board Authorized Tuition

Section 54.008 of the Texas Education Code permits the governing board of each institution to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State Mandated tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board has set graduate tuition at an additional $30 per semester hour for both resident and non-resident graduate University students.

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 and non-resident students for the 2010-11 academic year based on 15 semester credit hours per semester for undergraduate students and nine semester credit hours per semester for graduate students.

**State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, Mandatory Fees And Financial Set-Aside
2010-2011 Academic Year
Based on 15 Undergraduate and 9 Graduate Credit Hours per Fall & Spring Semesters**

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside [(1)]
Resident Undergraduate	$ 750	$ 1,798	$ 0	$ 951	$ 3,499	$ 334
Non-resident Undergraduate	5,400	1,798	0	951	8,149	162
Resident Masters	450	1,079	270	671	2,470	167
Non-resident Masters	3,240	1,079	270	671	5,260	97
Resident Doctoral	450	1,079	270	671	2,470	185
Non-resident Doctoral	3,240	1,079	270	671	5,260	115

(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).

Source: Stephen F. Austin University Controller's Office.

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."

State Government 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 33.00% of the Revenue Funds (as defined in the Resolution) of the University. See ‘‘Table 3 - Statement of Revenues, Expenses and Changes in Net Assets.” The State Legislature finished its last regular session on June 1, 2009. State appropriations to most institutions of higher education (including the University) were substantively unchanged compared to prior years.

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 Funds"). The allocation of Higher Education 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 will be $6,907,643 in 2010 and $8,425,937 in 2011.[1]

The University may use the Higher Education 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 Funds and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds.

Private Financial Support

In Fiscal Years 2006-2009, SFASU received contributions (gifts, grants and contracts) averaging $3.8 million annually from the private sector. Contributions for the Fiscal Year 2009 equaled approximately $4.8 million.

Financing Programs

The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements. In addition to the Revenue Financing System, the Board has issued Higher Education Bonds and certain obligations of the Revenue Financing System have been issued as Tuition Revenue Bonds.

Higher Education Fund Bonds

The Board is authorized to issue bonds and notes to finance permanent improvements and to pledge up to 50% of its allocation of Higher Education Fund moneys to secure the payment of principal of and interest on the bonds and notes. See "SELECTED FINANCIAL INFORMATION – Funding for the University". On December 18, 2008, the University issued its State of Texas Constitutional Appropriation Bonds (Stephen F. Austin State University), Series 2008 (the "Series 2008 Constitutional Appropriation Bonds"), in the aggregate principal amount of $10,200,000 to finance completion of an Early Childhood Research Center. See "Future Capital Improvement Needs and Projected Debt Issuance." The Series 2008 Constitutional Appropriation Bonds constitute the University's only outstanding HEAF bonds. See – "SECURITY FOR THE BONDS – Additional Obligations."

Tuition Revenue Bonds

College and university revenue bonds may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the applicable system or institution of higher education in accordance with Chapter 55, Texas Education Code. Historically, however, the State has appropriated funds to institution of higher education in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions pursuant to Chapter 55, Texas Education Code ("Tuition Revenue Bonds" or "TRBs").

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[1] On November 3, 2009, voters of the State approved an amendment (the "Amendment") to the Constitution of the State that provides for the dissolution of the dedicated Higher Education Fund that was previously established pursuant to Article VII, Section 17(i) and directs that the assets of the Higher Education Fund be transferred to the newly authorized National Research University Fund. As a result of the Amendment, the eventual establishment of a dedicated Higher Education Fund to provide an alternative source of funding under Article VII, Section 17 (in lieu of the constitutional appropriation of moneys coming into the State treasury) is no longer provided under Article VII, Section 17 and such funding will continue to be provided through the constitutional appropriation of moneys coming into the State treasury. The University does not expect the Amendment to have a material impact on the University's financial condition.

On November 3, 2009, voters of the State approved an amendment (the "Amendment") to the Constitution of the State that provides for the dissolution of the dedicated Higher Education Fund that was previously established pursuant to Article VII, Section 17(k) and directs that the assets of the Higher Education Fund be transferred to the newly authorized National Research University Fund. As a result of the Amendment, the eventual establishment of a dedicated higher Education Fund to provide an alternative source of funding under Article VII, Section 17 (in lieu of the constitutional appropriation of moneys coming into the State treasury) is no longer provided under Article VII, Section 17 and such funding will continue to be provided through the constitutional appropriation of moneys coming into the State treasury. The University does not expect the Amendment to have a material impact on the University's financial condition.

A portion of the University's Parity Obligations are issued as Tuition Revenue Bonds, and the State has appropriated funds to the University in prior years (including appropriations made during 2009 to pay debt service due in fiscal years 2010 and 2011) in an amount equal to all or a portion of the debt service on such Parity Obligations. See "Table 4 – Outstanding Indebtedness." However, the payment of debt service on such bonds does not constitute a debt of the State, and the State is not obligated to continue making such appropriations in the future.

Table 4 - Outstanding Indebtedness

The University after delivery of the Bonds will have outstanding the following described indebtedness:

Revenue Financing System Obligations	
Revenue Financing System Revenue Bonds, Series 2002[(1)]	$ 9,910,000
Revenue Financing System Revenue Bonds, Series 2002A	190,000
Revenue Financing System Revenue Bonds, Series 2004	21,190,000
Revenue Financing System Revenue Bonds, Series 2004A	4,480,000
Revenue Financing System Revenue Bonds, Series 2005	14,735,000
Revenue Financing System Revenue Bonds, Series 2005A	51,815,000
Revenue Financing System Revenue Bonds, Series 2008[(1)]	16,340,000
Revenue Financing System Revenue Bonds, Series 2009[(1)]	21,080,000[(2)]
Revenue Financing System Revenue Bonds, Series 2010	35,035,000
Revenue Financing System Revenue Refunding Bonds, Series 2010A	3,415,000
TOTAL REVENUE FINANCING SYSTEM OBLIGATIONS	178,190,000[(3)]
Constitutional Appropriation Obligations	
Constitutional Appropriation Bonds, Series 2008	9,330,000
TOTAL OBLIGATIONS	$187,520,000[(3)]

There are no outstanding Prior Encumbered Obligations. The University does not anticipate the issuance of any Parity Obligations in 2010/2011.

(1) All or a portion of these issues include the TRBs that will receive a State appropriation in the amount of $9,493,162 during the 2010/2011 State biennium. Future years' debt service is expected to be paid from additional State appropriations.
(2) Includes accreted interest of $10,284.
(3) Excludes the Refunded Obligations.

Investment Policy and Procedures

Management of Investments

As provided in the Texas Education Code, each member of the Board has the legal responsibilities of a fiduciary in the management of funds under the control of the University. All investments are made in accordance with applicable State and federal regulations. The Board has provided for centralized investment management under the direction of the Vice President for Finance and Administration. Investments are managed both internally by University staff, and externally, by unaffiliated investment managers. The Board receives quarterly reports regarding asset allocation, investment returns, and comparative investment results and indices.

Authorized Investments

All available funds held by the University are authorized to be invested in accordance with the Public Funds Investment Act and with the written investment policy of the Board. Investments are to be made with the judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income therefrom as well as the probable increase in value and the safety of their capital. In the management of University investments, consideration is given to the requirements of liquidity, diversification, safety of principal, yield, maturity, quality, and capability of investment management, with primary emphasis on safety of principal.

Investment Programs

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. Diversification maximums and actual investment levels for eligible securities as of August 31, 2009 were:

	Maximum (%)	**Actual (%)**
United States Treasury or Government securities	100.00	3.58
United States Agency securities	50.00	6.68
Mortgage-backed securities	25.00	0.98
Corporate obligations	50.00	3.25
Fully insured or collateralized certificates of deposit	100.00	32.74
Bankers' acceptances	25.00	
Commercial paper	25.00	
Repurchase agreements	100.00	
Registered money-market funds	100.00	35.53
Local government Investment Pool	100.00	0.53
Bank deposits	100.00	7.82
Equities	70.00	5.84
Alternative Investments	25.00	1.68
Cash at State Treasury	100.00	1.37
Totals		100.00

Endowments

The University is benefited by endowments consisting of marketable securities and investments which are not pledged to the payment of debt obligations. Those endowments, including both true endowments and quasi endowments, were valued as of August 31, 2009 at $13,192,731 and December 31, 2009 at $13,667,600. Market value of the true endowments as of August 31, 2009 was $8,444,306.

Debt Management

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

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 that 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 shall be secured by and payable from a lien on the Pledged Revenues, and the Board hereby assigns and pledges the Pledged Revenues to the payment of the principal of, premium, if any, and interest on Parity Obligations, and the Pledged Revenues are further pledged to the establishment and maintenance of any funds that may be provided to secure the repayment of Parity Obligations in accordance with the Resolution. 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.

Certain institutions that may become Participants in the Financing System may be combined or divided and so long as such combined or divided institutions continue to be governed by the Board such action shall not be in violation of the provisions of the Resolution or require any amendments of the provisions hereof. Subject to the conditions set forth below, any Participant in the Financing System or portion thereof may be closed and abandoned by law or may be removed from the Financing System (thus deleting the revenues, income, funds and balances attributable to said Participant or portion thereof from Pledged Revenues) without violating the terms of the Resolution provided: (1) the Board approves and delivers to the Authority an Officers' Certificate to the effect that, to the knowledge thereof, after the release of such Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System; and (2) the Board and the Authority receive an Opinion of Counsel that shall state 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 resolution hereafter adopted governing the issuance of Parity Obligations relating to such release have been complied with; and (3) (A) if the Participant or portion thereof to be released from the 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 Obligation; or (ii) pledge to the payment of Parity Obligation, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligation; or (B) if the Participant or portion thereof to be released from the 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 enter into a binding obligation with 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 Obligation or to pay or discharge said Participant's Direct Obligation, 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; and (C) If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Financing System, or if the Board is required by law to assume the governance of an institution or agency, it may include said institution or agency in the Financing System with the effect set forth in the Resolution by the adoption of a resolution amending the Resolution, which resolution shall be binding upon the Authority.

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 Prior Encumbered Obligations and to the other provisions of the resolution, the Board covenants and agrees 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, shall 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 shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the resolution, but merely the carrying out of the provisions and requirements hereof.

Student Center Fees

Subject to the provisions of the resolution authorizing the University's Series 2004 Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect student center fees required or authorized by law to be imposed on students pursuant to Section 54.520 of the Texas Education Code for the purpose of paying debt service on the Series 2004 Bonds; provided, however, that such student center fees shall be used only for the purpose of acquiring, constructing, renovating, operating, maintaining, improving, equipping, and financing a university center or additions to the center.

Student Recreational Sport Fees

Subject to the provisions of the resolution authorizing the University's Series 2005A Bonds, the Board has covenanted and agreed to fix, levy, charge and collect student recreational sport fees required or authorized by law to be imposed on students pursuant to Section 54.5201 of the Texas Education Code for the purpose of paying debt service on the Series 2005A Bonds; provided, however, that such student recreational sport fees shall be used only to purchase equipment for and to construct, operate, and maintain recreational sports facilities and programs.

Annual Obligation

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

Anticipated Deficit

If the Board determines, for any reason whatsoever, that there are not anticipated to be legally available funds, including Pledged Revenues, sufficient to meet all financial obligations of the Board relating to the Financing System including the deposits and payments due on or with respect to Outstanding Parity Obligations as the same mature or come due, or that any Participant in the Financing System will be unable to pay its Annual Direct Obligation in full, then the Board shall fix, levy, charge, and collect such rentals, rates, fees, tuition, or other charges at each Participant in the Financing System 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 in subsection (f)], as will be at least sufficient to provide, together with other legally available funds, including Pledged Revenues, the money for making when due all financial obligations of the Board relating to the 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 Participant in the Financing System resulting from an event described in subsection (e) will be based upon a certificate and recommendation of the Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at each Participant in the Financing System (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 in the Financing System) that will be anticipated to result in: (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant; and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all deposits and payments due on or with respect to: (A) the Prior Encumbered Obligations; and (B) all 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 University 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 Bond 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 from 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 that, 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 and represented 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, that 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 financed through the Revenue Financing System; (vi) to not incur any additional Debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report, to the Authority, appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Special Obligations

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

Waiver of Covenants

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

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or default in the payment of said obligations, or of any interest due thereof, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State, 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. 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:

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

(2) 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;

(3) 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;

(4) 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;

(5) 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;

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

(7) To make such other amendments as necessary to comply with the Rule.

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 described below, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption (with respect to New Money Bonds), 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/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to 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/Registrar for the payment of its services until 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 hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged under the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) described in the preceding paragraph shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with the Resolution. Any money so deposited with the Paying Agent/Registrar as described herein may at the written discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as specified in the Resolution, and all resultant income from all Defeasance Securities in possession of the Paying Agent/Registrar which is not required for the payment of such Bond and premium, if any, 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 applicable 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 Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/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/Registrar in accordance with the Resolution for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the applicable 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 Resolution (being only with respect to New Money Bonds), the Authority may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the applicable Resolution provisions described herein with respect to such Defeased Bond as though 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.

In the event that the Authority elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Board issued by the Authority on behalf of the University secured by and payable from the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of certain of the Pledged Revenues securing any outstanding Prior Encumbered Obligations, and the approving legal opinion of Andrews Kurth LLP, Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX EXEMPTION," the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The forms of Bond Counsel's opinions are 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," as to which no opinion is expressed), "DESCRIPTION OF THE BONDS" (except under the subcaption "Book–Entry-Only System," as to which no opinion is expressed), "SECURITY FOR THE BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," "LEGAL MATTERS," "TAX EXEMPTION," "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and "APPENDIX A – DEFINITIONS", and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds and the Resolution and are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., San Antonio, Texas.

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

Forward Looking Statements

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

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

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

TAX EXEMPTION

In the opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, (a) interest on the Bonds is excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income of the owners thereof for federal income tax purposes, (2) interest on the New Money Bonds is not includable in the alternative minimum taxable income of individuals and corporations, and (3) interest on the Refunding Bonds is not includable in the alternative minimum tax on individuals, or except as described below, corporations.

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

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

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the 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 Board and the Authority described above. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, 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.

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

Interest on tax-exempt obligations, such as the Refunding Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in

such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

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

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS

Discount Bonds

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

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

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. **Corporations that purchase the Refunding Bonds that constitute Discount Bonds must take into account original issue discount as it is deemed to be earned for purposes of determining the alternative minimum tax.** Owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX EXEMPTION" for a discussion regarding the alternative minimum taxable consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

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

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

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

Premium Bonds

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

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

LEGAL INVESTMENTS IN TEXAS

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

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

RATINGS

The Bonds have been rated "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's") based upon AGM's delivery of the Policy. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein. In addition, the Bonds have been rated "A+" (positive outlook) and "A2" (stable outlook) by Fitch Ratings and

Moody's, respectively, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the University makes no representation as to the appropriateness of the ratings. There is no assurance that the ratings of the University will continue for any given period of time or that they will not be revised downward or withdrawn entirely if in the judgment of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and have not been registered or qualified under the securities acts of any other jurisdiction. Neither the Authority nor the Board assume any responsibility for registration or 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 registration or 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 or qualification provisions.

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 the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the general public, free of charge, via the Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

Annual Reports

The Board will provide certain updated financial information and operating data to 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," "STEPHEN F. AUSTIN STATE UNIVERSITY," and "SELECTED FINANCIAL INFORMATION" and in APPENDIX B. The Board will update and provide this information within 180 days after the end of each Fiscal Year, beginning after the 2010 Fiscal Year. The Board will provide the updated information to the Authority and the MSRB.

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"). The updated information will include annual audited financial statements for the University, if the Board commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited statements and audited financial statements when and if such audited financial statements become available. Any such financial statements of the University will be prepared in accordance with the accounting principles described in Appendix B hereof or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation. It is not expected that the Board will commission an audit. Hence, unaudited financial statements, as shown in Appendix B, are expected to be provided. However, the University is audited as part of the State of Texas audit, but separate financial statements are not available.

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

Material Event Notices

The Board will also provide timely notices of certain events to the MSRB. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Resolution make any provision for debt service reserves, liquidity enhancement, or redemption of the Refunding Bonds prior to stated maturity. 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

All information and documentation filing required to be made by the Board in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB through the EMMA website, accessible at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the last five years, the Board and the Authority have complied in all material respects with their continuing disclosure agreements made in accordance with the Rule.

