OFFICIAL STATEMENT DATED MAY 12, 2016

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS
Moody's: Aa3
Fitch: AA-
See "RATINGS" herein.

In the opinion of Bond Counsel, under existing law, interest on the Tax-Exempt Series 2016A Bonds (defined below) is excludable from gross income for federal income tax purposes and the Tax-Exempt Series 2016A Bonds are "qualified 501(c)(3) bonds" under the Code (as defined herein), and interest on the Tax-Exempt Series 2016A Bonds will not be subject to the alternative minimum tax on individuals. See ***"TAX MATTERS—TAX-EXEMPT SERIES 2016A BONDS"*** *herein for a discussion of Bond Counsel's opinion, including a description of alternative minimum tax consequences for corporations. THE TAX-EXEMPT SERIES 2016A BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.*

SOUTHERN
METHODIST
UNIVERSITY

$118,545,000
SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.
Higher Education Revenue Bonds
(Southern Methodist University Project)
Tax-Exempt Series 2016A

Dated: Date of Delivery | Due: October 1, as shown below

The Southwest Higher Education Authority, Inc. (the "*Issuer*") is offering $118,545,000 of its Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2016A (the "*Tax-Exempt Series 2016A Bonds*" and together with the Taxable Series 2016B Bonds, the "*Series 2016 Bonds*"). Interest on the Tax-Exempt Series 2016A Bonds accrues from the date of delivery and is payable on October 1, 2016, and semiannually on each April 1 and October 1 thereafter. The Tax-Exempt Series 2016A Bonds will be issued as fully registered bonds in denominations of $5,000 or integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("*DTC*"), New York, New York. DTC will act as securities depository for the Tax-Exempt Series 2016A Bonds. So long as the book-entry system is in effect, purchases of beneficial ownership interests in the Tax-Exempt Series 2016A Bonds will be made in book-entry form only and purchasers will not receive certificates representing their interests in the Tax-Exempt Series 2016A Bonds purchased. Principal of, any redemption price for, and interest on the Tax-Exempt Series 2016A Bonds will be payable by The Bank of New York Mellon Trust Company, National Association (the "*Trustee*") to the registered owners of the Tax-Exempt Series 2016A Bonds, initially to DTC, which in turn is to remit such payments to its participants for subsequent disbursement to beneficial owners.

The Tax-Exempt Series 2016A Bonds are subject to optional and mandatory redemption prior to stated maturity, as described herein. See **"THE SERIES 2016 BONDS—REDEMPTION"** herein.

The payment of the principal of, redemption premium, if any, and interest on the Tax-Exempt Series 2016A Bonds constitute limited obligations of the Issuer, payable solely from payments required to be made pursuant to the Loan Agreement (as amended) between the Issuer and Southern Methodist University (the "*University*"). The Loan Agreement is authenticated as a "Security" under a Master Indenture, described herein, which further secures the University's obligations under the Loan Agreement.

CUSIP PREFIX: 845040
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii

BofA Merrill Lynch

BOSC, Inc.
A subsidiary of BOK Financial Corporation

J.P. Morgan

Wells Fargo Securities

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION, OR AGENCY THEREOF, INCLUDING THE CITY OF UNIVERSITY PARK, TEXAS, IS OBLIGATED TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE TAX-EXEMPT SERIES 2016A BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF UNIVERSITY PARK, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE TAX-EXEMPT SERIES 2016A BONDS. THE ISSUER HAS NO TAXING POWER.

Tax-Exempt Series 2016A Bonds
Maturity Schedule
$103,415,000 Serial Bonds

Due Oct. 1	Amount	Interest Rate	Yield	Price	CUSIPs[1]	Due Oct. 1	Amount	Interest Rate	Yield	Price	CUSIPs[1]
2020	$7,630,000	5.000%	1.050%	116.730	KD5	2028	$7,725,000	5.000%	2.110	126.729[2]	KM5
2021	8,035,000	5.000%	1.180%	119.727	KE3	2029	7,690,000	5.000%	2.170	126.092[2]	KN3
2022	6,500,000	5.000%	1.320%	122.324	KF0	2030	3,385,000	2.500%	2.660	98.100	KP8
2023	8,480,000	5.000%	1.440%	124.724	KG8	2031	3,460,000	3.000%	2.670	102.963[2]	KQ6
2024	8,900,000	5.000%	1.590%	126.547	KH6	2032	3,530,000	3.000%	2.730	102.416[2]	KR4
2025	9,345,000	5.000%	1.730%	128.100	KJ2	2033	3,790,000	3.000%	2.790	101.873[2]	KS2
2026	9,695,000	5.000%	1.900%	128.986	KK9	2034	3,885,000	4.000%	2.750	111.184[2]	KT0
2027	7,355,000	5.000%	2.030%	127.583[2]	KL7	2035	4,010,000	4.000%	2.810	110.615[2]	KU7

$8,425,000 5.000% Term Bonds due October 1, 2040 Price: 120.734%[2] CUSIP No. KV5[1]
$6,705,000 5.000% Term Bonds due October 1, 2045 Price: 119.735%[2] CUSIP No. KW3[1]

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED AS A SUMMARY OF THIS TRANSACTION. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Separate Issues. The Tax-Exempt Series 2016A Bonds are being offered by the Issuer concurrently with the Issuer's Higher Education Revenue Bonds (Southern Methodist University Project), Taxable Series 2016B (the "*Taxable Series 2016B Bonds*" and together with the Tax-Exempt Series 2016A Bonds, the "*Series 2016 Bonds*"), under a common Official Statement. The Tax-Exempt Series 2016A Bonds and the Taxable Series 2016B Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Series 2016 Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

Concurrently with the issuance of the Series 2016 Bonds, the University and the Master Trustee will execute a First Supplemental Indenture to Master Indenture (the "*First Supplement*"). Pursuant to the First Supplement the limitations in the Master Indenture regarding the imposition of mortgages and other encumbrances on University properties are removed and the limitations on debt by the University are eliminated. The First Supplement will become effective upon the consent of holders of a majority of the principal amount of the "Securities" issued pursuant to the Master Indenture. Purchasers of the Series 2016 Bonds are deemed to have consented to the First Supplement.

The Tax-Exempt Series 2016A Bonds are offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal, or modification of the offer without notice and to the delivery of the approving opinion of Bracewell LLP, Bond Counsel, and the approval of the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Issuer by Bond Counsel, for the University by its counsel, Paul J. Ward, General Counsel, Vice President for Legal Affairs and Government Relations and Secretary, and for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. FirstSouthwest, a Division of Hilltop Securities, Inc. ("*FirstSouthwest*") is serving as Financial Advisor to the University. It is expected that the Tax-Exempt Series 2016A Bonds will be delivered through the facilities of DTC on or about May 27, 2016.

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.
(2) Priced to the first optional call date of October 1, 2026.

OFFICIAL STATEMENT DATED MAY 12, 2016

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS
Moody's: Aa3
Fitch: AA-
See "RATINGS" herein.

Interest on the Taxable Series 2016B Bonds (defined below) is not excludable from gross income for federal income tax purposes. See "TAX MATTERS-TAXABLE SERIES 2016B BONDS" herein.

SOUTHERN METHODIST UNIVERSITY

$25,250,000
SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.
Higher Education Revenue Bonds
(Southern Methodist University Project)
Taxable Series 2016B

Dated: Date of Delivery | Due: October 1, as shown below

The Southwest Higher Education Authority, Inc. (the "*Issuer*") is offering $25,250,000 of its Higher Education Revenue Bonds (Southern Methodist University Project), Taxable Series 2016B (the "*Taxable Series 2016B Bonds*" and together with the Tax-Exempt Series 2016A Bonds, the "*Series 2016 Bonds*"). Interest on the Taxable Series 2016B Bonds accrues from the date of delivery and is payable on October 1, 2016, and semiannually on each April 1 and October 1 thereafter. The Taxable Series 2016B Bonds will be issued as fully registered bonds in denominations of $5,000 or integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("*DTC*"), New York, New York. DTC will act as securities depository for the Taxable Series 2016B Bonds. So long as the book-entry system is in effect, purchases of beneficial ownership interests in the Taxable Series 2016B Bonds will be made in book-entry form only and purchasers will not receive certificates representing their interests in the Taxable Series 2016B Bonds purchased. Principal of, any redemption price for, and interest on the Taxable Series 2016B Bonds will be payable by The Bank of New York Mellon Trust Company, National Association (the "*Trustee*") to the registered owners of the Taxable Series 2016B Bonds, initially to DTC, which in turn is to remit such payments to its participants for subsequent disbursement to beneficial owners.

The Taxable Series 2016B Bonds are subject to optional and mandatory redemption prior to stated maturity, as described herein. See **"THE SERIES 2016 BONDS—REDEMPTION"** herein.

The payment of the principal of, redemption premium, if any, and interest on the Taxable Series 2016B Bonds constitute limited obligations of the Issuer, payable solely from payments required to be made pursuant to the Loan Agreement (as amended) between the Issuer and Southern Methodist University (the "*University*"). The Loan Agreement is authenticated as a "Security" under a Master Indenture, described herein, which further secures the University's obligation under the Loan Agreement.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION, OR AGENCY THEREOF, INCLUDING THE CITY OF UNIVERSITY PARK, TEXAS, IS OBLIGATED TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE TAXABLE SERIES 2016B BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF UNIVERSITY PARK, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE TAXABLE SERIES 2016B BONDS. THE ISSUER HAS NO TAXING POWER.

CUSIP PREFIX: 845040
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page iv

J.P. Morgan | **Raymond James**

Taxable Series 2016B Bonds
Maturity Schedule
$7,510,000 Serial Bonds

Due Oct. 1	Amount	Interest Rate	Yield	Price	CUSIPs[(1)]	Due Oct. 1	Amount	Interest Rate	Yield	Price	CUSIPs[(1)]
2023	$750,000	2.262%	2.262%	100.000	KX1	2028	$855,000	3.069%	3.069%	100.000	LC6
2024	765,000	2.499%	2.499%	100.000	KY9	2029	875,000	3.219%	3.219%	100.000	LD4
2025	785,000	2.619%	2.619%	100.000	KZ6	2030	910,000	3.319%	3.319%	100.000	LE2
2026	800,000	2.769%	2.769%	100.000	LA0	2031	945,000	3.419%	3.419%	100.000	LF9
2027	825,000	2.919%	2.919%	100.000	LB8						

$5,250,000 3.804% Term Bonds due October 1, 2036 Price: 100% CUSIP No. LG7[(1)]
$12,490,000 3.954% Term Bonds due October 1, 2045 Price: 100% CUSIP No. LH5[(1)]

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Separate Issues. The Taxable Series 2016B Bonds are being offered by the Issuer concurrently with the Issuer's Higher Education Revenue Bonds (Southern Methodist University Project), Tax-Exempt Series 2016A (the "*Tax-Exempt Series 2016A*" and together with the Taxable Series 2016B Bonds, the "*Series 2016 Bonds*"), under a common Official Statement. The Taxable Series 2016B Bonds and the Tax-Exempt Series 2016A Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Series 2016 Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

Concurrently with the issuance of the Series 2016 Bonds, the University and the Master Trustee will execute a First Supplemental Indenture to Master Indenture (the "*First Supplement*"). Pursuant to the First Supplement the limitations in the Master Indenture regarding the imposition of mortgages and other encumbrances on University properties are removed and the limitations on debt by the University are eliminated. The First Supplement will become effective upon the consent of holders of a majority of the principal amount of the "Securities" issued pursuant to the Master Indenture. Purchasers of the Series 2016 Bonds are deemed to have consented to the First Supplement.

The Taxable Series 2016B Bonds are offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal, or modification of the offer without notice and to the delivery of the approving opinion of Bracewell LLP, Bond Counsel, and the approval of the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Issuer by Bond Counsel, for the University by its counsel, Paul J. Ward, General Counsel, Vice President for Legal Affairs and Government Relations and Secretary, and for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. FirstSouthwest, a Division of Hilltop Securities, Inc. ("*FirstSouthwest*") is serving as Financial Advisor to the University. It is expected that the Taxable Series 2016B Bonds will be delivered through the facilities of DTC on or about May 27, 2016.

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THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE OR THE MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2016 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE SERIES 2016 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE SERIES 2016 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the University's Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

NEITHER THE UNIVERSITY, THE ISSUER NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK ENTRY ONLY SYSTEM AS SUCH INFORMATION WAS FURNISHED BY THE DEPOSITORY TRUST COMPANY.

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.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2016 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized by the Issuer, the University or the Underwriters to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. 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 shall, under any circumstances, create any implication that there has been no change in the affairs of the University or the other matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Series 2016 Bonds may be changed from time to time by the Underwriters after such bonds are released for sale, and the Series 2016 Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement includes "forward-looking statements" by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. These forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include the conditions described under **"BONDOWNERS' RISKS—**

GENERAL.” Because it is not possible to predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what is included in forward-looking statements.

The Bank of New York Mellon Trust Company, National Association, in each of its capacities, including but not limited to Bond Trustee, Master Trustee, Paying Agent, Bond Registrar and Escrow Agent, has not participated in the preparation of this Official Statement and assumes no responsibility for its contents.

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$118,545,000
Southwest Higher Education Authority, Inc.
Higher Education Revenue Bonds
(Southern Methodist University Project)
Tax-Exempt Series 2016A

and

$25,250,000
Southwest Higher Education Authority, Inc.
Higher Education Revenue Bonds
(Southern Methodist University Project)
Taxable Series 2016B

INTRODUCTION

The following introduction is subject in all respects to more complete information contained in this Official Statement (including the cover page and the Appendices hereto, the "*Official Statement*"). The offering of the Series 2016 Bonds to potential investors is made only by means of this Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Loan Agreement, the Indenture or the Master Indenture, as applicable. See **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—DEFINITIONS OF CERTAIN TERMS."** The document summaries contained in **APPENDIX C** are not intended to be comprehensive and are qualified in their entirety by reference to the entire documents. Until the issuance of the Series 2016 Bonds, you may obtain a copy of the documents described herein by contacting FirstSouthwest at the following address or phone number to request a free copy: 1201 Elm Street, Suite 3500, Suite 800, Dallas, Texas 75270, (214) 953-4000. After delivery of the Series 2016 Bonds, you may inspect copies of such documents at the designated corporate trust office of the Trustee.

General

This Official Statement is provided to prospective purchasers in connection with the sale and delivery of $118,545,000 aggregate principal amount of Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2016A (the "*Tax-Exempt Series 2016A Bonds*"), and $25,250,000 aggregate principal amount of Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2016B (the "*Taxable Series 2016B Bonds*" and, together with the Tax-Exempt Series 2016A Bonds, the "*Series 2016 Bonds*"), by the Southwest Higher Education Authority, Inc. (the "*Issuer*") pursuant to the Higher Education Authority Act, Chapter 53A of the Texas Education Code, as amended (the "*Act*").