NO LITIGATION

Neither the Board nor the University is a party to any litigation or other proceeding pending or, to the Board's knowledge, threatened, in any court, agency or other administrative body (either state or federal) that, if decided adversely to the Board or the University, would have a material adverse effect on the financial condition of the

University. On the date of delivery of the Bonds to the Underwriters, the Board will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or that would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

UNDERWRITING

Estrada Hinojosa & Company, Inc., as the authorized representative of a group of underwriters (the "Underwriters"), has agreed, subject to certain conditions, to purchase the New Money Bonds at a price equal to the initial offering price of the New Money Bonds shown on the inside cover page of this Official Statement less an underwriting discount of $218,071.37 and no accrued interest. The Underwriters have agreed, subject to certain conditions, to purchase the Refunding Bonds at a price equal to the initial offering price of the Refunding Bonds shown on the inside cover page of this Official Statement, less an underwriting discount of $17,458.03 and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities Inc., one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

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

CO-FINANCIAL ADVISORS

First Southwest Company and Kipling Jones & Company have contracted as Co-Financial Advisors to the Authority in connection with the issuance of the Bonds. The Co-Financial Advisors' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company and Kipling Jones & Company, in their capacity as Co-Financial Advisors, have not verified and do not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

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.

The Resolution will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Authority, and authorize its further use in the reoffering of the Bonds by the Purchaser.

This Official Statement has been approved by the Authority and the Board for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

/s/ Dwight D. Burns	/s/ Dr. L. Baker Pattillo
Executive Director, Texas Public Finance Authority	President, Stephen F. Austin State University

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SCHEDULE I

SUMMARY OF REFUNDED OBLIGATIONS

Series	Maturity Date	Interest Rate (%)	Par Amount ($)	Call Date	Call Price (%)
Revenue Financing System Revenue Bonds, Series 1998:					
	10/15/2010	4.600	310,000.00	04/29/2010	100
	10/15/2011	4.700	320,000.00	04/29/2010	100
	10/15/2012	4.800	340,000.00	04/29/2010	100
	10/15/2013	4.850	355,000.00	04/29/2010	100
	10/15/2014	4.900	375,000.00	04/29/2010	100
	10/15/2015	5.000	390,000.00	04/29/2010	100
	10/15/2016[(1)]	5.000	410,000.00	04/29/2010	100
	10/15/2017[(1)]	5.000	435,000.00	04/29/2010	100
	10/15/2018[(1)]	5.000	455,000.00	04/29/2010	100

(1) Represents mandatory sinking fund redemption payments of a term bond maturing on October 15, 2018.

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APPENDIX A

DEFINITIONS

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

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

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

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

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

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

rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all fixture dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

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

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

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

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in malting 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 Stephen F. Austin State University, acting as the governing body of the University, or any successor thereto.

"*Bond Counsel*" means Andrews Kurth LLP, or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Board with the approval of the Authority.

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

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

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

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

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

"*Debt*" means all:

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

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

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

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

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

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

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

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

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

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

"*Previously Issued Parity Obligations*" means the Series 1998 Bonds, the Series 2000 Bonds, the Series 2002 Bonds, the Series 2002A Bonds, the Series 2004 Bonds, the Series 2004A Bonds, the Series 2005 Bonds, the Series 2005A Bonds, the Series 2008 Bonds and the Series 2009 Bonds.

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

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

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

"*Refundable Bonds*" means the Series 1998 Bonds.

"*Refunded Bonds*" means a Refundable Bond designated by the Pricing Committee as a Refunded Bond in the Pricing Certificate, which is being refunded and defeased with proceeds of the Bonds and other legally available funds, if any.

"*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 "Stephen F. Austin 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. 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.

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

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

"*Taxable Bond*" means series or installment of Bonds, the interest on which is not excludable from gross income for federal income tax purposes, as determined and set forth in the Pricing Certificate therefor.

"*Tax-Exempt Bond*" means a series or installment of Bonds, the interest on which is excludable from gross income from federal income tax, as determined and set forth in the Pricing Certificate therefor.

"*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 Stephen F. Austin 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 Stephen F. Austin State University pursuant to law.

APPENDIX B

FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2009

Stephen F. Austin State University

Unaudited Financial Report
For the Year Ended
August 31, 2009

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STEPHEN F. AUSTIN STATE UNIVERSITY

Office of the President
P.O. Box 6078, SFA Station · Nacogdoches, Texas 75962-6078
Phone (936) 468-2201 · Fax (936) 468-2202

November 20, 2009

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Stephen F. Austin State University for the year ended August 31, 2009, in compliance with Texas Government Code Annotated, Section 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. 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.

If you have any questions, please contact Dora Fuselier at (936) 468-2112. Letitia Hamilton may be contacted at (936) 468-2250 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Baker Pattillo

Baker Pattillo
President

STEPHEN F. AUSTIN STATE UNIVERSITY

Office of the Controller
P.O. Box 13035, SFA Station • Nacogdoches, Texas 75962-3035
Phone (936) 468-2303 • Fax (936) 468-2207

November 20, 2009

Dr. Baker Pattillo
President
Stephen F. Austin State University
P. O. Box 6078, SFA Station
Nacogdoches, Texas 75962

Dear Dr. Pattillo:

Submitted herein is the Annual Financial Report of Stephen F. Austin State University for the fiscal year ended August 31, 2009.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying Annual 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 (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact me at (936) 468-2112.

Sincerely,

Dora Fuselier

Dora Fuselier, C.P.A.
Controller

Approved:

Danny R. Gallant

Danny Gallant
Vice President for Finance and Administration

STEPHEN F. AUSTIN STATE UNIVERSITY
ORGANIZATIONAL DATA
August 31, 2009

Board of Regents

Officers

James A. Thompson, Chairman
Melvin R. White, Vice-Chairman
John R. Garrett, Secretary

Members

Name	Town	Term Expires
Richard B. Boyer	The Colony, Texas	January 31, 2011
James A. Thompson	Sugar Land, Texas	January 31, 2011
Melvin R. White	Pflugerville, Texas	January 31, 2011
Carlos Z. Amaral	Plano, Texas	January 31, 2013
James H. Dickerson	New Braunfels, Texas	January 31, 2013
John R. Garrett	Tyler, Texas	January 31, 2013
Scott H. Coleman	Houston, Texas	January 31, 2015
Valerie E. Ertz	Dallas, Texas	January 31, 2015
Steve D. McCarty	Alto, Texas	January 31, 2015
Morgan A. Tomberlain (student)	Longview, Texas	May 31, 2010

President

Baker Pattillo, Ph.D

Finance and Administration

Vice President – Danny Gallant
Controller - Dora Fuselier, C.P.A.
Assistant Controller – Dannette Sales, C.P.A.

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STEPHEN F. AUSTIN STATE UNIVERSITY

Management's Discussion and Analysis
Unaudited
For the Year Ended August 31, 2009

INTRODUCTION

Stephen F. Austin State University (the University) is a comprehensive regional public institution of higher education and an agency of the State of Texas. Named for the "Father of Texas", the University was founded in 1921. It is located in Nacogdoches in the Pineywoods area of East Texas. The main campus includes more than 400 acres, part of the original homestead of Thomas J. Rusk, early Texas patriot and United States Senator. In fall 2008, the University enrolled nearly 12,000 students in 33 academic units and 6 colleges which award degrees at the bachelor's, master's and doctoral levels.

The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. Specific academic programs hold numerous other accreditations.

The University does not include any blended components in the Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

Stephen F. Austin State University presents in this discussion and analysis the Financial Statements for fiscal year 2009 with comparative information for 2008. This discussion, prepared by management, will focus on the University's current year data, trends in data, and overview of the financial activities for the year. It should be read in conjunction with the accompanying Financial Statements and Notes, which offer various financial definitions and accounting information.

Three primary statements are presented: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. The Financial Statements are prepared in accordance with requirements established by the Texas Comptroller of Public Accounts.

FINANCIAL HIGHLIGHTS

- Enrollment for the 2008 fall semester of 11,990 was the highest reported in ten years.
- The University issued general obligation bonds in December 2008 for $10.2 million to complete the early childhood research center.
- The University issued tuition revenue bonds in January 2009 for $23.6 million. $13 million is being used to construct a nursing facility and $10 million is being used to finance deferred maintenance projects. These projects include a $6 million chemistry building renovation and $2.5 million power plant and HVAC upgrade.
- The University celebrated its halfway mark in its comprehensive software conversion. The first component, the finance system, was moved into production in August 2009.
- Capitalized expenditures totaled approximately $35.3 million, including $29.3 million for additions to construction in progress.
- The University entered into an energy savings performance contract at a cost not to exceed $18 million, dependent on funding. Funding is anticipated to come from the State Energy Conservation Office and federal stimulus funds.
- The University adopted a "Purple Promise Program" to cover the full costs of tuition and fees for four years for students whose family income is $30,000 or less. It will be effective for students enrolling in fall 2009.

CONDENSED FINANCIAL INFORMATION AND FINANCIAL HIGHLIGHTS

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University at a specific point in time, in this case August 31, 2009. Net assets are the difference between total assets and total liabilities and represent the residual interest in the University's assets after liabilities are deducted. "Net Assets" are presented in three major categories: Invested in Capital Assets, Net of Related Debt; Restricted Net Assets; and Unrestricted Net Assets. The Invested in Capital Assets, Net of Related Debt category identifies the equity in property, plant and equipment owned by the University. Restricted Net Assets are either expendable or non-expendable. Expendable restricted net assets may be expended only for the purposes designated by the external donor or provider of the assets. Non-expendable net assets are comprised entirely of funds held as permanent endowments. Unrestricted Net Assets are available for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed stipulations, these assets may have other commitments for various future uses in support of the University's mission. These include commitments for encumbrances outstanding at year-end. Also, recognized in unrestricted net assets are unspent Higher Education Funds (HEF), which have restrictions imposed by the State of Texas. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less an allowance for depreciation.

The Statement of Net Assets presents a snapshot view of assets available for use in the University's continuing operations and enables readers to determine the amounts owed to others. Over time, increases or decreases in net assets are indicators of the improvement or decline of the financial health of the University.

A summarized comparison of the University's Statement of Net Assets at August 31, 2009 and August 31, 2008 follows:

Statement of Net Assets

	August 31, 2009	August 31, 2008 (as restated)
Assets		
Current Assets	$133,276,982.78	$115,613,208.72
Non-Current Assets		
Other Non-Current Assets	41,585,293.48	40,466,523.46
Capital Assets, Net of Depreciation	201,403,077.94	176,148,681.26
Total Assets	376,265,354.20	332,228,413.44
Liabilities		
Current Liabilities	95,684,538.38	84,015,569.76
Non-Current Liabilities	155,442,096.75	130,585,118.08
Total Liabilities	251,126,635.13	214,600,687.84
Net Assets		
Invested in Capital Assets, Net of Related Debt	60,177,418.41	50,964,707.43
Restricted Net Assets		
Expendable	15,765,712.16	19,169,309.22
Non-expendable	6,558,197.29	6,434,474.01
Unrestricted Net Assets	42,637,391.21	41,059,234.94
Total Net Assets	$125,138,719.07	$117,627,725.60

In fiscal year 2009, total assets of the University increased approximately $44 million from the previous fiscal year.

Current assets increased approximately $17.7 million. Increases in cash and cash equivalents and short-term investments accounted for approximately $11.9 million of this increase. This is attributed to unspent bond proceeds held in short term investments and interest bearing bank accounts. Cash in transit, reimbursement from the treasury, legislative appropriations and cash in state treasury increased by nearly $4 million. This is money held at the state on the University's behalf. Cash in state treasury funds reflect education and general revenue collections that are remitted to the state treasury. Unspent balances at year end will be used to reimburse the University for fiscal year 2009 expenses. Variances in both cash in state treasury and legislative appropriations between years 2008 and 2009 reflect a timing difference of when reimbursements for expenses are submitted and subsequently received. These changes do not represent changes in revenue from legislative appropriations for the fiscal year.

Other changes in current assets are attributed to an increase of prepaid items (primarily scholarships awarded for the subsequent fiscal year) of $3.1 million. This increase is based on both increased awards and increased enrollment. The increase is offset by a decrease in current receivables of $1.4 million. Current receivables declines are attributed primarily to timing of payments from federal and state entities.

Other non-current assets changed by $1.1 million. This increase is primarily attributed to the reinvestment of interest earned on operating investments.

Capital assets, net of depreciation, increased approximately $25.3 million. This is attributed to capital outlay expenditures, including new construction projects, of $35.3 million offset by depreciation expenditures of $10 million.

Total liabilities increased by approximately $36.5 million. Current liabilities increased by approximately $11.7 million. This is attributed to a number of factors. $2.7 million of this total is due to the increase in deferred revenues related to tuition and fees and room and board rate increases and from increased enrollment for fall 2009. These charges to students prior to year-end are not recognized as fiscal year 2008-2009 revenues but are instead recognized as deferred revenues. $1.9 million is due to increases in the current portion of long-term debt. $4.1 million is attributed to increased year-end payables, including nearly $.5 million in increased deposits payable. The University changed the student general deposit from $10 to $100 in the fall of 2008, but students re-enrolling were grandfathered at the older rates. With attrition and new enrollments, this liability will continue to increase over time. However, the University will benefit by being able to use this deposit to offset any unpaid student charges on the student's account.

Accounts payable increased by $2.1 million. This is attributed to increased year-end payables for utilities and other vendor payables. Funds held for others increased $3.3 million. Funds held for others include the year-end amounts held for students that represents scholarships and grants received in excess of tuition and fee charges and room and board charges. These are held on the students' behalf until disbursed to the students. This disbursement was made subsequent to August 31, 2009.

Of the $24.9 million increase in non-current liabilities, $24.7 million is attributed to the net change in bonds payable, which includes the $33.8 million bond proceeds offset by current year principal payments of $7.2 million, less the amounts recognized as the increases in current liabilities of $1.9 million.

Net assets, invested in capital assets, net of related debt increased approximately $9.2 million. As discussed above, this is attributed to capital outlay expenditures of approximately $35.3 million offset by net changes in the expended portion of bonds payable of $16 million and depreciation of $10 million.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets are based on the activity shown on the Statement of Revenues, Expenses, and Changes in Net Assets. This statement presents operating revenues and expenses, non-operating revenues and expenses, and other gains and losses.

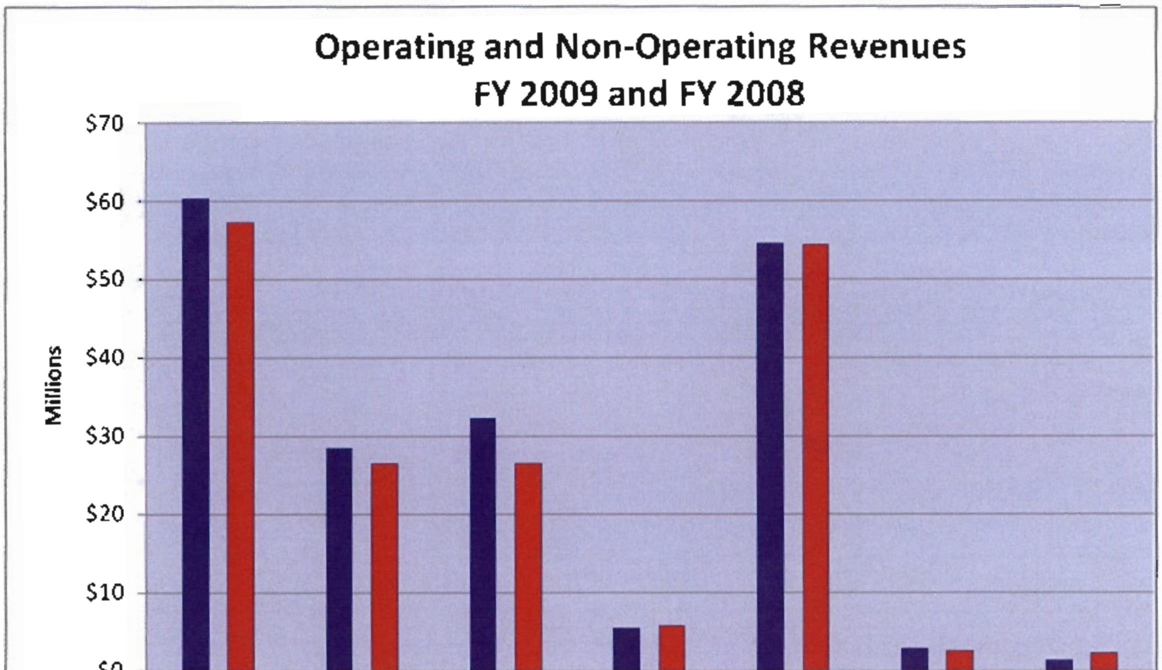
Operating revenues are revenues received for providing goods and services to the various constituencies of the University. Operating expenses are expenses paid to acquire goods and services provided in return for operating revenues to carry out the mission of the University. Non-operating revenues are those for which no goods or services have been provided. This category includes state legislative revenue and other appropriations.