The Series 2016 Bonds

The Series 2016 Bonds will bear interest at the fixed rates set forth on the inside cover pages hereto and will be payable semiannually on April 1 and October 1, beginning October 1, 2016. The Series 2016 Bonds are subject to optional and mandatory redemption. See **"THE SERIES 2016 BONDS–REDEMPTION"** herein.

Use of Proceeds

Tax-Exempt Series 2016A Bonds

The proceeds of the sale of the Tax-Exempt Series 2016A Bonds will be loaned by the Issuer to Southern Methodist University (the "*University*"), a Texas nonprofit corporation exempt from taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"), for the purposes of: (i) financing and refinancing the cost of "educational facilities" and "housing facilities" (as defined in the Act) and facilities incidental, subordinate or related thereto or appropriate in connection therewith, (ii) paying interest on the

Tax-Exempt Series 2016A Bonds for a portion of the construction period, (iii) refunding a portion of the Issuer's Higher Education Revenue Bonds (Southern Methodist University Project) Series 2009 (the "*Refunded Bonds*"), and (iv) paying certain costs of issuance of the Tax-Exempt Series 2016A Bonds. See **SCHEDULE I-SCHEDULE OF REFUNDED BONDS.**

Taxable Series 2016B Bonds

The proceeds of the sale of the Taxable Series 2016B Bonds will be loaned by the Issuer to the University, for the purpose of: (i) financing and refinancing the costs of "educational facilities" and "housing facilities" (as defined in the Act) and facilities incidental, subordinate, or related thereto or appropriate in connection therewith (ii) paying interest on the Taxable Series 2016B Bonds for a portion of the construction period, and (iii) paying certain costs of issuance of the Taxable Series 2016B Bonds.

See **"PLAN OF FINANCE"** and **"THE SERIES 2016 PROJECTS"** herein.

The University

The University owns and operates a private institution of higher education located primarily in University Park, Texas, a city that, with the adjacent City of Highland Park, is surrounded by the City of Dallas, Texas. For fall 2015, total enrollment was 11,643 and full-time equivalent was 10,072 students. For additional information regarding the University, see **APPENDIX A, "INFORMATION CONCERNING SOUTHERN METHODIST UNIVERSITY."**

Outstanding Debt of the Issuer for the University

The Issuer has the following outstanding debt on behalf of the University:

BONDS	AMOUNT ORIGINALLY ISSUED	AMOUNT OUTSTANDING AS OF 5/27/2016
Higher Education Revenue Bonds (Southern Methodist University Project) Series 2007 (the "*Series 2007 Bonds*")	$ 95,580,000	$ 25,125,000(1)
Higher Education Revenue Bonds (Southern Methodist University Project) Series 2009 (the "*Series 2009 Bonds*")	147,635,000	27,245,000(2)
Higher Education Revenue Bonds (Southern Methodist University Project) Series 2010 (the "*Series 2010 Bonds*")	116,330,000	112,015,000
Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2013A (the "*Series 2013A Bonds*")	99,195,000	99,195,000
Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2013B (the "*Series 2013B Bonds*")	90,090,000	80,400,000
Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2016A (the "*Series 2016A Bonds*")	118,545,000	118,545,000
Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2016B (the "*Series 2016B Bonds*")	25,250,000	25,250,000
UMB Bank Loan	48,860,000	48,860,000(3)
TOTAL:	$741,485,000	$536,635,000

(1) Principal remaining following partial refunding with proceeds of UMB Bank Loan; see "UMB Bank Loan" below.
(2) Principal remaining following partial refunding with the Tax-Exempt Series 2016A Bonds; see Schedule I.
(3) See "UMB Bank Loan" below.

UMB Bank Loan

UMB Bank, N.A. (the "*UMB Bank*") has agreed to loan to the Issuer and the Issuer has agreed to loan to the University $48,860,000 to be delivered February 14, 2017, pursuant to the terms and provisions of a Loan Agreement (the "*UMB Bank Loan Agreement*") dated as of October 1, 2015 by and among the Issuer, the University and UMB Bank, NA. The Issuer has issued its Issuer Promissory Note to UMB Bank and the University has issued its University Promissory Note to the Issuer (collectively, the "*Promissory Notes*"). The UMB Bank Loan Agreement has been authenticated under the Master Indenture as "Security" as defined in the Master Indenture and, such UMB Bank Loan Agreement is an obligation of the University on a parity with the Bonds. The proceeds of the UMB Bank loan will be used to defease the 2017 through 2025 and 2032 maturities of outstanding Series 2007 Bonds. Under the Master Indenture, additional loan agreements, reimbursement agreements for letters of credit and other types of obligations of the University, and amendments to the foregoing, relating to additional obligations of the University can be authenticated as Securities under the Master Indenture. See **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER INDENTURE," "SUMMARY OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT," "SUMMARY OF PRINCIPAL DOCUMENTS—THE INDENTURE," "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS"** and **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES."**

University Guaranties of Certain Debt

The University has entered into loan guarantees (the "*Guarantees*") for five sororities that are located on University-owned land pursuant to long-term ground lease agreements. These sororities have entered into loans with commercial banks for the construction and/or improvement of sorority housing, and the University has agreed to guarantee the payment of the loans. The outstanding Sorority Guarantees have been approved by the Board of Trustees of the University and are treated as Debt under the terms of the Master Indenture, and as such, are included in the coverage calculation of Debt for purposes of the issuance of the Series 2016 Bonds. The amount of outstanding Sorority Guarantees as of May 1, 2016 was approximately $14 million. The maximum amount of loans the University expects to guarantee, including the outstanding Sorority Guarantees, is approximately $15.3 million.

The Indenture, the Loan Agreement and the Amendments to Master Indenture

The Series 2016 Bonds will be issued under the Act, and pursuant to a Trust Indenture dated as of January 1, 1999 (the "*Original Indenture*") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as Trustee (the "*Trustee*"), as supplemented by the First Supplemental Indenture dated as of January 1, 1999 (the "*First Supplemental Indenture*") between the Issuer and the Trustee, the Second Supplemental Indenture (the "*Second Supplemental Indenture*") dated as of July 1, 2002 between the Issuer and the Trustee, the Third Supplemental Indenture (the "*Third Supplemental Indenture*") dated as of December 1, 2003 between the Issuer and the Trustee, the Fourth Supplemental Indenture (the "*Fourth Supplemental Indenture*") dated as of February 1, 2007 between the Issuer and the Trustee, the Fifth Supplemental Indenture (the "*Fifth Supplemental Indenture*") dated as of September 15, 2009 between the Issuer and the Trustee, the Sixth Supplemental Indenture (the "*Sixth Supplemental Indenture*") dated as of October 15, 2010 between the Issuer and the Trustee, the Seventh Supplemental Indenture (the "*Seventh Supplemental Indenture*"), dated as of March 1, 2013 between the Issuer and the Trustee, and the Eighth Supplemental Indenture (the "*Eighth Supplemental Indenture*") dated as of May 1, 2016 (collectively, with any amendments or supplements thereto, the "*Indenture*"). The Series 2007 Bonds were issued under the Fourth Supplemental Indenture, the Series 2009 Bonds were issued under the Fifth Supplemental Indenture, the Series 2010 Bonds were issued under the Sixth Supplemental Indenture, the Series 2013 Bonds were issued under the Seventh Supplemental Indenture, and the Series 2016 Bonds are being issued under the Eighth Supplemental Indenture. The Indenture secures the Series 2016 Bonds on a parity with the Series 2007 Bonds, the Series 2009 Bonds, the Series 2010 Bonds, and the Series 2013 Bonds, and any other future bonds ("*Additional Bonds*") which may be issued from time to time under the Indenture. The Series 2007 Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Series 2013 Bonds, the Series 2016 Bonds and any Additional Bonds are referred to herein collectively as the "Bonds."

The proceeds of the Series 2016 Bonds will be loaned to the University pursuant to the Loan Agreement dated as of January 1, 1999 (the "*Original Loan Agreement*") between the Issuer and the University, as amended by an Amendment Number 4 to Loan Agreement ("*Amendment No. 4*") dated as of February 1, 2007 between the Issuer and the University, an Amendment Number 5 to Loan Agreement ("*Amendment No. 5*") dated as of September 15, 2009 between the Issuer and the University, an Amendment Number 6 to Loan Agreement ("*Amendment No. 6*") dated as of October 15, 2010 between the Issuer and the University, an Amendment Number 7 to the Loan Agreement ("*Amendment No. 7*") dated as of March 1, 2013 between the Issuer and the University, and an Amendment Number 8 to Loan Agreement ("*Amendment No. 8*") dated as of May 1, 2016 between the Issuer and the University (collectively, with any amendments or supplements thereto, the "*Loan Agreement*"). The obligation of the University to make loan payments with respect to the Series 2016 Bonds is established by Amendment No. 8. The University has covenanted and agreed in the Loan Agreement to make payments to the Trustee in an amount sufficient to pay, when due, principal, interest and premium, if any, on the Bonds (including the Series 2016 Bonds). The Issuer has pledged to the Trustee a security interest in the Issuer's rights under the Loan Agreement (subject to certain exceptions) to secure payment of the Bonds, including the Series 2016 Bonds.

In addition, to secure the obligation of the University to make loan payments with respect to the Bonds, the Original Loan Agreement, as amended by Amendment No. 4, Amendment No. 5, Amendment No. 6, Amendment No. 7 and Amendment No. 8, and as the Loan Agreement may hereafter be further amended from time to time, was authenticated as a Security under the Master Indenture between the University and The Bank of New York Mellon Trust Company, National Association as Master Trustee. **Concurrently with issuance of the Series 2016 Bonds, the University and the Master Trustee will execute a First Supplement to Master Indenture (the "*First Supplement*"). Pursuant to the First Supplement the limitations in the Master Indenture regarding the imposition of mortgages and other encumbrances on University properties are removed and the limitations on debt by the University are eliminated. The First Supplement will become effective upon the consent of holders of a majority of the principal amount of the "Securities" issued pursuant to the Master Indenture. Purchasers of the Series 2016 Bonds are deemed to have consented to the First Supplement.** See **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS."** The UMB Bank Loan Agreement relating to the University Promissory Note is also a Security of the University secured under the Master Indenture. (See "**UMB Bank Loan**" above)

The University has also entered into a revolving credit facility in the amount of $25 million with the Bank of Texas (the "*Revolving Credit Agreement*"). Such Agreement is a Security under the Master Indenture. No funds have been drawn under such Agreement.

George W. Bush Presidential Center Lease

During fiscal year 2011, the University recorded an expense representing the fair value of its ground lease to The George W. Bush Foundation for the location, construction and operation of the George W. Bush Presidential Center facilities. The term of the lease to the Foundation is 249 years, with extensions. For more information, see **NOTE 17** to the Financial Statements.

THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be dated the date of delivery ("*Date of Delivery*") and will be issuable in the amounts and with the maturity dates set forth on the cover pages of this Official Statement. Interest on the Series 2016 Bonds will accrue from the Date of Delivery at the rates per annum and will be payable on the dates set forth on the cover pages of this Official Statement. Interest on the Series 2016 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2016 Bonds of each maturity will be issuable in fully registered form only, without coupons, in the denominations of $5,000 and any integral multiple thereof. As described in **APPENDIX E, "BOOK-ENTRY SYSTEM,"** when issued, the Series 2016 Bonds will be registered in the name of Cede & Co., as bondholder and nominee of The Depository Trust Company, New York, New York ("*DTC*").

The principal or redemption price of each Series 2016 Bond will be payable to the Owner upon surrender of such Series 2016 Bond at the principal payment office of the Trustee located in Houston, Texas. Interest on each Series 2016 Bond paid on each Interest Payment Date will be paid to the person in whose name such Series 2016 Bond is registered on the 15th day of the calendar month next preceding the Interest Payment Date. So long as DTC, or its nominee, Cede & Co., is the registered owner of all the Series 2016 Bonds, all payments on Series 2016 Bonds will be made directly to DTC.

Any interest on the Series 2016 Bonds which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date will cease to be payable to the Owner as of the Record Date. In order to make payment of defaulted interest, the Issuer may pay the defaulted interest to the person who is the Owner on a subsequent special record date fixed by the Trustee pursuant to the Indenture. At least 10 days before the special record date, the Trustee is required to mail to the Owner a notice that states the special record date and the special interest payment date.

Redemption

Optional Redemption of the Tax-Exempt Series 2016A Bonds. The Tax-Exempt Series 2016A Bonds maturing on and after October 1, 2027 are subject to redemption upon request and at the direction of the University, prior to their stated maturity, in whole or in part, on any date on and after October 1, 2026 at a redemption price of 100% of the principal amount of the Series 2016A Bonds to be redeemed, plus accrued interest to the applicable redemption date.

Optional Redemption of the Taxable Series 2016B Bonds. The Taxable Series 2016B Bonds maturing on and after October 1, 2027 are subject to redemption upon request and at the direction of the University, prior to their stated maturity, in whole or in part, on any date on and after October 1, 2026 at a redemption price of 100% of the principal amount of the Taxable Series 2016B Bonds to be redeemed, plus accrued interest to the applicable redemption date.

Mandatory Sinking Fund Redemption – Tax-Exempt Series 2016A Bonds. The Tax-Exempt Series 2016A Bonds maturing on October 1, 2040 and October 1, 2045 are subject to mandatory sinking fund redemption on October 1, in the principal amounts and in the years specified below at a redemption price equal to 100% of the principal amounts thereof plus accrued interest thereon from the most recent Interest Payment Date to the redemption date:

Term Bonds Maturing October 1, 2040

Year	Principal Amount
2036	$4,150,000
2037	990,000
2038	1,040,000
2039	1,095,000
2040*	1,150,000

*Stated Maturity

Term Bonds Maturing October 1, 2045

Year	Principal Amount
2041	$1,210,000
2042	1,275,000
2043	1,335,000
2044	1,410,000
2045*	1,475,000

*Stated Maturity

The principal amount of the Tax-Exempt Series 2016A Bonds of any stated maturity subject to mandatory sinking fund redemption may be reduced by the University by the principal amount of the Tax-Exempt Series 2016A Bonds of such stated maturity either (1) surrendered uncancelled and in proper form for transfer (subject to certain restrictions) by the University to the Trustee for cancellation not less than 30 days prior to the redemption date or (2) selected for redemption not less than 30 days prior to such redemption date pursuant to an optional redemption, if such Series 2016A Bonds have not previously been reduced pursuant to a redemption.