A summarized comparison of the University's Statement of Revenues, Expenses, and Changes in Net Assets for the years ended August 31, 2009 and August 31, 2008 follows:

Statement of Revenues, Expenses, and Changes in Net Assets

	2009	2008
Operating Revenues:		
Net Student Tuition and Fees	$ 60,286,908.49	$ 57,283,473.97
Net Auxiliary Enterprise Revenues	28,507,680.65	26,523,065.92
Grants and Contracts	32,219,727.83	26,532,117.00
Other Operating Revenues	5,493,165.32	5,650,830.25
Total Operating Revenues	126,507,482.29	115,989,487.14
Total Operating Expenses	179,870,528.46	170,907,876.31
Operating Income (Loss)	(53,363,046.17)	(54,918,389.17)
Non-Operating Revenues (Expenses):		
Legislative Revenue (State)	43,685,586.00	43,677,367.00
Additional Appropriations	10,763,259.61	10,756,380.31
Gifts	2,884,361.13	2,467,781.75
Net Investment Income (Loss)	2,020,044.50	2,534,013.79
Net Increase (Decrease) in Fair Value of Investments	(856,676.66)	(171,139.60)
Interest Expenses and Fiscal Charges	(5,397,151.96)	(5,216,737.93)
Net Other Non-Operating Revenues (Expenses)	149,817.46	(127,838.09)
Total Non-Operating Revenues (Expenses)	53,249,240.08	53,919,827.23
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(113,806.09)	(998,561.94)
Other Revenues, Expenses, Gains (Losses) and Transfers	7,624,799.56	6,284,575.33
Change in Net Assets	7,510,993.47	5,286,013.39
Net Assets, Beginning of Year	117,670,218.18	113,091,719.44
Restatements	(42,492.58)	(707,514.65)
Restated Net Assets, Beginning of Year	117,627,725.60	112,384,204.79
Net Assets, End of Year	$125,138,719.07	$117,670,218.18

The following graph represents operating and non-operating revenues by major source:



	Net Student Tuition and Fees	Net Auxiliary Enterprise Revenues	Grants and Contracts	Other Operating Revenues	Legislative Appropriatons	Gifts	Other Non-Operating Revenues *
2009	$60,286,908	$28,507,681	$32,219,728	$5,493,165	$54,448,846	$2,884,361	$1,313,185
2008	$57,283,474	$26,523,066	$26,532,117	$5,650,830	$54,433,747	$2,467,782	$2,235,036

** Other Non-Operating Revenues includes Net Investment Income, Net Increase (Decrease) in Fair Value of Investments, and Other Non-Operating Revenues.*

Some of the fiscal year 2009 highlights presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

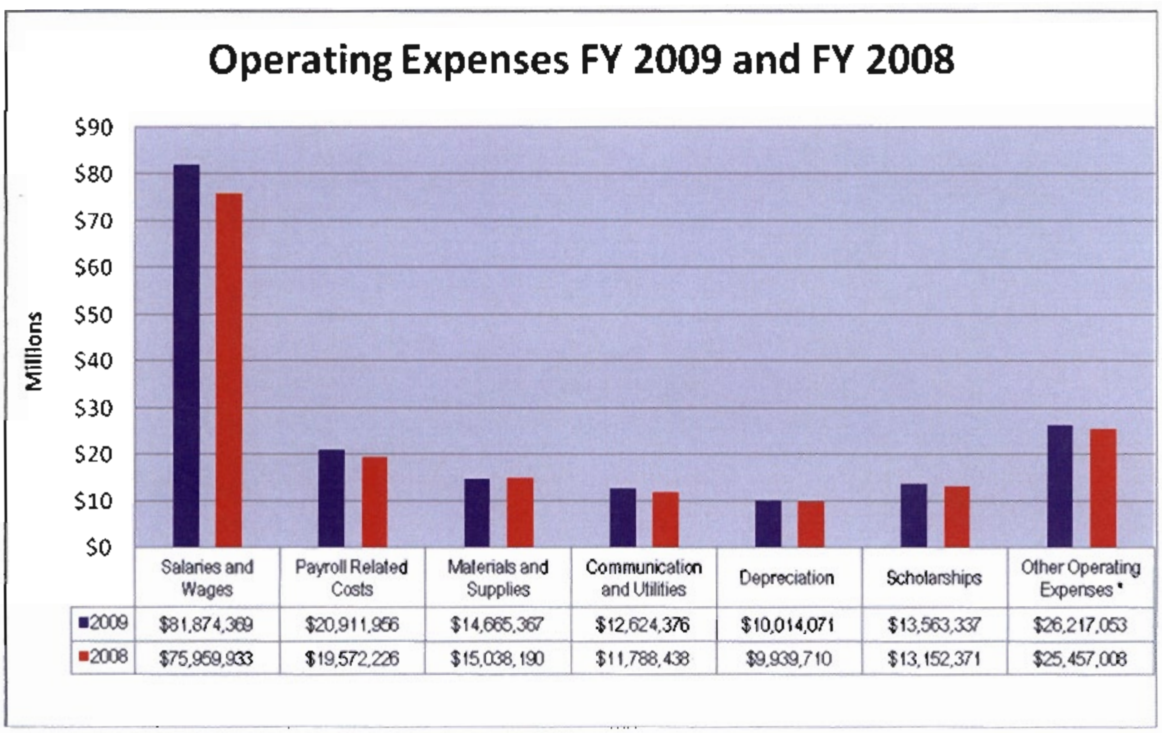
- Net student tuition and fees increased by approximately $3 million in 2009. This is due to increased enrollment and increases in designated tuition of $9 per semester credit hour. The actual amounts charged for tuition and fees increased approximately $5 million, but this is offset by increases in discounts and allowances of approximately $2 million.
- Net auxiliary enterprise revenues increased approximately $1.9 million. This is attributed to increased room and board charges and the increased demand because of the new housing facilities. Gross receipts for auxiliary enterprises increased approximately $3.1 million, but these were offset by increased discounts and allowances of $1.1 million.
- Grants and contracts income increased by $5.6 million. This is primarily attributed to an increase in Pell grants revenue of $2 million and increased financial aid grants from the state of Texas of $2 million.
- There were no significant changes in legislative revenue. Since this is the second year of the biennium, no substantive changes for legislative appropriations were anticipated.
- There was no significant change in interest expenses and fiscal charges. While the amounts paid for bond interest were higher than in previous years, the difference is not apparent on the financial statement since the amounts paid in 2009 on the new bonds were capitalized as expenditures

related to the project. The net difference between interest paid and interest received on bond investments is capitalized until the projects related to the bond funding are completed.

The following data summarizes the operating expenses in the natural classification expense categories for the fiscal years ended August 31, 2009 and 2008:

Operating Expenses:	**2009**	**2008**
Cost of Goods Sold	$ 8,865,591.93	$ 7,793,097.40
Salaries and Wages	81,874,368.98	75,959,932.65
Payroll Related Costs	20,911,955.65	19,572,226.46
Professional Fees and Services	1,694,081.27	1,624,462.25
Travel	2,412,500.87	2,278,772.90
Materials and Supplies	14,665,366.68	15,038,190.40
Communications and Utilities	12,624,375.55	11,788,437.97
Repairs and Maintenance	3,193,878.56	3,895,941.33
Rentals and Leases	1,910,739.25	2,110,335.99
Printing and Reproduction	560,396.56	698,274.37
Federal and State Pass-Through Expenses	1,131,231.82	1,056,689.99
Depreciation	10,014,071.45	9,939,710.39
Bad Debt Expense	251,695.44	317,074.39
Scholarships	13,563,336.67	13,152,370.79
Other Operating Expenses	6,196,937.78	5,682,359.03
Total Operating Expenses	$179,870,528.46	$170,907,876.31

Following is a graphic presentation of the major operating expense categories for the fiscal years ended August 31, 2009:



**Other Operating Expenses includes Cost of Goods Sold, Professional Fees and Services, Travel, Repairs and Maintenance, Rentals and Leases, Printing and Reproduction, Federal and State Pass-Through Expenses, Bad Debt Expense and Other Operating Expenses.*

Some of the 2009 significant changes from the prior year Operating Expenses are:

- Cost of goods sold increased approximately $1.1 million. This is attributed to both the increased food costs for meals served to students and the increased number of meals served.
- Salaries and wages and payroll related costs increased by approximately $7.3 million. This increase is due to 3% merit pool raises and equity adjustments given to employees, and the related increase in employee benefits.

Statement of Cash Flows

The Statement of Cash Flows provides details about the University's major sources and uses of cash during the year. It presents detailed information about the cash activity and an indication of the University's liquidity and ability to meet cash obligations. There are four categories of cash flow activity:

1. Cash Flows From Operating Activities – the net cash used by operating activities
2. Cash Flows From Non-Capital Financing Activities – the net cash received and spent for non-operating, non-capital financing and non-investing purposes
3. Cash Flows from Capital and Related Financing Activities – the net cash from capital and related financing activities that is used to acquire, construct or improve capital assets
4. Cash Flows from Investing Activities – the net cash from the acquisition and disposition of debt or equity instruments

The sum of the net cash provided (used) by these four activity types is the Increase (Decrease) in Cash and Cash Equivalents.

The final section of the Statement of Cash Flows reconciles the Net Cash Provided (Used) by Operating Activities to the Operating Income (Loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. A summarized comparison of the Statement of Cash Flows at August 31, 2009 and 2008 follows:

Statement of Cash Flows

	2009	2008 As Restated
Net Cash Provided (Used) by:		
Operating Activities	$(35,721,106.79)	$(44,148,037.15)
Non-Capital Financing Activities	54,319,686.08	58,538,156.92
Capital and Related Financing Activities	(5,284,309.96)	(3,311,338.06)
Investing Activities	(9,278,989.71)	(8,502,569.26)
Increase (Decrease) in Cash and Cash Equivalents	4,035,279.62	2,576,212.45
Cash and Cash Equivalents, Beginning of Year	70,215,478.61	67,639,266.16
Cash and Cash Equivalents, End of Year	$ 74,250,758.23	$ 70,215,478.61

Net Cash Provided (Used) by Operating Activities should be viewed together with Net Cash Provided (Used) by Non-Capital Financing Activities. State appropriations are significant sources of recurring revenue in support of operating expenses, but under Governmental Accounting Standards Board (GASB)

Statement No. 35, they must be classified as Non-Capital Financing Activities instead of Operating Activities.

The change in cash used for Operating Activities of $8.4 million is attributed to several factors. The University had increased cash flow of approximately $4.6 million from tuition and fees, $.8 million from auxiliary enterprises, and $6.4 from grant and contracts payments. These increases were offset by the cumulative effect of increased expenses of $7.1 million for salaries and benefits and decreased expenses of $2.2 for goods and supplies and $1.9 million for scholarships. Except for the payments for salaries and benefits, these changes in cash flow do not correlate to the income and expenditures related to these categories, but are attributed to timing differences of when amounts are receipted or paid.

The change in cash flows from Non-Capital Financing Activities of $4.2 million is primarily attributed to the timing of amounts drawn down from state appropriations. Although there was no significant change in state appropriations from fiscal year 2008 to fiscal year 2009, the timing differences of reimbursements attributed to the $4.2 million change.

The change of $2 million in Capital and Related Financing Activities can be attributed to the increase of debt proceeds of $13.6 million offset by the increase for payments for capital assets of $16.3 million and increases of proceeds of capital gifts of $.8 million.

There was no significant change in Cash Flows from Investing Activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

The University continues to improve its campus through development and renewal of its facilities and other capital assets. Capital additions totaled approximately $35 million in fiscal year 2009, $19 million in fiscal year 2008, and $29.3 million in fiscal year 2007.

In fiscal year 2007, the Texas Legislature approved tuition revenue bond funding for $30.178 million for University educational projects previously authorized but not funded in the 2005 legislative session. These projects included funding for the Early Childhood Research Center and deferred maintenance projects. Tuition revenue bonds of $20.175 million were issued in March 2008 to finance a portion of the Early Childhood Research Center. An additional $10.2 million of HEF general obligation bonds were issued in December 2008 to complete the facility. The Early Childhood Research Center, which also houses the Stephen F. Austin State University Charter School, celebrated its grand opening in July 2009. Final payments will be made to the architects and construction managers in fiscal year 2010, at which time this project will be moved to depreciable assets.

The balance of the approved 2007 tuition revenue bond funding of $10 million bonds for the deferred maintenance projects was issued in fiscal year 2009. In addition, during 2007, the Texas Legislature authorized $13 million of special tuition revenue bond funding for the University to construct the Richard and Lucille Dewitt School of Nursing facility on property donated by the family to the University. The University issued these tuition revenue bonds for this project in conjunction with the $10 million for the deferred maintenance projects in January 2009.

Credit ratings assigned to the tuition revenue bonds issued in fiscal year 2009 were Aa2 from Moody's Corporation and AAA from Fitch Ratings, with a "stable" outlook. Credit ratings assigned to the HEF general obligation bonds were AA+ from Standard & Poor's with a stable outlook and AA+ from Fitch Ratings. The Standard & Poor's rating changed from AA to AA+ in fiscal year 2009.

One parcel of real estate adjacent to the University campus was purchased during the year. Total cost for this addition was approximately $400,000.

Other capital gifts and pledges of approximately $400,000 were received in fiscal year 2009. They will be used to purchase equipment for the new nursing facility.

ECONOMIC OUTLOOK

Management is not aware of any known facts, decisions, or conditions that are expected to have a material effect on the financial position or results of operations during the fiscal year 2010. Enrollment trends continue to remain positive. Fall 2008 enrollment of 11,990 was the highest headcount in ten years. Fall 2009 enrollment was 12,845, the University's highest recorded enrollment. Campus improvements and increased marketing efforts are expected to have a continued positive impact on enrollment.

Housing for the student body for fall 2009 was at 100 percent capacity. To meet the demands and expectations of students, the University plans to build a new freshman residence hall and parking garage. Administration plans to sell bonds to support this project in the spring of 2010. The estimated project cost is expected to be approximately $35 million.

SIGNIFICANT EVENTS

Management is not aware of any significant events that impacted the financial statements this year.

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2009

	2009	2008 as restated
ASSETS		
Current Assets		
Cash and Cash Equivalents:		
Cash on Hand	$ 930,083.00	$ 871,812.74
Cash in Bank	41,402,633.45	4,233,332.56
Cash in Transit/Reimburse from Treasury	715,418.80	99,271.31
Cash in State Treasury	1,016,028.34	481,282.27
Cash Equivalents	397,074.02	54,445,434.09
Short Term Investments	16,015,892.05	0.00
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	15,911,377.01	6,986,059.24
Cash Equivalents	13,878,143.61	2,807,476.80
Short Term Investments:		
Proceeds from Bond Sales	2,390,945.35	9,707,334.88
Legislative Appropriations	6,457,043.69	3,610,014.16
Receivables:		
Intergovernmental Receivables:		
Federal	784,471.06	1,222,141.47
State	364,400.01	996,177.47
Interest and Dividends	191,172.91	252,750.28
Student Receivable	7,789,428.65	8,038,232.97
Accounts Receivable	2,669,275.80	2,289,664.02
Gifts/Pledges Receivables	260,000.00	253,550.00
Due From Other Agencies:		
Federal	1,342,930.02	1,425,621.96
State	177,725.91	0.00
Consumable Inventories	533,241.81	544,637.83
Prepaid Items	17,897,914.95	14,739,801.17
Student Loans Receivables	2,151,782.34	2,608,613.50
Total Current Assets	133,276,982.78	115,613,208.72

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2009

	2009	2008 as restated
Noncurrent Assets		
Restricted:		
Cash Equivalents	0.00	290,809.60
Investments		
Endowments	8,711,490.27	9,181,498.97
Student Loans Receivables	6,272,808.31	6,086,764.84
Allowance for Doubtful Accounts	(934,783.46)	(704,718.49)
Unrestricted:		
Investments:		
Operating	21,467,400.15	20,114,261.56
Quasi-Endowments	4,445,521.28	4,082,180.20
Student Accounts Receivables	6,041,759.69	5,426,100.84
Allowance for Doubtful Accounts	(4,418,902.76)	(4,010,374.06)
Capital Assets, Non-depreciable:		
Land and Land Improvements	7,083,322.11	6,928,322.11
Construction in Progress	37,333,078.91	11,415,080.37
Other Capital Assets	697,419.27	650,144.27
Capital Assets, Depreciable:		
Buildings and Building Improvements	288,797,356.34	282,625,020.30
Less Accumulated Depreciation	(149,177,547.09)	(141,839,213.92)
Infrastructure	10,183,040.07	10,183,040.07
Less Accumulated Depreciation	(5,205,110.90)	(4,635,297.38)
Facilities and Other Improvements	6,586,044.30	6,393,859.30
Less Accumulated Depreciation	(3,820,962.03)	(3,612,359.40)
Furniture and Equipment	19,694,749.66	18,561,716.89
Less Accumulated Depreciation	(14,259,393.52)	(13,766,628.92)
Vehicles, Boats, and Aircraft	4,681,571.81	4,330,492.63
Less Accumulated Depreciation	(3,457,923.56)	(3,406,301.20)
Other Capital Assets	15,444,921.26	15,200,512.15
Less Accumulated Depreciation	(13,177,488.69)	(12,879,706.01)
Total Noncurrent Assets	242,988,371.42	216,615,204.72
Total Assets	376,265,354.20	332,228,413.44