Mandatory Sinking Fund Redemption – Taxable Series 2016B Bonds. The Taxable Series 2016B Bonds maturing on October 1, 2036 and October 1, 2045 are subject to mandatory sinking fund redemption on October 1, in the principal amounts and in the years specified below at a redemption price equal to 100% of the principal amounts thereof plus accrued interest thereon from the most recent Interest Payment Date to the redemption date:

Term Bonds Maturing October 1, 2036

Year	Principal Amount
2032	$ 970,000
2033	1,010,000
2034	1,050,000
2035	1,090,000
2036*	1,130,000

*Stated Maturity

Term Bonds Maturing October 1, 2045

Year	Principal Amount
2037	$1,175,000
2038	1,225,000
2039	1,275,000
2040	1,325,000
2041	1,380,000
2042	1,440,000
2043	1,500,000
2044	1,550,000
2045*	1,620,000

*Stated Maturity

The principal amount of the Taxable Series 2016B Bonds of any stated maturity subject to mandatory sinking fund redemption may be reduced by the University by the principal amount of the Taxable Series 2016B Bonds of such stated maturity either (1) surrendered uncancelled and in proper form for transfer (subject to certain restrictions) by the University to the Trustee for cancellation not less than 30 days prior to the redemption date or (2) selected for redemption not less than 30 days prior to such redemption date pursuant to an optional redemption, if such Series 2016B Bonds have not previously been reduced pursuant to a redemption.

Notice of Redemption. The Trustee shall give notice of any redemption of the Series 2016 Bonds by first class mail, postage prepaid, mailed at least 30 days prior to the redemption date, to holders of Series 2016 Bonds to be redeemed at their addresses appearing in the registration books maintained by the Trustee. In addition, notice of redemption shall be sent by certified or registered mail, return receipt requested, or by overnight delivery service contemporaneously with such mailing: (1) to any Owner of $1,000,000 or more in principal amount of Series 2016 Bonds and (2) to one or more information services of national recognition that disseminates redemption information with respect to municipal bonds. All redemption notices shall (i) specify the principal amount of Series 2016 Bonds to be redeemed, and if less than all outstanding Series 2016 Bonds are to be redeemed, the identification by CUSIP number and Stated Maturity Date of the Series 2016 Bonds to be so redeemed, the redemption date, and the place or places where amounts due upon such redemption will be payable and (ii) state that on the redemption date, if sufficient moneys are available for such redemption, the Series 2016 Bonds or portions thereof to be redeemed shall cease to bear interest. The University has retained the right to give a conditional notice of redemption with respect to an optional redemption which notice may be rescinded at any time prior to and including the scheduled redemption date upon delivery of written instructions from the University to the Trustee instructing the Trustee to rescind the redemption notice. Upon such rescission, the notice and redemption will be of no effect. The Trustee shall give prompt notice of any such rescission of a notice of redemption to the affected Owners. Any Series 2016 Bonds subject to redemption where redemption has been rescinded will remain Outstanding and the rescission shall not constitute an event of default under the Series 2016 Bonds or the Indenture.

Selection of Tax-Exempt Series 2016A Bonds to be Redeemed. Tax-Exempt Series 2016A Bonds may be redeemed only in $5,000 principal amounts or integral multiples thereof. If less than all of the Tax-Exempt Series 2016A Bonds are to be optionally redeemed, the particular maturities from which they are to be redeemed and the amounts thereof shall be selected by the University and if less than all of the outstanding principal amount of the Tax-Exempt Series 2016A Bonds of a stated maturity are to be called for redemption, the Trustee shall select by lot, in such manner as the Trustee in its discretion may determine, the Tax-Exempt Series 2016A Bonds to be redeemed within each such stated maturity of such Tax-Exempt Series 2016A Bonds; **provided that, for so long as the only owner of the Tax-Exempt Series 2016A Bonds is DTC, the selection of Tax-Exempt Series 2016A Bonds within a stated maturity will be made by DTC.**

Selection of Taxable Series 2016B Bonds to be Redeemed. If less than all of the Taxable Series 2016B Bonds are to be redeemed, the particular maturities of Taxable Series 2016B Bonds to be redeemed and the amounts thereof shall be selected by the University.

If the Taxable Series 2016B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series 2016B Bonds, if less than all of the Taxable Series 2016B Bonds of a maturity are called for prior redemption, the particular Taxable Series 2016B Bonds or portions thereof to be redeemed shall be allocated on a "pro rata pass-through distribution" of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series 2016B Bonds are held in book-entry form, the selection for redemption of such Taxable Series 2016B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a "pro rata pass-through distribution" of principal basis, the Taxable Series 2016B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The University intends that redemption allocations made by DTC be made on a "pro rata pass-through distribution" of principal basis as described above. However, neither the University nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Taxable Series 2016B Bonds on such basis.

For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Taxable Series 2016B Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective Taxable Series 2016B Bonds.

If the Taxable Series 2016B Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Taxable Series 2016B Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Taxable Series 2016B Bonds of any maturity will continue to be paid to the registered owners of such Taxable Series 2016B Bonds on a pro-rata basis, based on the portion of the original face amount of any such Taxable Series 2016B Bonds to be redeemed.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Series 2016 Bonds are limited, non-recourse obligations of the Issuer payable by the Issuer solely from and to the extent of the trust estate under the Indenture, which includes the Issuer's interest in and to the Loan Agreement (subject to certain exceptions) including the right to receive loan payments from the University to pay principal and interest on the Bonds when due and the Issuer's rights as a holder of a Security under the Master Indenture. See, **"THE INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE"** and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS DEFINITIONS OF CERTAIN TERMS."**

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, INCLUDING THE CITY OF UNIVERSITY PARK, TEXAS, IS OBLIGATED TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF UNIVERSITY PARK, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS. THE ISSUER HAS NO TAXING POWER.

The Indenture, the Loan Agreement and the Master Indenture

Under the Indenture, the Issuer has assigned and pledged to the Trustee as security for the payment of the Bonds, including the Series 2016 Bonds, all right, title, and interest of the Issuer in and to, among other things: (i) the Loan Agreement (with certain exceptions and reservations relating to indemnification and reimbursement of the Issuer noted in such Loan Agreement), including the loan payments; (ii) the rights of the Issuer as the holder of the Loan Agreement as a Security entitled to the benefit and security of the Master Indenture; and (iii) all money and investments from time to time held for the credit of the Construction Fund, the Bond Proceeds Clearance Fund, and the Bond Fund established under the Indenture, excluding, however, the Rebate Fund and all money and investments held for the credit of the Rebate Fund. Pursuant to the Loan Agreement, the University agrees to make loan payments sufficient to pay in full the debt service requirements of the Series 2016 Bonds. The University further agrees under the Loan Agreement to pay certain fees and expenses (consisting generally of fees, charges and expenses of the Trustee). The loan payments under the Loan Agreement and the loan payments under the UMB Bank Loan Agreement constitute general obligations of the University. The source of payment for the loan payments is not limited to any particular revenue stream. See **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES."**

In 1999, the University reorganized the structure of its obligations with respect to certain outstanding bonded indebtedness by entering into the Master Indenture, which provides a coherent security structure related to the "Prior Bonds," the Series 2016 Bonds, the UMB Bank Loan Agreement, the Revolving Credit Agreement and any other future indebtedness or obligations of the University secured as a Security under the Master Indenture ("*Additional Securities*"). The Original Loan Agreement, as amended by Amendment No. 4, by Amendment No. 5, by Amendment No. 6, by Amendment No. 7, by Amendment No. 8 and as it may be further amended from time to time, is authenticated as a "Security" under the Master Indenture and is on a parity with the Securities issued under the Master Indenture to secure the UMB Bank Loan Agreement and the Revolving Credit Agreement. See **"INTRODUCTION THE INDENTURE, THE LOAN AGREEMENT AND THE MASTER INDENTURE."**

Under the Master Indenture, the University has made certain covenants which, among other things, limit the ability of the University to incur Funded Debt or to encumber its property. **However, all of such limitations with respect to Funded Debt and all limitations with respect to granting mortgages and other encumbrances on University Property have been eliminated pursuant to a First Supplement to Master Indenture (the "*First Supplement*"). The provisions of the First Supplement will be effective upon its approval by the holders of a majority of the principal amount of Funded Debt outstanding. The purchasers of the Series 2016 Bonds are deemed to have consented to the First Supplement.** See **"OTHER INDEBTEDNESS"** below, **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES—SECURITY INTEREST,"** and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER**