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2009

	2009	2008 as restated
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	5,122,114.94	2,989,728.36
Payroll Payable	6,250,472.64	5,784,403.74
Deposits	1,946,647.99	1,416,880.99
Benefits Payable	1,618,030.69	1,592,852.47
Due to Other Agencies	465,235.27	75,472.87
Deferred Revenues:		
Tuition and Fees	36,018,700.63	33,546,338.91
Sales and Services	16,702,960.85	16,332,284.24
Grants and Contracts	570,264.40	664,907.87
Employees' Compensable Leave	479,200.51	397,563.43
Capital Lease Obligations	16,289.03	18,175.27
Revenue Bonds Payable	4,165,000.00	4,000,000.00
Tuition Revenue Bonds Payable	2,365,000.00	1,475,000.00
General Obligation Bonds Payable	870,000.00	0.00
Accrued Bond Interest Payable	2,590,951.43	2,205,051.12
Funds Held for Others	13,926,414.14	10,609,743.24
Payable From Restricted Assets	2,577,255.86	2,907,167.25
Total Current Liabilities	95,684,538.38	84,015,569.76
Noncurrent Liabilities:		
Capital Lease Obligations	22,516.36	27,798.35
Employees' Compensable Leave	2,971,136.07	2,797,319.73
Revenue Bonds Payable	92,410,000.00	96,575,000.00
Tuition Revenue Bonds Payable	50,708,444.32	31,185,000.00
General Obligation Bonds Payable	9,330,000.00	0.00
Total Noncurrent Liabilities	155,442,096.75	130,585,118.08
Total Liabilities	251,126,635.13	214,600,687.84
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	60,177,418.41	50,964,707.43
Restricted for:		
Capital Projects	499,347.13	2,620,479.94
Funds Held as Permanent Investments:		
Non-Expendable	6,558,197.29	6,434,474.01
Expendable	1,886,108.34	2,719,692.56
Other	13,380,256.69	13,829,136.72
Unrestricted	42,637,391.21	41,059,234.94
Total Net Assets	$ 125,138,719.07	$ 117,627,725.60

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2009

	2009	2008
Operating Revenues:		
Sales of Goods and Services		
Tuition & Fees - Pledged	$ 72,088,646.20	$ 67,239,335.84
Tuition & Fees - Non-Pledged	3,562,407.60	3,436,715.83
Discounts and Allowances	(15,364,145.31)	(13,392,577.70)
Auxiliary Enterprise - Pledged	33,593,430.57	30,791,331.57
Auxiliary Enterprise - Non-Pledged	1,460,297.79	1,152,566.59
Discounts and Allowances	(6,546,047.71)	(5,420,832.24)
Other Sales of Goods and Svcs - Pledged	4,442,240.45	4,428,406.35
Other Sales of Goods and Svcs - Non-Pledged	931,861.85	1,028,787.38
Interest and Investment Income	114,602.65	189,528.85
Federal Revenue	19,914,109.33	17,431,335.02
Federal Pass-Through Rev from Non-State Agency	141,401.93	
Federal Pass-Through Revenue	3,969,012.84	3,321,741.43
State Grant Revenue		837,983.13
State Grant Pass-Through Revenue	6,883,873.70	4,042,864.40
Local Contracts and Grants	824,447.91	595,523.14
Other Contracts and Grants	486,882.12	302,669.88
Other Operating Revenues - Pledged	4,460.37	4,107.67
Total Operating Revenues	126,507,482.29	115,989,487.14
Operating Expenses:		
Cost of Goods Sold	8,865,591.93	7,793,097.40
Salaries and Wages	81,874,368.98	75,959,932.65
Payroll Related Costs	20,911,955.65	19,572,226.46
Professional Fees and Services	1,694,081.27	1,624,462.25
Travel	2,412,500.87	2,278,772.90
Materials and Supplies	14,665,366.68	15,038,190.40
Communication and Utilities	12,624,375.55	11,788,437.97
Repairs and Maintenance	3,193,878.56	3,895,941.33
Rentals and Leases	1,910,739.25	2,110,335.99
Printing and Reproduction	560,396.56	698,274.37
Federal Pass-Through Expenditure	1,104,067.94	1,056,689.99
State Pass-Through Expenditure	27,163.88	0.00
Depreciation	10,014,071.45	9,939,710.39
Bad Debt Expense	251,695.44	317,074.39
Interest Expense	32.16	476.06
Scholarships	13,563,336.67	13,152,370.79
Claims and Settlements	(21,793.32)	250.00
Other Operating Expenses	6,218,698.94	5,681,632.97
Total Operating Expenses	179,870,528.46	170,907,876.31
Operating Income (Loss)	(53,363,046.17)	(54,918,389.17)

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2009

	2009	2008
Non-Operating Revenues (Expenses):		
Legislative Revenue	43,685,586.00	43,677,367.00
Additional Appropriations	10,763,259.61	10,756,380.31
Federal Pass Through Revenue	0.00	0.00
Gifts - Nonpledged	2,682,256.25	2,431,849.99
Gifts - Pledged	202,104.88	35,931.76
Land Income	0.00	3,200.00
Other Rental Income	10,173.60	2,767.59
Investment Income - Pledged	2,447,307.21	2,405,550.47
Investment Income - Non-Pledged	(464,636.62)	290,619.25
Net Increase (Decrease) Fair Value - Pledged	(729,315.06)	325,691.67
Net Increase (Decrease) Fair Value - Nonpledged	(127,361.60)	(496,831.27)
Investing Activities Expenses	(50,578.82)	(80,558.91)
Income on Loans Receivable	103,485.85	(115,694.24)
Interest Income on Capital Investments-Pledged	(15,533.12)	34,097.22
Interest Expenses and Fiscal Charges	(5,397,151.96)	(5,216,737.93)
Gain (Loss) on Sale of Capital Assets	71,023.47	(119,971.47)
Settlement of Claims	68,620.39	(12,219.21)
Other Non-Operating Expenses		(1,615.00)
Total Non-Operating Revenues (Expenses)	53,249,240.08	53,919,827.23
Income (Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	(113,806.09)	(998,561.94)
Other Revenues, Expenses, Gains/Losses and Transfers		
Capital Contributions	1,422,276.78	372,360.77
Capital Appropriations (Higher Education Fund)	6,907,643.00	7,025,771.00
Additions to Permanent and Term Endowments	123,723.28	136,678.46
Lapsed Appropriations	0.00	(550,000.00)
Transfers In	0.00	0.00
Transfers Out	(828,843.50)	(700,234.90)
Total Other Revenue, Expenses, Gain/Losses and Transfers	7,624,799.56	6,284,575.33
Change in Net Assets	7,510,993.47	5,286,013.39
Net Assets, Beginning of Year	117,670,218.18	113,091,719.44
Restatements	(42,492.58)	(707,514.65)
Net Assets, Beginning of Year, as Restated	117,627,725.60	112,384,204.79
Net Assets, August 31, 2009	$ 125,138,719.07	$ 117,670,218.18

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Matrix of Operating Expenses by Function
For the Fiscal Year Ended August 31, 2009

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Cost of Goods Sold	$ 0.00	$ 0.00	$ 56,135.41	$ 59,087.30	$ 30,695.99	$ (26,761.41)
Salaries and Wages	41,340,931.00	3,922,532.32	1,244,956.77	6,417,444.52	8,468,274.88	8,103,887.41
Payroll Related Costs	8,858,861.94	780,312.14	233,719.64	1,415,875.97	1,879,748.25	4,004,172.13
Professional Fees and Services	251,360.74	257,781.65	400,187.22	125,787.77	132,082.83	181,917.34
Travel	396,799.11	284,375.30	54,749.47	502,862.64	805,638.71	162,664.65
Materials and Supplies	2,848,147.63	756,700.68	398,519.55	1,743,562.38	2,007,113.20	1,428,972.96
Communications and Utilities	141,554.08	28,202.26	6,214.38	1,013,260.11	168,210.99	(189,660.19)
Repairs and Maintenance	183,710.76	57,262.64	216,373.76	151,603.21	500,757.33	1,031,851.76
Rentals and Leases	297,132.28	163,238.84	166,263.10	67,637.81	777,870.17	154,963.80
Printing and Reproduction	113,309.81	18,613.68	36,236.63	113,989.40	338,857.32	(274,250.53)
Federal Pass-Through Expenses	0.00	1,101,049.72	3,018.22	0.00	0.00	0.00
State Pass-Through Expense	0.00	27,163.88	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	251,695.44	0.00
Interest	6.23	0.00	0.00	0.00	0.00	11.34
Scholarships	0.00	0.00	0.00	0.00	0.00	0.00
Claims and Judgments	0.00	0.00	0.00	(21,793.32)	0.00	0.00
Other Operating Expenses	748,324.37	180,773.62	160,559.71	1,175,180.69	1,169,481.43	1,684,232.62
	$ 55,180,137.95	$ 7,578,006.73	$ 2,976,933.86	$ 12,764,498.48	$ 16,530,426.54	$ 16,262,001.88

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Matrix of Operating Expenses by Function
For the Fiscal Year Ended August 31, 2009

Operating Expenses	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	$ 2,127.26	$ 0.00	$ 8,744,307.38	$ 0.00	$ 8,865,591.93
Salaries and Wages	4,532,997.36	0.00	7,843,344.72	0.00	81,874,368.98
Payroll Related Costs	1,318,457.84	0.00	2,420,807.74	0.00	20,911,955.65
Professional Fees and Services	122,651.26	0.00	222,312.46	0.00	1,694,081.27
Travel	18,821.90	0.00	186,589.09	0.00	2,412,500.87
Materials and Supplies	3,278,017.57	0.00	2,204,332.71	0.00	14,665,366.68
Communications and Utilities	6,470,777.89	0.00	4,985,816.03	0.00	12,624,375.55
Repairs and Maintenance	(252,599.97)	0.00	1,304,919 07	0.00	3,193,878.56
Rentals and Leases	54,935.75	0.00	228,697.50	0.00	1,910,739.25
Printing and Reproduction	2,374.00	0.00	211,266.25	0.00	560,396.56
Federal Pass-Through Expenses	0.00	0.00	0.00	0.00	1,104,067.94
State Pass-Through Expense	0.00	0.00	0.00	0.00	27,163.88
Depreciation	0.00	0.00	0.00	10,014,071.45	10,014,071.45
Bad Debt Expense	0.00	0.00	0.00	0.00	251,695.44
Interest	14.59	0.00	0.00	0.00	32.16
Scholarships	0.00	13,563,336.67	0.00	0.00	13,563,336.67
Claims and Judgments	0.00	0.00	0.00	0.00	(21,793.32)
Other Operating Expenses	543,284.95	0.00	556,861.55	0.00	6,218,698.94
	$ 16,091,860.40	$ 13,563,336.67	$ 28,909,254.50	$ 10,014,071.45	$ 179,870,528.46

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2009

	2009	2008 as restated
Cash Flows From Operating Activities		
Proceeds Received from Tuition and Fees	$ 62,800,944.38	$ 58,218,613.60
Proceeds Received from Auxiliary Services	28,878,357.26	28,045,268.53
Proceeds Received from Other Sales and Services	5,385,498.32	5,411,044.49
Proceeds from Grants and Contracts	32,028,117.45	25,616,095.14
Proceeds from Interest Income	114,602.65	189,528.85
Proceeds from Other Revenues	4,460.37	4,107.67
Payments to Suppliers for Goods and Services	(50,392,854.81)	(52,576,553.28)
Payments to Employees for Salaries	(81,152,846.66)	(75,519,888.01)
Payments to Employees for Benefits	(20,886,777.43)	(19,368,272.54)
Proceeds (Payments) of Loans Issued to Students and Employees	352,643.07	(692,320.66)
Proceeds from Other Activities	21,793.32	321,605.62
Payments to Students for Scholarships	(12,875,012.55)	(13,796,790.50)
Payments for Interest Expense	(32.16)	(476.06)
Net Cash Provided (Used) by Operating Activities	(35,721,106.79)	(44,148,037.15)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	51,601,816.08	56,076,328.13
Proceeds from Gifts	2,884,361.13	2,467,781.75
Payments of Transfers to Other Agencies	(828,843.50)	(700,234.90)
Proceeds (Payments) for Claims and Settlements	68,620.39	(12,219.21)
Payments for Other Expenses	-	(1,615.00)
Proceeds from the Sale of Endowment Investments	593,731.98	708,116.15
Net Cash Provided (Used) by Noncapital Financing Activities	54,319,686.08	58,538,156.92
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	71,023.47	43,142.50
Proceeds from Debt Issuance	33,780,145.60	20,182,756.68
Proceeds from State Appropriatons-Higher Education Funds (HEF)	6,907,643.00	7,025,771.00
Proceeds from Capital Grants and Gifts	1,415,826.78	568,810.77
Proceeds from Other Financing Activities	-	3,200.00
Proceeds from Other Rental Income	10,173.60	2,767.59
Proceeds from Interest on Capital Investments	-	34,097.22
Payments for Additions to Capital Assets	(35,268,468.13)	(18,994,918.53)
Payments of Principal on Capital Debt	(7,209,803.23)	(7,168,577.38)
Payments of Interest on Capital Debt	(4,990,851.05)	(5,008,387.91)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,284,309.96)	(3,311,338.06)
Cash Flows from Investing Activities		
Payments for the Purchase of Investments	(17,732,371.72)	(1,153,990.00)
Proceeds from Interest Income from Investments	1,993,669.14	2,529,895.22
Net Increase (Decrease) in Fair Value	(856,676.66)	(171,139.60)
Proceeds (Payments) from Redemption of Bond Investments	7,316,389.53	(9,707,334.88)
Net Cash Provided (Used) by Investing Activities	(9,278,989.71)	(8,502,569.26)
Increase (Decrease) in Cash and Cash Equivalents	$ 4,035,279.62	$ 2,576,212.45

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2009

	2009	2008 as restated
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (53,363,046.17)	$ (54,918,389.17)
Amortization and Depreciation	10,014,071.45	9,939,710.39
Bad Debt Expense	251,695.44	317,074.39
Operating Income and Cash Flow Categories		
Changes in Current Assets and Liabilities		
(Increase) Decrease in Legislative Appropriations	(2,847,029.53)	2,192,580.82
(Increase) Decrease in Receivables	932,190.41	(79,491.01)
(Increase) Decrease in Inventories	11,396.02	(46,149.24)
(Increase) Decrease in Loans to Students	560,317.01	117,255.43
(Increase) Decrease in Prepaid Expenses	(3,158,113.78)	(1,199,949.62)
(Increase) Decrease in Due from Other Agencies	(95,033.97)	(1,353,410.16)
Increase (Decrease) in Payables	2,823,489.31	(27,767.05)
Increase (Decrease) in Due to Other Agencies	389,762.40	75,472.87
Increase (Decrease) in Deferred Income	2,748,394.86	3,629,392.96
Increase (Decrease) in Compensated Absences	81,637.08	73,666.05
Increase (Decrease) in Current Portion of Bonds Payable	2,310,900.31	1,158,350.02
Increase (Decrease) in Assets Held for Others	3,316,670.90	453,768.76
Changes in Non-Current Assets and Liabilities		
Increase (Decrease) in Compensated Absences	173,816.34	192,525.40
Increase (Decrease) in Deposits Payable	-	321,855.62
(Increase) Decrease in Student Receivables	(228,760.62)	(637,576.68)
(Increase) Decrease in Loans to Students	(186,043.47)	(809,576.09)
Cash Reported in Other Categories		
Increase (Decrease) in Legislative Appropriations	2,847,029.53	(2,192,580.82)
Increase (Decrease) of Gifts Receivable	6,450.00	(196,450.00)
(Increase) Decrease in Current Portion of Bonds Payable	(2,310,900.31)	(1,158,350.02)
Net Cash Provided (Used) by Operating Activities	$ (35,721,106.79)	$ (44,148,037.15)
Cash and Cash Equivalents, August 31, 2008	$ 70,215,478.61	$ 67,639,266.16
Increase (Decrease) in Cash and Cash Equivalents	4,035,279.62	2,576,212.45
Cash and Cash Equivalents, August 31, 2009	$ 74,250,758.23	$ 70,215,478.61
Displayed as:		
Cash on Hand	$ 930,083.00	$ 871,812.74
Cash in Bank	41,402,633.45	4,233,332.56
Cash in Transit/Reimb. Due from Treasury	715,418.80	99,271.31
Cash in State Treasury	1,016,028.34	481,282.27
Cash Equivalents	397,074.02	54,445,434.09
Cash in Bank, Restricted	15,911,377.01	6,986,059.24
Cash Equivalents, Restricted	13,878,143.61	2,807,476.80
Non-Current Cash Equivalents, Restricted	-	290,809.60
	$ 74,250,758.23	$ 70,215,478.61

NOTE 1: Summary of Significant Accounting Policies

Entity
Stephen F. Austin State University (the University) is an agency of the State of Texas (the State). The University's financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities.*

The University serves the State as a public institution of higher education.