INDENTURE—Covenants of the University." In addition, by virtue of the cross-default provisions of the Master Indenture, a breach of any of the covenants the University made or may make under (i) the various agreements relating to the Prior Bonds, (ii) the UMB Bank Loan Agreement, (iii) the Revolving Credit Agreement, and (iv) any agreements entered into in connection with any Additional Securities, will constitute a default under the Master Indenture so long as the obligation or indebtedness to which the covenant relates remains outstanding. See **"EVENTS OF DEFAULT."** See **"SOURCES OF PAYMENT AND SECURITY FOR THE BONDS"** and **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES"** and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER INDENTURE—General."**

Additional Bonds

Additional Bonds may be issued under the Indenture upon satisfaction of certain conditions including delivery of an Officer's Certificate to the effect that such issuance will not create a default under the Master Indenture and an Opinion of Counsel to the effect that the obligations of the University under the Loan Agreement with respect to the Additional Bonds are entitled to the benefit and security of the Master Indenture. See **"OTHER INDEBTEDNESS"** below. Any Additional Bonds issued under the Indenture will be secured by the collateral pledged under the Indenture on a parity with the Series 2007 Bonds, the Series 2009 Bonds, the Series 2010 Bonds, the Series 2013 Bonds, the Revolving Credit Agreement, the UMB Bank Loan, the Series 2016 Bonds and any other Additional Bonds.

Other Indebtedness

The Master Indenture limits the University's ability to incur, assume, guarantee or otherwise become liable with respect to any Debt that matures by its terms (in the absence of the exercise of any earlier right of demand) or is renewable at the option of the University to a date more than one year after the original creation, assumption or guarantee of such debt ("*Funded Debt*"), except under certain specified circumstances, which include (a) Funded Debt for the purpose of financing the completion of constructing, renovating, or equipping facilities for which permitted Funded Debt was incurred and (b) additional Funded Debt, if after giving effect to the issuance of such Funded Debt and the application of the proceeds thereof, (i) the quotient obtained by dividing the total amount of Funded Debt of the University by the sum of the net unrestricted assets of the University plus the temporarily restricted net assets of the University is not greater than 2.0, and (ii) the quotient obtained by dividing the total amount of Funded Debt bearing interest at a rate that is not fixed to the Stated Maturity of the Funded Debt in question by the sum of the net unrestricted assets of the University plus the temporarily restricted net assets of the University is not greater than 0.5, all as demonstrated by an Officer's Certificate setting forth such calculations. **However, all of such limitations with respect to Funded Debt and all limitations with respect to granting mortgages and other encumbrances on University Property have been eliminated pursuant to a First Supplement to Master Indenture (the "*First Supplement*"). The provisions of the First Supplement will be effective upon its approval by the holders of a majority of the principal amount of Funded Debt outstanding. The purchasers of the Series 2016 Bonds are deemed by the purchase thereof to have given such approval.** See, **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER INDENTURE—Covenants of the University—Limitations on Debt."**

Subsequent series of Securities authenticated under the Master Indenture may operate to further restrict the ability of the University to incur additional indebtedness.

Amendments to Indenture, Loan Agreement and Master Indenture

The Indenture, the Master Indenture and the Loan Agreement may be modified without the consent of, or notice to, the holders of the Bonds under certain circumstances. See **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE INDENTURE—Supplements and Amendments"** and **"—THE MASTER INDENTURE—Supplements."**

Merger, Consolidation, Etc. of University

Under the Loan Agreement and the Master Indenture, unless such action would adversely affect the tax-exempt status of the Tax-Exempt Series 2016A Bonds, the University may consolidate with or merge with or into or sell or otherwise transfer all or substantially all of its assets to another domestic corporation, if the surviving entity, prior to or simultaneously with such consolidation, merger, sale or transfer, assumes all the obligations of the University under the Loan Agreement and the Master Indenture.

Events of Default

Events of Default under the Master Indenture include, in general, failure to pay the principal of, premium, interest or any other amount due on any Security, covenant defaults, the bankruptcy or insolvency of the University, and an event of default under any Security or any instrument under which Securities may be created or secured, or under which Debt issued by or on behalf of a state or a political subdivision secured by a pledge of a series of Securities is incurred or secured. See **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES"** and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER INDENTURE—DEFAULTS AND REMEDIES UNDER THE MASTER INDENTURE."**

Events of Default under the Indenture include, in general, a failure to pay the principal of, premium or interest on the Bonds, covenant defaults, and an event of default under the Loan Agreement or the Master Indenture. See **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES,"** and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE INDENTURE—DEFAULTS AND REMEDIES UNDER THE INDENTURE."**

Events of Default under the Loan Agreement include, in general, a failure to pay the principal of, premium or interest on the Bonds or other Securities when due, covenant defaults, the bankruptcy or insolvency of the University, and an event of default under the Indenture or the Master Indenture. See **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES"** and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT—DEFAULTS AND REMEDIES UNDER THE LOAN AGREEMENT."**

LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES

Security Interest

The Series 2016 Bonds are not secured by a mortgage on or a security interest in the University's facilities or on any tangible real or personal property of the University. Under the Master Indenture, the Loan Agreement, the UMB Bank Loan Agreement and the Promissory Notes have been authenticated as Securities under the Master Indenture and the University's obligation to make payments under the Loan Agreement, the UMB Bank Loan Agreement and the Revolving Credit Agreement is secured by the "Trust Estate" as defined in the Master Indenture. See, **"ENFORCEABILITY OF REMEDIES"** below and **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER INDENTURE—General."**

While the Master Indenture generally prohibits the University from encumbering its property, the University may grant a security interest in its property that will rank prior to the rights of the Securities (including the rights of the Issuer and the Trustee with respect to the Loan Agreement), and thus prior to the rights of the holders of the Series 2016 Bonds to realize on the value of the Unrestricted Receivables, under certain circumstances. For example, the Master Indenture permits the following encumbrances on University property:

- debt service reserves;
- purchase and construction money encumbrances;
- encumbrances representing up to 25% of the book value (or if the University chooses to use current value, up to 25% of the current value) of all property of the University; and

- encumbrances with respect to property located beyond the main campus (as it existed in 1999 when the Master Indenture was executed) of the University.

However, all of such limitations with respect to Funded Debt and all limitations with respect to granting mortgages and other encumbrances on University Property have been eliminated pursuant to a First Supplement to Master Indenture (the "*First Supplement*"). The provisions of the First Supplement will be effective upon its approval by the holders of a majority of the principal amount of Funded Debt outstanding. The purchasers of the Series 2016 Bonds are deemed by the purchase thereof to have given such approval. See, **APPENDIX C, "SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER INDENTURE—COVENANTS OF THE UNIVERSITY—Limitation on Liens."**

Accordingly, to the extent the University issues any Debt secured by an encumbrance permitted by the Master Indenture (other than a Security), the Securities will be effectively subordinated to such secured debt with respect to the property encumbered and the revenues and proceeds therefrom.