The University has six related entities. The University has determined no related entity is a reportable component unit of Stephen F. Austin State University. These related entities are listed in Note 19.

<u>Blended Component Units</u>
No component unit has been identified which should be reported as a blended unit.

<u>Discretely Presented Component Units</u>
No component unit has been identified which should be discretely presented.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 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—for Public Colleges and Universities,* the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in these Statements. 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.

Fund Structure
The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

<u>Proprietary Fund Type</u>
<u>Enterprise Funds</u>
Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as Enterprise Funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

<u>Fiduciary Fund Types</u>
Fiduciary Funds account for assets held by the University in a trustee capacity or as an agent for individuals, private organizations, and/or other governments.
<u>Agency Funds</u>
Agency Funds are used to account for assets the University holds on behalf of others in a purely custodial capacity. Agency Funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. These funds are recognized on the Statement of Net Assets in Restricted Cash and Funds Held for Others.

Basis of Accounting
The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, subject to materiality. Proprietary Funds distinguish operating from non-operating items. Operating revenues result from providing services or producing and delivering goods in connection with the Proprietary Funds principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets, and other expenses.

Budget and Budgetary Accounting

The State of Texas budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor through the General Appropriations Act. Additionally, the University prepares an annual budget which represents anticipated sources of revenue and authorized uses. This budget is approved by the Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Net Assets

ASSETS

Cash and Cash Equivalents
Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets
Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories
Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost. The cost of these items is expensed when the items are sold or consumed.

Deferred Charges
Deferred charges include prepaid expenses attributable to a subsequent fiscal year, including scholarships attributed to the 2009 fall semester.

Capital Assets
Equipment with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year is capitalized. Buildings, infrastructure, facilities and other assets are capitalized when they meet thresholds set by the State. .These assets are capitalized at cost or, if not purchased, at appraised fair value on the date of acquisition. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation.

Current Receivables
Current receivables are specified in the Statement of Net Assets. They include amounts that are reasonably expected to be received in fiscal year 2009.

Non-current Receivables
Non-current receivables are those receivables that are not expected to be collected within one year. Included in this category are student accounts receivables and loan receivables that are not expected to be received during fiscal year 2009.

LIABILITIES

Accounts Payable
Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Payables
Other Payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

Employees' Compensable Leave Balances
Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the Statement of Net Assets. These obligations are normally paid from the same funding source from which the employee's salary or wage compensation was paid.

Capital Lease Obligations
Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the continued appropriation funding by the Legislature. Liabilities are reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or non-current, for the amounts due thereafter.

Bonds Payable - Revenue Bonds
The principal of revenue bonds is reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or non-current, for the amounts due thereafter. Bonds payable are recorded at par. Interest expense is reported on the accrual basis.

Bonds Payable - Tuition Revenue Bonds
The principal of tuition revenue bonds is reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or non-current, for the amounts due thereafter. Bonds payable are recorded at par. Interest expense is reported on the accrual basis.

Bonds Payable - General Obligation Bonds
The principal of general obligation bonds is reported separately in the Statement of Net Assets as either current, for the amounts due within one year, or non-current, for the amounts due thereafter. Bonds payable are recorded at par. Interest expense is reported on the accrual basis.

NET ASSETS

The difference between fund assets and liabilities is "Net Assets" on the proprietary fund statements.

Invested in Capital Assets, Net of Related Debt
Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets
Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets
Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but these constraints can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

The University has the following types of transactions among state appropriated funds and other state agencies:

- Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund or state agency and as "Transfers Out" by the disbursing fund or state agency.

- Reimbursements: Repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- Interfund Receivables and Payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as "Current"; repayment for two or more years is classified as "Non-current."
- Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the University's interfund activities and balances are presented in Note 12.

NOTE 2: Capital Assets

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

	Balance 09/01/08	Restatements	Reclassifications Completed CIP	Additions	Deletions	Balance 08/31/09
BUSINESS-TYPE ACTIVITIES						
Non-Depreciable Assets						
Land and Land Improvements	$ 6,928,322.11	$ -	$ -	$ 155,000.00	$ -	$ 7,083,322.11
Construction in Progress	11,415,080.37	-	(3,411,344.00)	29,329,342.54	-	37,333,078.91
Other Assets	650,144.27	-	-	47,275.00	-	697,419.27
Total Non-Depreciable Assets	18,993,546.75	-	(3,411,344.00)	29,531,617.54	-	45,113,820.29
Depreciable Assets						
Buildings and Bldg Improvements	283,414,626.65	(789,606.35)	3,411,344.00	2,760,992.05	-	288,797,356.34
Infrastructure	10,183,040.07	-	-	-	-	10,183,040.07
Facilities & Other Improvements	6,393,859.30	-	-	192,185.00	-	6,586,044.30
Furniture and Equipment	18,567,887.95	(6,171.06)	-	1,936,080.54	(803,047.78)	19,694,749.66
Vehicle, Boats & Aircraft	4,330,492.63	-	-	592,760.42	(241,681.24)	4,681,571.81
Other Assets	15,220,787.14	-	-	305,209.11	(81,074.99)	15,444,921.26
Total Depreciable Assets at Historical Costs	338,110,693.74	(795,777.41)	3,411,344.00	5,787,227.12	(1,125,804.01)	345,387,683.44
Less Accumulated Depreciation for:						
Buildings and Improvements	(142,589,339.97)	750,126.05	-	(7,338,333.17)	-	(149,177,547.09)
Infrastructure	(4,635,297.38)	-	-	(569,813.52)	-	(5,205,110.90)
Facilities & Other Improvements	(3,612,359.40)	-	-	(208,602.63)	-	(3,820,962.03)
Furniture and Equipment	(13,769,787.70)	3,158.78	-	(1,287,782.15)	795,017.55	(14,259,393.52)
Vehicles, Boats & Aircraft	(3,406,301.20)	-	-	(291,329.14)	239,706.78	(3,457,923.56)
Other Capital Assets	(12,899,981.00)	-	-	(318,210.84)	40,703.15	(13,177,488.69)
Total Accumulated Depreciation	(180,913,066.65)	753,284.83	-	(10,014,071.45)	1,075,427.48	(189,098,425.79)
Depreciable Assets, Net	157,197,627.09	(42,492.58)	3,411,344.00	(4,226,844.33)	(50,376.53)	156,289,257.65
Business-Type Activities Capital Assets, Net	$ 176,191,173.84	$(42,492.58)	$ -	$ 25,304,773.21	$ (50,376.53)	$ 201,403,077.94

NOTE 3: Deposits, Investments and Repurchase Agreements

The University is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2009, the carrying amount of deposits was $81,548,229.16 as presented below:

Business-Type Activities

CASH IN BANK – CARRYING VALUE	$81,548,229.16
Less: Certificates of Deposit included in carrying value and reported as non-current investments	24,234,218.70
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Cash in Bank per AFR	$57,314,010.46

Proprietary Funds Current Assets Cash in Bank	$41,402,633.45
Proprietary Funds Current Assets Restricted Cash in Bank	15,911,377.01
Proprietary Funds Non-Current Restricted Cash in Bank	0.00
Cash in Bank per AFR	$57,314,010.46

These amounts consist of all cash in local banks. These amounts are included on the Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts, except for the certificates of deposit which are included in non-current investments.

As of August 31, 2009, the total bank balance was as follows:

Business-Type Activities	$83,596,120.01	Fiduciary Funds	$0.00

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Stephen F. Austin State University Board Policy C-41, *Investments*, states that all deposits shall be secured by a pledge or collateral with a market value equal to no less that 100% of the deposits less any amount insured by the FDIC or FSLIC and pursuant to Article 2529d, the Public Funds Collateral Act. Evidence of the pledged collateral associated with bank demand accounts shall be maintained by the University Controller.

Amounts insured by the FDIC were $2,364,322.33. There were no violations of legal provisions during the fiscal year. The bank balances at August 31, 2009 that are exposed to custodial credit risks are as follows:

Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name
$0.00	$81,231,797.68	$0.00

 Revised

Investments

The fair value of the University's investments as of August 31, 2009 is presented below:

Business-Type Activities	Fair Value
U.S. Government	
U.S. Treasury Securities	$2,641,091.90
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac)	5,640,479.40
Corporate Obligations	1,991,170.07
Equity	3,448,616.46
International Obligations (Government and Corporate)	399,703.31
International Equity	895,592.68
Fixed Income Money Market and Bond Mutual Fund	26,408,047.77
Other Commingled Funds (Texpool)	397,074.02
Alternative Investments	1,250,472.42
Total	$43,072,248.03

Displayed on Statement of Net Assets as:	
Current Assets:	
Cash Equivalents	$397,074.02
Short-Term Investments: Certificates of Deposit	16,015,892.05
Restricted Cash Equivalents	13,878,143.61
Restricted Short-Term Investments	2,390,945.35
Non-Current Assets:	
Restricted:	
Investments: Endowments	8,711,490.27
Unrestricted:	
Investments: Quasi-Endowments	4,445,521.28
Investments: Operating	21,467,400.15
Subtotal	67,306,466.73
Less: Certificates of Deposit	24,234,218.70
Total	$43,072,248.03

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Stephen F. Austin State University Board Policy C-41, *Investments*, limits investments in the following: bankers acceptances must be rated not less than A-1 or P-1 or equivalent by at least one nationally recognized credit rating agency; commercial paper must be rated not less than A-1 or P-1 or equivalent by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and fully secured by an irrevocable letter of credit issued by a bank.

As of August 31, 2009, the Standard & Poor's credit quality ratings of the University's investments by type of securities with credit risk exposure was as follows:

Investment Type	AAA	AA	A	NR
U.S. Government Agency Obligations (Excludes obligations explicitly guaranteed by the U.S. Government)	$5,640,479.40	$0.00	$0.00	$0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00	0.00	0.00	0.00
Corporate Obligations	917,709.48	413,956.52	659,504.07	0.00
Corporate Asset and Mortgage Backed Securities	0.00	0.00	0.00	0.00
International Obligations	87,548.10	312,155.21	0.00	0.00
Repurchase Agreements	0.00	0.00	0.00	0.00
Alternative Investments	0.00	0.00	0.00	1,250,472.42
	AAAf	**AAf**	**Unrated**	
Fixed Income Money Market and Bond Mutual Fund	$0.00	$0.00	$26,408,047.77	
	A-1	**A-2**	**A-3**	
Commercial Paper	$0.00	$0.00	$0.00	

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 immaterial to any single issuer.

Reverse Repurchase Agreements
The University, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the University and the University transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the University arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

As of August 31, 2009, the University was not participating in reverse repurchase agreements.

Securities Lending
In securities lending transactions, governmental entities transfer their securities to broker-dealers and other entities for collateral-which may be cash, securities or letters of credit- and simultaneously agree to return the collateral for the same securities in the future. The University did not participate in securities lending transactions during fiscal year 2009.

Derivative Investing
Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. Derivative securities cover a broad range of financial instruments including forward contracts, futures, options, interest rate swaps and collateralized mortgage obligations. The University did not participate in derivative investing transactions during fiscal year 2009.

NOTE 4: Short-Term Debt

The University had no short-term debt as of August 31, 2009.

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	Additions	Reductions	Balance 08/31/09	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	$100,575,000.00	$0.00	$4,000,000.00	$96,575,000.00	$4,165,000.00	$92,410,000.00
Tuition Revenue Bonds Payable	32,660,000.00	23,603,444.32	3,190,000.00	53,073,444.32	2,365,000.00	50,708,444.32
General Obligation Bonds	0.00	10,200,000.00	0.00	10,200,000.00	870,000.00	9,330,000.00
Capital Lease Obligations	45,973.62	12,635.00	19,803.23	38,805.39	16,289.03	22,516.36
Employees' Compensable Leave	3,194,883.16	578,562.16	323,108.74	3,450,336.58	479,200.51	2,971,136.07
Total Business-Type Activities	$136,475,856.78	$34,394,641.48	$7,532,911.97	$163,337,586.29	$7,895,489.54	$155,442,096.75

Claims and Judgments
The University had no unpaid settlements or judgments as of August 31, 2009.

Employees' Compensable Leave
A State employee is entitled to be paid for all unused vacation time (annual leave) accrued in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the State for six months. The University reports the liability for the unpaid annual leave in the Statement of Net Assets. No liability is recorded for sick pay benefits.

NOTE 6: Bonds

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

General information related to bonds payable is summarized below:

Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 1998

- To provide funds for renovations to Miller Science Building.
- Issued 9-1-98.
- $6,000,000; All authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year $280,000; Outstanding at year end $3,685,000.

Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds - Series 2000

- To provide funds for improvements to residence halls and student apartments.
- Issued 3-1-00.
- $7,000,000; All authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year $1,000,000; Outstanding at year end $1,000,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2002

- To provide funds for construction of a facility to replace the Birdwell Building, construction of a new Telecommunications and Networking building, renovations to Power Plant, and renovations to existing structures at the University.
- Issued 7-9-02.
- $14,070,000; All authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year $575,000; Outstanding at year end $10,515,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2002(A)

- To provide funds for renovation of the stadium press box.
- Issued 12-19-02.
- $1,320,000; All authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year $180,000; Outstanding at year end $375,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2004

- To provide funds for renovation and expansion, and equipment for, the Student Center.
- Issued 2-18-04.
- $26,030,000; All authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Pledged Student Center Fees
  Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year $990,000; Outstanding at year end $22,205,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2004(A)

- To provide funds to construct a 400-space parking garage adjacent to the Student Center.
- Issued 8-17-04.
- $5,460,000; All authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Pledged Student Center Fees
  Other Pledged Revenues
- Changes in Debt: Principal paid during fiscal year $205,000; Outstanding at year end $4,690,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2005

- To provide funds to construct a new student residence hall and associated parking garage; and to pay the costs related to the issuance of the Bonds.

- Issued 6-23-05.
- $17,215,000; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year $630,000; Outstanding at year end $15,390,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds - Series 2005(A)

- To provide funds to construct a new student residence hall and associated parking garage; to construct a new student recreational center and to pay the costs related to the issuance of the Bonds.
- Issued 11-02-05.
- $55,365,000; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged Recreational Sports Fee
- Other Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year $995,000; Outstanding at year end $52,915,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds – Series 2008

- To provide funds to construct a new early childhood research center which will provide an Early Childhood laboratory for the College of Education and a charter school campus.
- Issued 03-04-08.
- $20,175,000; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during fiscal year $620,000; Outstanding at year end $16,985,000.

State of Texas Constitutional Appropriation Bonds Stephen F. Austin State University – Series 2008

- To provide a portion of the funds to complete construction and equipment the Early Childhood Research Center and pay certain costs related to the issuance of the Bonds.
- Issued 12-18-08.
- $10,200,000; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Higher Education Funds.
- Changes in Debt: Issued during fiscal year $10,200,000; Principal paid during fiscal year $0; Outstanding at year end $10,200,000.

Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds – Series 2009

- To provide funds to construct a new nursing facility expansion and provide campus wide deferred maintenance to multiple buildings.
- Issued 02-04-09.
- $22,994,575; All authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Issued during fiscal year $23,597,628.10; Interest Accreted $5,816.22; Principal paid during fiscal year $1,715,000; Outstanding at year end $21,888,444.32.
- Revenue Financing System Bonds issued include a Serial Bond of $1,715,000, a Capital Appreciation Bond (CAB) of $209,575, and Current Interest Serial Bonds of $21,040,000. The CAB matures October 15, 2010 at $830,000. CAB bond proceeds include $603,053.10 of bond premium in addition to the par value

of $209,575 for a total issue price of $812,628.10. The CAB Bonds have interest accretion of $17,371.90, of which $11,555.68 has not been accreted as of August 31, 2009.

Advance Refunding Bonds
No bonds were advance refunded during the year.