Enforceability of Remedies

The actual realization of amounts to be derived upon the enforcement of the security interest granted by the Indenture, the Loan Agreement and the Master Indenture upon default will depend upon the exercise of various remedies specified by the Indenture, the Loan Agreement, the UMB Bank Loan Agreement, the Revolving Credit Agreement and the Master Indenture. These and other remedies may require judicial action which is often subject to discretion and delay. Under existing law, the remedies specified by the Indenture, the Loan Agreement and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The various legal opinions delivered concurrently with the delivery of the Series 2016 Bonds are qualified as to the enforceability of the various legal instruments by, among other matters, limitations imposed by state and federal laws, rulings and decisions affecting remedies, general principles of equity and bankruptcy, insolvency, moratorium, reorganization or other laws affecting the enforcement of creditors' rights generally, as well as limitations that might be imposed on enforcement of security interests under the laws as in effect in any applicable jurisdiction, or the effect of preemption by federal law to applicable state law. In addition, if otherwise permitted under the Master Indenture, the University can incur debt (whether or not secured by a Security), that could provide the holder of such debt or the trustee acting on behalf of such debt holder, the right to immediately accelerate such debt, regardless of whether the Trustee has accelerated the Series 2016 Bonds under the Indenture.

THE ISSUER

Southwest Higher Education Authority, Inc. is a Texas nonprofit corporation organized and existing pursuant to the Higher Education Authority Act, Chapter 53A, Texas Education Code, as amended, as a duly constituted authority to act on behalf of the City of University Park, Texas (the "*City*"). Pursuant to the Act, the Issuer is empowered to make loans to any "institution of higher education," as defined in the Act, for the purpose of providing "educational facilities" and "housing facilities," all as defined in the Act, and facilities incidental, subordinate or related thereto or appropriate in connection therewith. The Series 2016 Bonds are issued under the terms of a bond resolution adopted by the Issuer on May 9, 2016 (the "*Bond Resolution*"), authorizing the issuance and sale of the Series 2016 Bonds.

The Issuer is governed by a board of directors consisting of seven members appointed by the City Council of the City. Members of the board of directors of the Issuer serve without compensation. The Issuer has outstanding only the Obligations described herein. The City provides a staff member as needed to assist the Issuer. Listed below is the current board of directors of the Issuer.

Name	Office
Jerry Grable	President
Wayne Tenney	Vice President
Syd Carter	Secretary
Bill Minick	Boardmember
Jim Johnston	Boardmember
Harry Shawver	Boardmember
Paula F. Calise	Boardmember

The Issuer has not undertaken or assumed any responsibility for the matters contained in this Official Statement, except solely as to matters relating to the Issuer.

The Series 2016 Bonds, together with interest thereon, will be limited obligations of the Issuer and do not constitute a debt or liability or obligation of the City, the State of Texas or any agency or political subdivision thereof, or a charge against the general credit or taxing power of the City, the State of Texas, or any agency or political subdivision thereof. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Series 2016 Bonds except from the revenues derived from the Loan Agreement. The Issuer has no taxing power.

PLAN OF FINANCE

Tax-Exempt Series 2016A Bonds

The proceeds of the Tax-Exempt Series 2016A Bonds will be applied to finance and refinance the cost of certain "educational facilities" and "housing facilities" and facilities incidental, subordinate or related thereto or appropriate in connection therewith, (i) by applying such proceeds to the Series 2016 Projects described below; (ii) by paying interest on the Tax-Exempt Series 2016A Bonds during a portion of the construction period by applying such proceeds to the Series 2016 Projects described below; (iii) by refunding a portion of the Issuer's Higher Education Revenue Bonds (Southern Methodist University Project) Series 2009 (the "*Refunded Bonds*"); and (iv) by paying the costs of issuance of the Tax-Exempt Series 2016A Bonds. See **Schedule I-Schedule of Refunded Bonds.**

Taxable Series 2016B Bonds

The proceeds of the Taxable Series 2016B Bonds will be applied to finance and refinance the cost of certain "educational facilities" and "housing facilities" and facilities incidental, subordinate or related thereto or appropriate in connection therewith, (i) by applying such proceeds to the Series 2016 Projects described below; (ii) by paying interest on the Taxable Series 2016B Bonds during a portion of the construction period, if any; (iii) by paying the costs of issuance of the Taxable Series 2016B Bonds.

See **"ESTIMATED SOURCES AND USES OF FUNDS"** and **"THE SERIES 2016 PROJECTS"** for additional information regarding the application of the Series 2016 Bond proceeds.

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ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds relating to the issuance of the Series 2016 Bonds.

	Tax-Exempt Series 2016A	Taxable Series 2016B
Sources of Funds:		
Principal amount of Series 2016 Bonds	$118,545,000.00	$25,250,000.00
Net Bond Premium	24,432,766.50	-0-
Total Sources of Funds	$142,977,766.50	$25,250,000.00
Uses of Funds:		
Deposit to Project Fund	$ 25,000,000.00	$25,000,000.00
Deposit to Escrow Fund	116,904,971.07	-0-
Underwriters' Discount	507,687.41	121,135.35
Costs of Issuance	565,108.02	128,864.65
Total Uses of Funds	$142,977,766.50	$25,250,000.00

THE SERIES 2016 PROJECTS

The Series 2016 Projects include the following projects:

1. Construction, renovation, equipping and improvement of parking structures and surface parking, athletic and recreational facilities, telecommunications facilities, an electrical substation, library facilities, childcare facilities for University employees and students, the student center, academic laboratories and other University academic, student services and administrative buildings, structures and improvements;

2. Planning and site preparation for "educational facilities" and "housing facilities" (as defined in the Act), and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, including but not limited to (a) abatement and demolition, (b) environmental remediation, (c) acquisition, construction, relocation and improvement of streets, promenades and other walkways, sidewalks, sewers and other underground utilities and (d) acquisition of property;

3. Refinancing of the Refunded Bonds;

4. The payment of costs of issuance of the Bonds;

5. The payment of interest on the Bonds for a portion of the construction period; and

6. The acquisition and construction of any other land, fixtures, equipment and improvements determined by the University to be useful for providing "educational facilities" and "housing facilities" (as defined in Chapter 53A of the Texas Education Code) and facilities incidental, insubordinate, or related thereto or appropriate in connection therewith.

REFUNDING OF THE SERIES 2009 BONDS

The University has determined to use a portion of the proceeds of the Tax-Exempt Series 2016A Bonds, together with other available funds, to refund a portion of the Issuer's Higher Education Revenue Bonds (Southern Methodist University Project), Series 2009 identified on **SCHEDULE I-SCHEDULE OF REFUNDED BONDS** (the "*Refunded Bonds*"). The University will deposit with The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank, National Association, formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), as trustee for the Series 2009 Bonds and as the escrow agent (the "*Escrow Agent*") pursuant to an escrow agreement between the University and the Trustee (the "*Escrow Agreement*"), an amount which will be sufficient to pay the principal of, and interest on the Refunded Bonds on their redemption date. Such funds will be held by the Trustee in an escrow fund (the "*Escrow Fund*") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will be used to purchase direct obligations of the United States (the "*Escrowed Securities*"). Such maturing principal of and interest on the Escrowed Securities will be available only to pay the debt service requirements on the Refunded Bonds and not the Series 2016 Bonds. A certified public accountant (the "*Verification Agent*") will verify at the time of delivery of the Tax-Exempt Series 2016A Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with cash, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. By making such deposit, the University will have effected the defeasance of a portion of the Series 2009 Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and in reliance upon the Report, such portion of the Series 2009 Bonds will be outstanding only for the purpose of receiving payments from the cash and Escrowed Securities on deposit in the Escrow Fund for such purpose by the Escrow Agent and that the Refunded Bonds will be defeased and will not be deemed as being Outstanding Bonds for any other purpose. See **SCHEDULE I–SCHEDULE OF REFUNDED BONDS.**

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year, beginning with the fiscal year ending May 31, 2017, the amount required for the payment of principal, mandatory sinking fund redemptions, and interest on the Series 2016 Bonds and the Prior Bonds. See **APPENDIX B, Note 10** of the University's Consolidated Financial Statements.