NOTE 7: Capital Leases

The University has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2009:

Assets Under Capital Leases	Business-Type Activities
Furniture and Equipment	$893,776.74
Less: Accumulated Depreciation	826,879.02
Vehicles	375,000.00
Less: Accumulated Depreciation	231,250.00
Total	$210,647.72

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

Future Minimum Lease Payments	Business-Type Activities		
	Principal	Interest	Total
2010	$16,289.03	$1,965.33	$18,254.36
2011	12,946.54	1,095.84	14,042.38
2012	4,274.18	479.74	4,753.92
2013	4,554.76	206.51	4,761.27
2014	740.88	8.59	749.47
2015-2019	0.00	0.00	0.00
Total Minimum Lease Payments	$38,805.39	$3,756.01	$42,561.40
Less: Amount Representing Interest at Various Rates			3,756.01
Present Value of Net Minimum Lease Payments			$38,805.39

NOTE 8: Operating Lease Obligations

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

Fund Type	Amount
Enterprise Fund	$363,310.28

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31	
2010	$343,596.29
2011	244,255.72
2012	163,407.07

2013	81,536.18
2014	34,119.05
2015-2019	0.00

NOTE 9: Retirement Plans

The State of Texas has joint contributory retirement plans for all of its benefits-eligible 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 6.4% and 6.4 %, respectively, of annual compensation. TRS does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in TRS' annual financial report.

The State has also established an optional retirement program (ORP) for institutions of higher education for certain administrative personnel and faculty. Participation in the optional retirement program is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The optional retirement program allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the program prior to September 1, 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.4% from the ORP appropriation and 2.10% from other funding sources. The 6.4% contribution is mandatory with the other 2.10% being at the discretion of the Board. The Board has approved the additional contributions for these employees. The 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. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

GASB 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2009 fiscal year was $2,006,468.00 and the amount contributed by the University was $2,240,786.52.

NOTE 10: Deferred Compensation

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec 609.001. Two plans are available for employees: the 403(b) Tax Sheltered Annuity (TSA) plan and the Texasaver 457(b) plan. The TSA is administered by Stephen F. Austin State University. The 457(b) plan is administered by the Employees Retirement System of Texas. The assets of these plans do not belong to the university or the state and thus do not have a liability related to this plan.

NOTE 11: Postemployment Health Care and Life Insurance Benefits - (Not Applicable)

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The University experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2009, follows:

	Due From Other Agencies	Due To Other Agencies	Source
ENTERPRISE FUND (05)			
Appd Fund 5015, D23 Fund 5015			
Agency 601, D23 Fund 5015	$4,468.10		State Pass Through
ENTERPRISE FUND (05)			
Appd Fund 9999, D23 Fund 7999 Agency 781, D23 Fund 0001		$101,064.46	State Pass Through
Agency 781, D23 Fund 0824		46,712.27	State Pass Through
Agency 781, D23 Fund 0001		16,235.46	Federal Pass Through
Agency 754, D23 Fund 7999		3,018.22	Federal Pass Through
Agency 724, D23 Fund 7999		108,218.10	Federal Pass Through
Agency 701, D23 Fund 0193		189,986.76	State Pass Through
Agency 771, D23 Fund 0148	82,516.29		Federal Pass Through
Agency 401, D23 Fund 0449	1,085,666.64		Federal Pass Through
Agency 405, D23 Fund 0092	4,429.52		Federal Pass Through
Agency 530, D23 Fund 0001	31,311.33		Federal Pass Through
Agency 580, D23 Fund 4831	23,449.78		State Pass Through
Agency 580, D23 Fund 0001	14,967.85		State Pass Through
Agency 701, D23 Fund 0148	74,879.77		State Pass Through
Agency 802, D23 Fund 0095	10,625.10		State Pass Through
Agency 802, D23 Fund 5043	68,448.09		State Pass Through
Agency 802, D23 Fund 0921	31,301.98		State Pass Through
Agency 802, D23 Fund 0920	3,527.90		State Pass Through
Agency 802, D23 Fund 0931	32,872.73		Federal Pass Through
Agency 802, D23 Fund 0951	49,660.25		Federal Pass Through
Agency 907, D23 Fund 0515	2,530.60		State Pass Through
Total Due From/To Other Agencies	$1,520,655.93	$465,235.27	

	Transfer In	Transfer out	Purpose (Disclosure Required)
ENTERPRISE FUND (05)			
Agency 781, D23 Fund 0001		$1,832.00	Doctoral Set-Aside
Total Transfers for Fund 0261		1,832.00	
ENTERPRISE FUND (05)			
Appd Fund 5103, D23 Fund 5103			
Agency 781, D23 Fund 5103		827,011.50	Texas B-On-Time
Total Transfers for Fund 5103		827,011.50	
Total Transfers		$828,843.50	

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)

NOTE 14: Adjustments to Fund Balance/Net Assets

In 2009, the University replaced various components of certain depreciable assets, including building, furniture and equipment and library books. These adjustments are reported in Note 2. These replacements resulted in an adjustment to Net Assets, Invested in Capital Assets, Net of Related Debt totaling $42,492.58. This restatement is in accordance with guidelines established by the State Property Accounting Division of the Comptroller of Public Accounts for the replacement of integral parts of buildings and equipment.

NOTE 15: Contingent Liabilities

As of August 31, 2009, there were no lawsuits pending; however, some miscellaneous claims involving the University were pending. While the ultimate liability with respect to pending claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

NOTE 16: Subsequent Events

In July, 2009 the Board of Regents authorized the administration to seek project approval from the Texas Higher Education Coordinating Board (THECB) to issue revenue financing bonds for the construction of a new freshman residence hall and parking garage at a cost not to exceed $35,000,000. On August 20, 2009 the THECB granted approval for a parking garage at a cost of $11,105,000 to be funded from auxiliary enterprise revenues. Then, on August 21, 2009 the THECB granted approval for a freshman residence hall at a cost of $22,730,000 to be funded as well from auxiliary enterprise revenues. The administration is currently seeking approval from the Texas Public Finance Authority and Bond Review Board for bond issuance for the financing of this entire project.

At its May, 2009 board meeting, the Board of Regents selected Siemens Corporation to conduct an energy audit and present an energy performance contract proposal to the university. Authority was given to the administration, after the plan is finalized, to obtain third party review of the Siemens energy audit and seek approval from the Texas Higher Education Coordinating Board for the energy performance contract at a cost not to exceed $20,000,000. The State Energy Conservation Office (SECO) currently finances energy performance contracts up to $10,000,000 at an interest rate of three percent. In addition, federal stimulus funds have been earmarked for SECO distribution and the university plans to apply for this funding source. At the October 2009 meeting, the Board of Regents approved the project scope at a cost not to exceed $18,000,000 depending on the funding.

NOTE 17: Risk Financing and Related Insurance

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; losses resulting from providing health and other medical benefits to employees; and natural disasters. 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. The methods the University uses to handle each of these risks are summarized below.

Injuries to Employees: Employees of the University are covered by a workers' compensation insurance policy provided by the State Office of Risk Management (SORM). SORM assesses the University an amount for the insurance coverage in accordance with 28 T.A.C. 251.507. An Interagency Contract in the amount of $186,365.38 was executed on behalf of the University for Worker's Compensation Insurance during the year ended August 31, 2009. A mid-year assessment adjustment in the amount of $52,676.70 for 2009 was paid in May 2009 and recorded as an increase in current year expenditures.

Provision for Health and Other Medical Benefits: Employees of the University are eligible for health insurance and optional coverage(s) if they are employed at least 50 percent time. The coverage is provided through the State, under the Texas Employees Group Benefits Program (GBP), which is administered by Blue Cross Blue Shield of Texas. Eligible employees may select health, dental, life, accidental death and dismemberment, dependent life, and long and short-term disability coverage. All risks associated with these benefits are passed to the GBP. The costs of health insurance coverage are jointly paid by the State and the University as follows: 100% for full-time employees and 50% for their dependents; 50% for part-time employees and 25% for their dependents. Employees hired on or after September 1, 2003 have a 90-day waiting period to participate in health insurance coverage. Contributions made by the State on behalf of the University for health and other medical benefits were $5,508,131.00 for the year ended August 31, 2009.

Damage to Property: The University is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. In fiscal year 2009, there were no damage claims.

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 $25,000 per injured person, up to a total of $50,000 for everyone injured in an accident (bodily injury) and $25,000 for 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. The University also carries physical damage for vehicles six years and newer. One vehicle, a 56-passenger bus, carries a $1,000,000 limit per contractual requirements. The annual premium was $67,734.50 with a deductible paid of $34,965.36.

Torts and Other Risks: The University is exposed to a variety of civil claims resulting from the performance of its duties. The University has purchased commercial insurance to address this risk.

NOTE 18: Management Discussion and Analysis

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NOTE 19: The Financial Reporting Entity and Joint Ventures

The University is an agency of the State of Texas. The ten members of its Board of Regents are appointed by the Governor, and include one non-voting student Regent. The University has no component units or joint ventures.

Six entities exist to benefit the University: Stephen F. Austin State University Foundation, Inc.; SFA Real Estate Foundation, Inc.; Stephen F. Austin State University Alumni Association, Inc.; Stephen F. Austin State University Alumni Foundation, Inc.; Stephen F. Austin State University Tip-In Club; and, Stephen F. Austin State University Quarterjack Club. Since the University's Board of Regents is not financially accountable for these entities and does not appoint their board members, they are not considered Related Parties per GASB Statement 14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations Are Component Units.* Accordingly, their financial data are not included in this financial report.

The Stephen F. Austin State University Foundation, Inc. is a non-profit organization 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 for the use and benefit of the University. The University's Vice President for Development serves as the Executive Director of the Foundation and the University's President may serve as an ex officio, non-voting member of the Foundation's Board of Trustees. The University provides personnel, office space, equipment and supplies as necessary for the Foundation to carry out its responsibilities and activities.

The SFA Real Estate Foundation, Inc. is a non-profit organization with the sole purpose of supporting the mission of the University. It receives, holds, manages, and controls real property gifts or acquisitions which benefit the University. The University's Vice President for Development serves as the Executive Director of the Foundation and the University's President may serve as an ex officio, non-voting member of the Foundation's Board of Trustees. The University furnishes certain services, such as office space, utilities, and some staff assistance, to the Foundation.

The Stephen F. Austin State University Alumni Association, Inc. is a non-profit organization dedicated to serving the alumni, friends, and current students of the University through programs, scholarships, and activities that create an attitude of continued loyalty and support. The University's Executive Director for Alumni Affairs serves as the Executive Director of the Alumni Association. The Alumni Association compensates the University for a portion of their employee support costs. The University provides certain services, such as office space, utilities, some staff assistance, and custodial services, to the Association.

The Stephen F. Austin State University Alumni Foundation, Inc. is a non-profit organization which exists to award scholarships to students at the University. The Alumni Foundation is housed within the Alumni Association.

Therefore, the University provides the same office space, utilities, staff assistance and custodial services for the Alumni Foundation as it does for the Alumni Association.

The Stephen F. Austin Tip-In Club is a non-profit organization which exists with the sole purpose of supporting the Lumberjack Basketball program. It solicits donations, manages and holds gifts for the sole benefit of the intercollegiate men's basketball program. The University's Athletic Director serves as an ex officio, non-voting member of the Club's Board of Directors and reviews and approves activity to ensure compliance with National Collegiate Athletic Association's (NCAA) requirements.

The Stephen F. Austin Quarterjack Club is a non-profit organization which exists with the sole purpose of supporting the Lumberjack Football program. This organization has been dormant for several years. The University's Athletic Director serves as an ex officio, non-voting member of the Club's Board of Directors and reviews and approves activity to ensure compliance with National Collegiate Athletic Association's (NCAA) requirements.

NOTE 20: Stewardship, Compliance, and Accountability

The University administration is unaware of any non-compliance items.

NOTE 21: Tobacco Settlement - (Not Applicable)

NOTE 22: Donor-Restricted Endowments - Revised

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	$(831,563.65)	Funds Held as Permanent Endowments, Expendable
Term Endowments	(2,020.57)	Funds Held as Permanent Endowments, Expendable
Total	$(833,584.22)	

The University spending policy provides for a target distribution rate of between 4 and 5 percent. The policy states that if returns permit, an amount equal to the rate of inflation will be added back to each endowment balance. Additionally if there are any returns beyond the inflation rate, then this amount will be added to a contingency reserve that may be distributed during years of poor investment performance. In 2009, 4 percent of the weighted average market value of the endowment pooled investments was either distributed to spending accounts or used to offset investment losses in the individual endowment accounts. No amounts were added to the contingency reserve account.

NOTE 23: Special or Extraordinary Items - (Not Applicable)

NOTE 24: Disaggregation of Receivable and Payable Balances

Accounts Receivables
The components of Current Accounts Receivables, as reported in the Statement of Net Assets, are as follows:

Accounts Receivables Category	Current Amount

Revised

Accounts Receivables Category	Current Amount
3rd Party Contracts on Student Receivables	$1,884,868.79
Private Grants and Contracts Receivables	372,878.96
Miscellaneous Receivables	411,528.05
Total	$2,669,275.80

There are no significant receivable balances that the University does not expect to collect within the next fiscal year.

Accounts Payables

The components of Current Accounts Payables, as reported in the Statement of Net Assets, are as follows:

Accounts Payables Category	Current Amount
Payables on Construction Activity	$264,416.35
Utility Payables	2,114,763.25
Bookstore Payables	617,089.72
Procurement Card Payables	486,741.05
Miscellaneous	1,639,104.57
Total	$5,122,114.94

NOTE 25: Termination Benefits – (Not Applicable)

NOTE 26: Segment Information - (Not Applicable)

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2009

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ. #	Pass-Through From Agencies Or Univ Amount	Pass-Through From Non-State Entities Amount
U.S. Department of Agriculture				
Direct Programs:				
Forestry Research	10 028		$ 0.00	$ 0.00
Forestry Research	10.652			
Total U. S. Department of Agriculture			0.00	0.00
U.S. Department of Defense				
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			
Total U.S. Department of Defense			0.00	0.00
U.S. Department of the Interior				
National Historic Landmark	15.912			37,860.44
Direct Programs:				
Rivers, Trails and Conservation Assistance	15.921			
Rivers, Trails and Conservation Assistance	15.921			
Pass-Through To:				
Texas State University - San Marcos				
Total U.S. Department of the Interior			0.00	37,860.44
Office of Personnel Management				
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			
Total Office of Personnel Management			0.00	0.00
National Foundation on the Arts and the Humanities				
Conservation Project Support	45.303			
National Leadership Grants	45.312			
Total National Foundation on the Arts and the Humanities			0.00	0.00
National Science Foundation				
Education and Human Resources	47.076			
Total National Science Foundation			0.00	0.00
U.S. Department of Energy				
Renewable Energy Research and Development	81.087			15,907 17
Pass-Through From:				
State Energy Program	81 041			
Pass-Through From:				
Comptroller-State Energy Conservation Office		907	2,707 79	
Total U.S. Department of Energy			2,707.79	15,907.17
U.S. Department of Education				
Tech-Prep Education	84.243			3,970.25
Direct Programs:				
Undergraduation International Studies and Foreign Language Programs	84 016			
Leveraging Educational Assistance Partnership	84.069			
Rehabilitation Long-Term Training	84 129			
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			
Transition Teaching	84.350			
School Leadership	84.363			

Direct Program Amount	Total PT From & Direct Program	Agy #/ Univ. #	Pass-Through To: State Agy. Or Univ. Amount	Pass-Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
$ 14,150.00	$ 14,150.00		$ 0.00	$ 0.00	$ 14,150.00	$ 14,150.00
30,428.66	30,428.66				30,428.66	30,428.66
44,578.66	44,578.66		0.00	0.00	44,578.66	44,578.66
215,167.00	215,167.00				215,167.00	215,167.00
215,167.00	215,167.00		0.00	0.00	215,167.00	215,167.00
	37,860.44				37,860.44	37,860.44
33,884.34	33,884.34				33,884.34	33,884.34
3,018.22	3,018.22					3,018.22
		754	3,018.22			
36,902.56	74,763.00		3,018.22	0.00	71,744.78	74,763.00
88,089.77	88,089.77				88,089.77	88,089.77
88,089.77	88,089.77		0.00	0.00	88,089.77	88,089.77
1,860.00	1,860.00				1,860.00	1,860.00
18,435.05	18,435.05				18,435.05	18,435.05
20,295.05	20,295.05		0.00	0.00	20,295.05	20,295.05
113,620.61	113,620.61				113,620.61	113,620.61
113,620.61	113,620.61		0.00	0.00	113,620.61	113,620.61
	15,907.17				15,907.17	15,907.17
	2,707.79				2,707.79	2,707.79
0.00	18,614.96		0.00	0.00	18,614.96	18,614.96
	3,970.25				3,970.25	3,970.25
29,999.32	29,999.32				29,999.32	29,999.32
33,614.00	33,614.00				33,614.00	33,614.00
263,093.27	263,093.27				263,093.27	263,093.27
239,072.02	239,072.02				239,072.02	239,072.02
1,158,719.73	1,158,719.73				1,158,719.73	1,158,719.73
738,872.72	738,872.72				738,872.72	738,872.72
41,696.59	41,696.59				41,696.59	41,696.59

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2009

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ. #	Pass-Through From Agencies Or Univ. Amount	Pass-Through From Non-State Entities Amount
Pass-Through From:				
Vocational Education--Basic Grants to States	84.048			
Pass-Through From:				
Texas Education Agency		701	123,241.23	
Charter Schools	84.282			
Pass-Through From:				
Texas Education Agency		701	176,744.82	
Improving Teacher Quality State Grants	84.367			
Pass-Through From:				
Texas Higher Education Coordinating Board		781	79,913.65	
Total U.S. Department of Education			379,899.70	3,970.25
U.S. Department of Health and Human Services				
Direct Programs:				
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912			
Pass-Through From:				
Model State-Supported Area Health Education Centers	93.107			
Pass-Through From:				
University of Texas Medical Branch Galveston		723	74,852.91	
Foster Care--Title IV-E	93.658			
Pass-Through From:				
Department of Family and Protective Services		530	153,092.01	
Geriatric Education Centers	93.969			
Pass-Through From:				
University of Texas Medical Branch at Galveston		723	4,523.99	
Total U.S. Department of Health & Human Services			232,468.91	0.00
Corporation for National and Community Service				
Americorps	94.006			
Pass-Through From:				
University of Texas Medical Branch at Galveston		723	18,358.96	
Total Corporation for National and Community Service			18,358.96	0.00
RESEARCH & DEVELOPMENT CLUSTER				
U.S. Department of Agriculture				
Direct Programs:				
Agricultural Research--Basic and Applied Research	10.001			
Grants for Agricultural Research, Special Research Grants	10.200			
Foreign Market Development cooperator Program	10.600			
Forestry Research	10.652			
Plant Materials for Conservation	10.905			
Total U. S. Department of Agriculture			0.00	0.00
U.S. Department of Defense				
Aquatic Plant Control	12.100			
Military Medical Research and Development	12.420			
Pass-Through From:				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			
Pass-Through From:				
Adjutant General's Department		401	1,245,384.25	

Direct Program Amount	Total PT From & Direct Program	Agy #/ Univ. #	Pass-Through To: State Agy. Or Univ. Amount	Pass-Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
	123,241.23				123,241 23	123,241.23
	176,744.82				176,744.82	176,744.82
	79,913.65				79,913.65	79,913.65
2,505,067 65	2,888,937 60		0.00	0.00	2,888,937.60	2,888,937.60
151,215.76	151,215.76				151,215.76	151,215.76
	74,852.91				74,852.91	74,852.91
	153,092.01				153,092.01	153,092.01
	4,523.99				4,523.99	4,523.99
151,215.76	383,684.67		0.00	0.00	383,684.67	383,684.67
	18,358.96				18,358.96	18,358.96
0.00	18,358.96		0.00	0.00	18,358.96	18,358.96
6,481 90	6,481.90				6,481.90	6,481.90
157,989.31	157,989.31				157,989.31	157,989.31
1,506.39	1,506.39				1,506.39	1,506.39
372,345.75	372,345.75				372,345 75	372,345 75
9,353.50	9,353.50				9,353.50	9,353.50
547,676.85	547,676.85		0.00	0.00	547,676.85	547,676.85
43,518.20	43,518.20				43,518.20	43,518.20
147,095.87	147,095.87				147,095.87	147,095.87
	1,245,384.25				1,245,384.25	1,245,384.25

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2009

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ. #	Pass-Through From Agencies Or Univ. Amount	Pass-Through From Non-State Entities Amount
National Guard Military Operations and Maintenance (O&M) Projects	12.401			
Pass-Through From:				
Adjutant General's Department		401	927,170.03	
Pass Through To:				
University of Texas at El Paso				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			
Pass-Through From:				
Adjutant General's Department		401	96,401.44	
Pass Through To:				
Texas Tech University				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			
Pass-Through From:				
Adjutant General's Department		401	73,046.13	
Pass Through To:				
Texas Tech University				
Total U.S. Department of Defense			2,342,001.85	0.00
U.S. Department of the Interior				
Direct Programs:				
Fish and Wildlife Management Assistance	15.608			
Migratory Bird Joint Ventures	15.637			
Migratory Bird Monitoring, Assessment and Conservation	15.655			
U.S. Geological Survey--Research and Data Collection	15.808			
Pass-Through To:				
University of Texas at Austin				
National Historic Landmark	15.912			
Outdoor Recreation-Acquisition, Development and Planning	15.916			
Rivers, Trails and Conservation Assistance	15.921			
Pass-Through From:				
Wildlife Restoration	15.611			
Pass-Through From:				
Parks and Wildlife Department		802	116,168.01	
State Wildlife Grants	15.634			
Pass-Through From:				
Parks and Wildlife Department		802	151,528.51	
Pass-Through To:				
National Land Remote Sensing Education Outreach and Research	15.815			16,163.82
Pass-Through To:				
University of Texas at Austin				
Total U.S. Department of the Interior			267,696.52	16,163.82
National Aeronautics & Space Administration				
Aerospace Education Services Program	43.001			1,698.08
Direct Programs:				
Aerospace Education Services Program	43.001			
Total National Aeronautics & Space Administration			0.00	1,698.08
National Science Foundation				
Biological Sciences	47.074			
Social, Behavioral, and Economic Sciences	47.075			
Education and Human Resources	47.076			
Total National Science Foundation			0.00	0.00

UNAUDITED

Direct Program Amount	Total PT From & Direct Program	Agy #/ Univ #	Pass-Through To State Agy. Or Univ. Amount	Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
	927,170.03					927,170.03
		724	927,170 03			
	96,401.44					96,401.44
		733	96,401.44			
	73,046.13					73,046.13
		734	73,046.13			
190,614.07	2,532,615.92		1,096,617.60	0.00	1,435,998.32	2,532,615.92
233.59	233.59				233.59	233.59
601.77	601.77				601.77	601.77
11,146.91	11,146.91				11,146.91	11,146.91
8,346 47	8,346.47				5,736.23	8,346.47
		721	2,610.24			
107,062.30	107,062.30				107,062.30	107,062.30
1,526.02	1,526.02				1,526.02	1,526.02
36,523.75	36,523.75				36,523.75	36,523 75
	116,168 01				116,168 01	116,168.01
	151,528.51				151,528.51	151,528.51
	16,163.82			15,678.47		15,678.47
		721	485.35			485.35
165,440.81	449,301.15		3,095.59	15,678.47	430,527.09	449,301.15
	1,698.08				1,698.08	1,698.08
3,757 18	3,757.18				3,757.18	3,757.18
3,757.18	5,455.26		0.00	0.00	5,455.26	5,455.26
142.05	142.05				142.05	142.05
15,762.69	15,762.69				15,762.69	15,762.69
91,495.29	91,495.29				91,495.29	91,495.29
107,400.03	107,400.03		0.00	0.00	107,400.03	107,400.03

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2009

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ. #	Pass-Through From Agencies Or Univ. Amount	Pass-Through From Non-State Entities Amount
Enviromental Protection Agency				
Congressionally Mandated Projects	66.202			
Total Environmental Protection Agency			0.00	0.00
U.S. Department of Energy				
Fossil Energy Research and Development	81.089			
Total U.S. Department of Education			0.00	0.00
U.S. Department of Education				
Fund for the Improvement of Postsecondary Education	84.116			
Pass-Through To:				
Lamar State College-Orange				
Bilingual Education-Professional Development	84.195			
School Leadership	84.363			
Total U.S. Department of Education			0.00	0.00
U.S. Department of Health and Human Services				
Special Projects of National Significance	93.928			42,712.25
Direct Programs:				
Social Services Research and Demonstration	93.647			
Total U.S. Department of Health and Human Services			0.00	42,712.25
CHILD CARE CLUSTER				
U.S. Department of Health and Human Services				
Child Care and Development Block Grant	93.575			22,963.46
				126.46
Total U.S. Department of Health & Human Services			0.00	23,089.92
CHILD NUTRITION CLUSTER				
U.S. Department of Agriculture				
Pass-Through From:				
School Breakfast Program	10.553			
Pass-Through From:				
Texas Education Agency		701	2,472.00	
National School Lunch Program	10.555			
Pass-Through From:				
Texas Education Agency		701	4,494.00	
Total U.S. Department of Agriculture			6,966.00	0.00
SPECIAL EDUCATION (IDEA) CLUSTER				
U.S. Department of Education				
Pass-Through From:				
Special Education--Grants to States	84.027			
Pass-Through From:				
Texas Education Agency		701	14,410.29	
Special Education--Grants to States	84.027			
Pass-Through From:				
Texas A&M University - Texarkana		764	44,572.54	
Special Education--Grants to States	84.027			
Pass-Through From				
Texas School for the Blind & Visually Impaired		771	286,778.80	
Total U.S. Department of Education			345,761.63	0.00

Direct Program Amount	Total PT From & Direct Program	Pass-Through To: Agy #/ Univ. #	Pass-Through To: State Agy Or Univ. Amount	Pass-Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
67,129.49	67,129.49				67,129.49	67,129 49
67,129.49	67,129.49		0.00	0.00	67,129.49	67,129.49
7,468.31	7,468.31				7,468.31	7,468.31
7,468.31	7,468.31		0.00	0.00	7,468.31	7,468.31
174,829.46	174,829.46				173,492.93	174,829.46
		787	1,336.53			
313,591.49	313,591.49				313,591 49	313,591.49
26,456.69	26,456.69				26,456.69	26,456.69
514,877 64	514,877.64		1,336.53	0.00	513,541.11	514,877.64
	42,712.25				42,712.25	42,712.25
93,347.43	93,347 43				93,347.43	93,347.43
93,347.43	136,059.68		0.00	0.00	136,059.68	136,059.68
	22,963.46				22,963 46	22,963.46
	126.46				126.46	126.46
0.00	23,089.92		0.00	0.00	23,089.92	23,089.92
	2,472.00				2,472.00	2,472.00
	4,494.00				4,494.00	4,494.00
0.00	6,966.00		0.00	0.00	6,966.00	6,966.00
	14,410.29				14,410.29	14,410.29
	44,572.54				44,572.54	44,572.54
	286,778.80				286,778.80	286,778.80
0.00	345,761.63		0.00	0.00	345,761.63	345,761.63

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2009

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ. #	Pass-Through From Agencies Or Univ. Amount	Pass-Through From Non-State Entities Amount
PUBLIC ASSISTANCE CLUSTER				
U.S. Department of Homeland Security				
Pass-Through From:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97 036			
Pass-Through From:				
Texas Department of Public Safety		405	373,151.48	
Total U.S. Department of Agriculture			373,151.48	0.00
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007			
Federal Family Education Loans	84.032			
Federal Work-Study Program	84.033			
ARRA-Federal Work-Study Program	84.033			
Federal Perkins Loan Program--Federal Capital Contributions	84.038			
Federal Pell Grant Program	84.063			
Academic Competitiveness Grants	84.375			
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376			
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			
Total U.S. Department of Education			0.00	0.00
Total Expenditures of Federal Awards			$ 3,969,012.84	$ 141,401.93

Direct Program Amount	Total PT From & Direct Program	Agy #/ Univ. #	Pass-Through To State Agy. Or Univ. Amount	Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
	373,151.48				373,151.48	373,151.48
0.00	373,151.48		0.00	0.00	373,151.48	373,151.48
376,385.00	376,385.00				376,385.00	376,385.00
62,735,494 00	62,735,494.00				62,735,494 00	62,735,494.00
504,969.48	504,969.48				504,969.48	504,969.48
71,901 30	71,901.30				71,901.30	71,901.30
535,170.00	535,170.00				535,170.00	535,170.00
13,192,177.38	13,192,177.38				13,192,177.38	13,192,177 38
613,651.30	613,651.30				613,651.30	613,651 30
129,259.00	129,259.00				129,259.00	129,259.00
153,117.00	153,117 00				153,117 00	153,117 00
78,312,124.46	78,312,124.46		0.00	0.00	78,312,124.46	78,312,124.46
$ 83,184,773.33	$ 87,295,188.10		$ 1,104,067.94	$ 15,678.47	$ 86,175,441.69	$ 87,295,188.10

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2009

Note 1 - Nonmonetary Assistance - N/A

Note 2 - Reconciliation
Below is a reconciliation of the total of federal pass through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of **federal revenues** and **federal grant pass-through revenues** as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Changes in Revenues, Expenses and Net Assets

Federal Revenue Operating	$ 19,914,109.33
Federal Pass-Through Revenue	3,969,012.84
Federal Pass-Through from Non-State Agency	141,401.93
Federal Pass-Through Non-Operating	0.00
Subtotal	24,024,524.10
Reconciling Items:	
Non-monetary:	0.00
New Loans Processed:	
GSL/SLS/PLUS Loans	62,735,494.00
Federal Perkins Loans	535,170.00
Total Pass-Through and Expenditures per Federal Schedule	$ 87,295,188.10

Note 3 - Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed & Admin Costs Recovered	End Balances of Previous Year's Loans
Department of Education 84.038 Federal Perkins Loans	$ 535,170.00	$ 67,127.00	$ 602,297.00	$ 5,876,504.50
Department of Education 84.032 GSL/SLS/Plus Loans	62,735,494.00	0.00	62,735,494.00	0.00
Total Department of Education	$ 63,270,664.00	$ 67,127.00	$ 63,337,791.00	$ 5,876,504.50

Note 4 - Depository Libraries for Government Publications - N/A

Note 5 - Unemployment Insurance - N/A

Note 6 -Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC) - N/A

Note 7 - Federal Deferred Revenue

Federal Deferred Revenue 9-1-08	$ 160,807.11
Increase (Decrease)	(97,223.77)
Federal Deferred Revenue 8-31-09	$ 63,583.34

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-B - Schedule of State Grant Pass-Through From/To State Agencies
For The Fiscal Year Ended August 31, 2009

Pass Through From:

Operating:

Texas Commission on Environmental Quality (Agy #582)		
Deep-Rooted Sedge	$	7,650.84
Texas Water Development Board (Agy #580)		
Large Woody Debris		21,329.26
Riparian Area Survey		11,902.26
Ang-Neches Insteam		14,967.85
Texas Parks & Wildlife (Agy #802)		
Mammalian Species Yr 2		28,183.98
Eastern Wild Turkeys		10,307.05
Exotic Invasive Plants		58,531.40
Trans E Wild Turkeys		95,948.09
Contaminant Levels		13,548.60
Texas Higher Ed. Coord. Board (Agy #781)		
Travel Award		711.81
MST Academy		99,280.00
At Risk Nursing Students		182,668.95
P16 Enhancement		36,759.65
Deep E TX P16 Council		17,110.85
P16 Special Advisor		4,759.41
Professional Nursing		5,854.00
TEXAS Grant Program		4,049,607.00
HE Performance Incentive Initiative		965,780.00
College Work Study Program		88,981.00
Engineering Scholarships		5,000.00
Texas College Workstudy		76,215.00
5th Year Accounting Scholarships		5,333.00
State Energy Conservation Office (Agy #907)		
Project Learning Tree 2		11,604.07
Texas Commission on the Arts (Agy #813)		
Dance of Asian Americans		800.00
Texas Education Agency (Agy #701)		
Charter School YR 1		838,752.70
Technology Allotment		4,453.00
University of Texas at Dallas (Agy #738)		
TERCEP		35,923.82
UT Southwestern Medical Center (Agy #729)		
Hot Jobs		4,690.08
UTMB (Agy #723)		
AHEC		162,719.12
Clinic Management		24,500.91
Total Operating Pass-Through From Other Agencies	$	6,883,873.70

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-B - Schedule of State Grant Pass-Through From/To State Agencies
For The Fiscal Year Ended August 31, 2009

Pass Through To:

Operating:

University of Texas at El Paso (Agy #724)		
TERCEP	$	10,356.20
University of North Texas (Agy #752)		
TERCEP		5,000.00
University of Texas at Tyler (Agy #750)		
At Risk Nursing		11,807.68
Total Operating Pass-Through To Other Agencies	$	27,163.88

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2009

Description of Issue		Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
Business-Type Activities							
Revenue Bonds - Self Supporting							
Rev Fin Sys Bds Ser '00	$	7,000,000.00	5.125	5.375	2003	2009	n/a
Rev Fin Sys Bds Ser '02 (A)		1,320,000.00	3.590	3.590	2003	2010	n/a
Rev Fin Sys Bds Ser '04		26,030,000.00	2.000	4.375	2005	2024	10/15/2013
Rev Fin Sys Bds Ser '04 (A)		5,460,000.00	4.000	4.625	2005	2024	10/15/2013
Rev Fin Sys Bds Ser '05		17,215,000.00	4.000	5.250	2006	2025	10/15/2015
Rev Fin Sys Bds Ser '05 (A)		55,365,000.00	3.500	5.000	2006	2025	10/15/2015
		112,390,000.00					
Tuition Revenue Bonds - Self-Supporting							
Rev Fin Sys Bds Ser '98		6,000,000.00	3.650	5.250	1999	2018	10/15/2008
Rev Fin Sys Bds Ser '02		14,070,000.00	4.000	5.000	2002	2021	10/15/2012
Rev Fin Sys Bds Ser '08		20,175,000.00	3.500	5.000	2008	2027	10/15/2017
Rev Fin Sys Bds Ser '09		23,603,444.32	3.750	5.000	2009	2029	10/15/2017
		63,848,444.32					
Total Revenue Bonds		176,238,444.32					
General Obligation Bonds - Not Self-Supporting							
Constitutional Apprn Bds Ser '08		10,200,000.00	4.000	5.000	2009	2018	n/a
Total General Obligation Bonds		10,200,000.00					
Grand Total	$	186,438,444.32					

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2B-Changes In Bonded Indebtedness
For the Fiscal Year Ended August 31, 2009

Description of Issue	Bonds Outstanding 9/1/08	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/09
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	$ 2,000,000.00	$ -	$ 1,000,000.00	$ -	$ 1,000,000.00
Rev Fin Sys Bds Ser '02 (A)	555,000.00	-	180,000.00	-	375,000.00
Rev Fin Sys Bds Ser '04	23,195,000.00	-	990,000.00	-	22,205,000.00
Rev Fin Sys Bds Ser '04 (A)	4,895,000.00	-	205,000.00	-	4,690,000.00
Rev Fin Sys Bds Ser '05	16,020,000.00	-	630,000.00	-	15,390,000.00
Rev Fin Sys Bds Ser '05 (A)	53,910,000 00	-	995,000 00	-	52,915,000 00
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	3,965,000.00	-	280,000.00	-	3,685,000.00
Rev Fin Sys Bds Ser '02	11,090,000.00	-	575,000 00	-	10,515,000.00
Rev Fin Sys Bds Ser '08	17,605,000.00		620,000.00	-	16,985,000.00
Rev Fin Sys Bds Ser '09	-	23,603,444.32	1,715,000 00	-	21,888,444.32
General Obligation Bonds - Not Self-Supporting					
Constitutional Appm Bds Ser '08	-	10,200,000.00	-	-	10,200,000.00
	$ 133,235,000.00	$ 33,803,444.32	$ 7,190,000.00	$ -	$ 159,848,444.32

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2B-Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2009

Description of Issue	Unamortized Discount	Issuance Costs	Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/09	Amounts Due Within One Year
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	$ -	$ -	$ -	$ 1,000,000.00	$ 1,000,000.00
Rev Fin Sys Bds Ser '02 (A)	-	-	-	375,000.00	185,000.00
Rev Fin Sys Bds Ser '04	-	-	-	22,205,000.00	1,015,000.00
Rev Fin Sys Bds Ser '04 (A)	-	-	-	4,690,000.00	210,000.00
Rev Fin Sys Bds Ser '05	-	-	-	15,390,000.00	655,000.00
Rev Fin Sys Bds Ser '05 (A)	-	-	-	52,915,000.00	1,100,000.00
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	-	-	-	3,685,000.00	295,000.00
Rev Fin Sys Bds Ser '02	-	-	-	10,515,000.00	605,000.00
Rev Fin Sys Bds Ser '08	-	-	-	16,985,000.00	645,000.00
Rev Fin Sys Bds Ser '09	-	-	-	21,888,444.32	820,000.00
General Obligation Bonds - Not Self-Supporting					
Constitutional Apprn Bds Ser '08	-	-	-	10,200,000.00	870,000.00
	$ -	$ -	$ -	$ 159,848,444.32	$ 7,400,000.00

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2009

Description of Issue	FY	Principal	Interest
Business-Type Activities			
Revenue Bonds - Self Supporting			
Rev Fin Sys Bds Ser '00	2010	$ 1,000,000.00	$ 26,875.00
		1,000,000.00	26,875.00
Rev Fin Sys Bds Ser '02 (A)	2010	185,000.00	10,141.75
Rev Fin Sys Bds Ser '02 (A)	2011	190,000.00	3,410.50
		375,000.00	13,552.25
Rev Fin Sys Bds Ser '04	2010	1,015,000.00	878,387.51
Rev Fin Sys Bds Ser '04	2011	1,050,000.00	843,431.26
Rev Fin Sys Bds Ser '04	2012	1,095,000.00	800,531.26
Rev Fin Sys Bds Ser '04	2013	1,140,000.00	755,831.26
Rev Fin Sys Bds Ser '04	2014	1,185,000.00	709,331.26
Rev Fin Sys Bds Ser '04	2015-2019	6,690,000.00	2,780,156.30
Rev Fin Sys Bds Ser '04	2020-2024	8,175,000.00	1,287,243.80
Rev Fin Sys Bds Ser '04	2025	1,855,000.00	40,578.13
		22,205,000.00	8,095,490.78
Rev Fin Sys Bds Ser '04 (A)	2010	210,000.00	194,578.76
Rev Fin Sys Bds Ser '04 (A)	2011	220,000.00	185,978.76
Rev Fin Sys Bds Ser '04 (A)	2012	230,000.00	176,978.76
Rev Fin Sys Bds Ser '04 (A)	2013	240,000.00	167,578.76
Rev Fin Sys Bds Ser '04 (A)	2014	250,000.00	157,778.76
Rev Fin Sys Bds Ser '04 (A)	2015-2019	1,405,000.00	627,130.05
Rev Fin Sys Bds Ser '04 (A)	2020-2024	1,740,000.00	295,187.55
Rev Fin Sys Bds Ser '04 (A)	2025	395,000.00	9,134.38
		4,690,000.00	1,814,345.78
Rev Fin Sys Bds Ser '05	2010	655,000.00	676,568.75
Rev Fin Sys Bds Ser '05	2011	675,000.00	641,656.25
Rev Fin Sys Bds Ser '05	2012	700,000.00	605,562.50
Rev Fin Sys Bds Ser '05	2013	725,000.00	568,156.25
Rev Fin Sys Bds Ser '05	2014	755,000.00	529,306.25
Rev Fin Sys Bds Ser '05	2015-2019	4,230,000.00	2,057,025.00
Rev Fin Sys Bds Ser '05	2020-2024	5,190,000.00	1,089,706.25
Rev Fin Sys Bds Ser '05	2025-2026	2,460,000.00	105,825.00
		15,390,000.00	6,273,806.25
Rev Fin Sys Bds Ser '05 (A)	2010	1,100,000.00	2,421,418.76
Rev Fin Sys Bds Ser '05 (A)	2011	2,195,000.00	2,362,384.38
Rev Fin Sys Bds Ser '05 (A)	2012	2,290,000.00	2,279,662.50
Rev Fin Sys Bds Ser '05 (A)	2013	2,395,000.00	2,188,825.00
Rev Fin Sys Bds Ser '05 (A)	2014	2,510,000.00	2,078,175.00
Rev Fin Sys Bds Ser '05 (A)	2015-2019	14,785,000.00	8,306,000.00
Rev Fin Sys Bds Ser '05 (A)	2020-2024	18,860,000.00	4,244,987.50
Rev Fin Sys Bds Ser '05 (A)	2025-2026	8,780,000.00	399,375.00
		52,915,000.00	24,280,828.14

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2009

Description of Issue	FY	Principal	Interest
Tuition Revenue Bonds - Self-Supporting			
Rev Fin Sys Bds Ser '98	2010	295,000.00	172,350.00
Rev Fin Sys Bds Ser '98	2011	310,000.00	158,582.50
Rev Fin Sys Bds Ser '98	2012	320,000.00	143,932.50
Rev Fin Sys Bds Ser '98	2013	340,000.00	128,252.50
Rev Fin Sys Bds Ser '98	2014	355,000.00	111,483.75
Rev Fin Sys Bds Ser '98	2015-2019	2,065,000.00	268,187.50
		3,685,000.00	982,788.75
Rev Fin Sys Bds Ser '02	2010	605,000.00	469,418.75
Rev Fin Sys Bds Ser '02	2011	635,000.00	443,068.75
Rev Fin Sys Bds Ser '02	2012	665,000.00	414,612.50
Rev Fin Sys Bds Ser '02	2013	695,000.00	384,012.50
Rev Fin Sys Bds Ser '02	2014	725,000.00	353,150.00
Rev Fin Sys Bds Ser '02	2015-2019	4,170,000.00	1,242,955.00
Rev Fin Sys Bds Ser '02	2020-2022	3,020,000.00	230,050.00
		10,515,000.00	3,537,267.50
Rev Fin Sys Bds Ser '08	2010	645,000.00	690,800.00
Rev Fin Sys Bds Ser '08	2011	665,000.00	664,600.00
Rev Fin Sys Bds Ser '08	2012	685,000.00	637,600.00
Rev Fin Sys Bds Ser '08	2013	710,000.00	609,700.00
Rev Fin Sys Bds Ser '08	2014	730,000.00	580,900.00
Rev Fin Sys Bds Ser '08	2015-2019	4,040,000.00	2,422,837.50
Rev Fin Sys Bds Ser '08	2020-2024	4,840,000.00	1,491,375.00
Rev Fin Sys Bds Ser '08	2025-2028	4,670,000.00	408,637.50
		16,985,000.00	7,506,450.00
Rev Fin Sys Bds Ser '09	2010	820,000.00	781,250.00
Rev Fin Sys Bds Ser '09	2011	830,000.00	768,950.00
Rev Fin Sys Bds Ser '09	2012	840,000.00	759,500.00
Rev Fin Sys Bds Ser '09	2013	865,000.00	740,318.75
Rev Fin Sys Bds Ser '09	2014	885,000.00	719,525.00
Rev Fin Sys Bds Ser '09	2015-2019	4,815,000.00	3,202,125.00
Rev Fin Sys Bds Ser '09	2020-2024	5,725,000.00	2,280,412.50
Rev Fin Sys Bds Ser '09	2025-2029	7,120,000.00	887,218.75
		21,900,000.00	10,139,300.00
Constitutional Apprn Bds Ser '08	2010	870,000.00	440,525.00
Constitutional Apprn Bds Ser '08	2011	900,000.00	405,125.00
Constitutional Apprn Bds Ser '08	2012	930,000.00	368,525.00
Constitutional Apprn Bds Ser '08	2013	960,000.00	325,925.00
Constitutional Apprn Bds Ser '08	2014	995,000.00	277,050.00
Constitutional Apprn Bds Ser '08	2015-2019	5,545,000.00	631,187.50
		10,200,000.00	2,448,337.50
Total Debt Service		$ 159,860,000.00 *	$ 65,119,041.95

* Balance includes accreted interest of $11,555.68

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds
For the Fiscal Year Ended August 31, 2009

Description of Issue	Application of Funds: 2009 Principal	Application of Funds: 2009 Interest	Comment	
General Obligation Bonds - Not Self-Supporting				
Constitutional Apprn Bds Series 2008		$ 148,825.63	$ 320,547.51	**
Interest capitalized			(320,547.51)	***
Interest expensed			$ -	

** Amounts represent interest expense on accrual basis as reported on the financial statements.
*** Interest capitalized

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2D - Analysis of Funds Available for Debt Service - Revenue Bonds
For the Fiscal Year Ended August 31, 2009

	Net Available for Debt Service		Debt Service		
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	2009 Principal	2009 Interest	Comment
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	*	$ -	$ 1,000,000.00	$ 80,000.00	$ 60,312.50 **
Rev Fin Sys Bds Ser '02 (A)	*	-	180,000.00	16,693.50	14,270.25 **
Rev Fin Sys Bds Ser '04	*	-	990,000.00	905,956.26	895,746.88 **
Rev Fin Sys Bds Ser '04 (A)	*	-	205,000.00	202,878.76	199,803.76 **
Rev Fin Sys Bds Ser '05	*	-	630,000.00	710,300.00	697,896.69 **
Rev Fin Sys Bds Ser '05 (A)	*	-	995,000.00	2,458,081.26	2,445,021.88 **
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	*	-	280,000.00	185,147.50	180,527.50 **
Rev Fin Sys Bds Ser '02	*	-	575,000.00	493,775.00	485,150.00 **
Rev Fin Sys Bds Ser '08	*	-	620,000.00	716,100.00	706,800.00 ***
Rev Fin Sys Bds Ser '09	*	-	1,715,000.00	172,469.01	464,234.04 ***
			$ 7,190,000.00	$ 5,941,401.29	6,149,763.50
		Interest capitalized			(1,171,034.04) ***
		Interest expensed			$ 4,978,729.46

Note: Expenditures associated with operations which generated the pledged revenues are $ 71,485,578.11 for fiscal year 2009.

Analysis of Pledged and Other Sources:

Pledged Sources	
Tuition	$ 18,719,869.55
Designated Tuition	34,300,596.30
Student Center Fees	2,103,668.60
Lab Fees	327,703.25
Other Fees	16,636,808.50
Sales & Services	38,035,671.02
Investment Income	1,717,992.15
Gifts	202,104.88
Other Income	4,460.37
	$ 112,048,874.62

** Amounts represent interest expense on accrual basis as reported on the financial statements.
*** Amounts represent interest on accrual basis included in capitalized interest.

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2009

Description of Issue	Year Refunded		Par Value Outstanding
Revenue Bonds			
Building Revenue Bonds, Series 1965-B	1991	$	840,000.00
Housing System Revenue Bonds, Series 1962-D	1991		672,000.00
Housing System Revenue Bonds, Series 1963-A	1991		229,000.00
Housing System Revenue Bonds, Series 1964	1991		270,000.00
		$	2,011,000.00

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2F - Current Year Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2009

			For Refunding Only		
Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/Loss

Not Applicable

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 3 - Reconcillation of Cash in State Treasury
August 31, 2009

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Special Mineral Fund 0241	$ 0.00	$ 0.00	$ 0.00
Local Revenue Fund 0261	1,016,028.34	0.00	1,016,028.34
Total Cash in State Treasury (Stmt of Net Assets)	$ 1,016,028.34	$ 0.00	$ 1,016,028.34

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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ANDREWS KURTH LLP
ATTORNEYS

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512.320.9200 Phone
512.320.9292 Fax
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April 27, 2010

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the "Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2010" (the "Bonds"), dated April 1, 2010, in the principal amount of $35,035,000, by the Authority on behalf of the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"). The Bonds have stated maturities of October 15 in each year from 2010 through 2029, inclusive. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the respective resolutions of the Authority and the Board authorizing the issuance of the Bonds (collectively, the "Resolution").

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Authority and the Board; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

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

affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

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

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

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

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

7874/7868

ANDREWS KURTH LLP
ATTORNEYS

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Austin, Texas 78701
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April 27, 2010

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with the issuance of the "Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds, Series 2010A" (the "Bonds"), dated April 1, 2010, in the principal amount of $3,415,000 by the Authority on behalf of the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"). The Bonds have stated maturities of August 15, 2010 and October 15 in each year from 2010 through 2016, inclusive. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the respective resolutions of the Authority and the Board authorizing the issuance of the Bonds (collectively, the "Resolution").

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Authority and the Board; the certificate (the "Certificate") of Regions Corporate Trust, the paying agent/registrar for the Refunded Bonds, which verifies the sufficiency of the deposits made for the defeasance of the Refunded Bonds; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Austin Beijing Dallas Houston London New York The Woodlands Washington, DC

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

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

(3) The deposit with Regions Corporate Trust, as paying agent for the Refunded Bonds pursuant to the Resolution and the resolution authorizing the issuance of the Refunded Bonds (the “Refunded Bonds Resolution”) constitutes the discharge and final payment of the Refunded Bonds; in reliance upon the representations contained in the Certificate, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the Refunded Bonds Resolution will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held by Regions Corporate Trust, as paying agent for the Refunded Bonds; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority and the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Board have covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes. We have further relied on the Certificate regarding the sufficiency of the deposit made with the paying agent for the Refunded Bonds, without investment, for the defeasance of the Refunded Bonds. If such representations are determined to be inaccurate or incomplete or the District fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusions occurs.

INTEREST ON all tax-exempt obligations, including the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. Purchasers of Bonds are directed to the discussion entitled "TAX EXEMPTION" set forth in the Official Statement.

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

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

7874/7868

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: $

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By ____________________________
Authorized Officer

(212) 826-0100