Fiscal Year Ending May 31,	Prior Bonds Debt Service[1]	Less Refunded Bonds Debt Service[2]	Tax-Exempt Series 2016A Bonds Debt Service[3]	Taxable Series 2016B Bonds Debt Service[3]	Total Debt Service[4]
2017	$ 40,058,879	$ (5,101,750)	$ 4,685,041	$ 771,281	$ 40,413,451
2018	39,129,178	(5,101,750)	5,548,075	913,359	40,488,861
2019	39,167,586	(5,101,750)	5,548,075	913,359	40,527,269
2020	39,393,395	(5,101,750)	5,548,075	913,359	40,753,078
2021	39,303,760	(14,832,250)	12,987,325	913,359	38,372,194
2022	39,276,820	(14,850,000)	13,000,700	913,359	38,340,878
2023	37,380,479	(12,949,750)	11,102,325	913,359	36,446,413
2024	36,379,302	(11,193,125)	12,707,825	1,654,876	39,548,878
2025	36,354,671	(11,180,250)	12,693,325	1,651,835	39,519,581
2026	35,951,574	(11,167,625)	12,682,200	1,651,997	39,118,146
2027	35,452,265	(11,042,125)	12,556,200	1,645,641	38,611,981
2028	32,696,950	(8,279,375)	9,789,950	1,647,524	35,855,049
2029	33,541,835	(8,273,000)	9,782,950	1,652,363	36,704,148
2030	33,149,744	(7,849,625)	9,362,575	1,645,160	36,307,854
2031	25,198,722	(3,310,469)	4,823,013	1,650,976	28,362,242
2032	25,180,783	(3,286,306)	4,803,800	1,654,719	28,352,996
2033	25,142,343	(3,257,963)	4,768,950	1,645,115	28,298,446
2034	22,491,634	(3,406,000)	4,919,150	1,647,456	25,652,239
2035	20,738,500	(3,369,750)	4,879,600	1,648,274	23,896,624
2036	20,700,000	(3,332,875)	4,846,700	1,647,572	23,861,397
2037	20,659,625	(3,290,250)	4,802,750	1,645,347	23,817,472
2038	17,368,875	-	1,514,250	1,645,625	20,528,750
2039	17,364,125	-	1,513,500	1,648,177	20,525,802
2040	17,369,400	-	1,515,125	1,648,752	20,533,277
2041	17,371,025	-	1,514,000	1,647,350	20,532,375
2042	17,364,725	-	1,515,000	1,648,872	20,528,597
2043	9,754,100	-	1,517,875	1,653,121	12,925,096
2044	-	-	1,512,625	1,654,997	3,167,622
2045	-	-	1,519,000	1,644,698	3,163,698
2046	-	-	1,511,875	1,652,027	3,163,902
	$773,940,295	$(155,277,738)	$185,471,854	$44,183,905	$848,318,316

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(1) As of May 1, 2016. Includes debt service on the UMB Bank Loan to forward refund the October 1, 2017 through 2025 and the 2032 maturities of the Series 2007 bonds. The delivery date of the UMB Bank Loan is February 14, 2017.

(2) The Series 2009 Bonds in principal amount of $102,600,000 are being refunded by the Series 2016A Bonds. See **SCHEDULE I – SCHEDULE OF REFUNDED BONDS.**

(3) Principal is due on October 1 in each such fiscal year either at maturity or pursuant to mandatory sinking fund redemption.

(4) Includes debt service on all of the outstanding Prior Bonds and notes payable.

FUTURE DEBT

Other than the delivery of the UMB Bank Loan scheduled for funding on February 14, 2017 to refund Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project), Series 2007, the University does not currently anticipate issuing Additional Bonds within the next 24 months. See **"INTRODUCTION, UMB Bank Loan."**

BONDOWNERS' RISKS

General

A number of factors affect institutions of higher education in general, including the University, that could have an adverse effect on the University's financial position and its ability to make the payments required under the Loan Agreement. These factors include, without limitation: the ability of the University to continue to attract students; the University's focus with respect to undergraduate and selected graduate programs; the cost of tuition of the University; the failure to maintain or increase in the future the funds obtained by the University from other sources, including gifts and contributions from donors, grants and income from investment of endowment funds; adverse results from the investment of endowment funds; imposition of federal or state unrelated business income or local property taxes; increasing costs of compliance with federal or state regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety, health care reform and accommodating the handicapped; changes in federal government policy relating to the reimbursement of overhead costs of government contracts; and any unionization of the University work force with consequent impact on wage scales and operation costs of the University.

Payment of Debt Service

The principal of, redemption premium, if any, and interest on the Series 2016 Bonds are payable solely from the amounts paid by the University to the Issuer under the Loan Agreement. No representation or assurance can be made that revenues or other funds will be realized by the University in the amounts necessary to make payments at the times and in the amounts sufficient to pay the debt service on the Series 2016 Bonds.

Future revenues and expenses of the University will be affected by events and conditions relating generally to, among other things, demand for the University's educational services, the ability of the University to provide the required educational services, management capabilities, the University's ability to control expenses, competition, costs, legislation, governmental regulation and developments affecting the federal or state tax-exempt status of nonprofit organizations. Unanticipated events and circumstances may occur which cause variations from the University's expectations.

Tax-Exempt Status of the Tax-Exempt Series 2016A Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Tax-Exempt Series 2016A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that issuers file an information report with the Internal Revenue Service (the "*IRS*"). The University has agreed that it will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of the interest on the Tax-Exempt Series 2016A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance. See also **"TAX MATTERS."**

In December 1999, as a part of a larger reorganization of the IRS, the IRS commenced operation of its Tax-Exempt and Government Entities Division (the "*TE/GE Division*") as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. The number of tax-exempt bond examinations performed by the IRS has increased significantly under the TE/GE Division.

The University has not sought to obtain a private letter ruling from the IRS with respect to the Tax-Exempt Series 2016A Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that any IRS examination of the Tax-Exempt Series 2016A Bonds will not adversely affect the market value of the Tax-Exempt Series 2016A Bonds. See **"TAX MATTERS."**

Tax-Exempt Status of the University

The tax-exempt status of the Tax-Exempt Series 2016A Bonds currently depends upon maintenance by the University of its status as an organization described in section 501(c)(3) of the Code. The maintenance of this status depends on compliance with general rules regarding the organization and operation of tax-exempt entities, including operation for charitable and educational purposes and avoidance of transactions that may cause earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules.

Tax-exempt organizations are subject to scrutiny from and face the potential for sanction and monetary penalties imposed by the IRS. One primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in inurement or unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the tax-exempt status of nonprofit organizations, it could do so in the future. Loss of tax-exempt status by the University could result in loss of tax exemption of the Tax-Exempt Series 2016A Bonds and defaults in covenants regarding the Tax-Exempt Series 2016A Bonds and other obligations would likely be triggered. Loss of tax-exempt status by the University could also result in substantial tax liabilities on its income. For these reasons, loss of tax-exempt status of the University could have material adverse consequences on the financial condition of the University.

With increasing frequency, the IRS is imposing substantial monetary penalties and future charity or public benefit obligations on tax-exempt entities in lieu of revoking tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations typically are imposed on the tax-exempt organization pursuant to a "closing agreement," a contractual agreement pursuant to which a taxpayer and the IRS agree to settle a disputed matter. Given the exemption risks involved in certain transactions, the University may be at risk for incurring monetary and other liabilities imposed by the IRS. These liabilities could be materially adverse.

Less onerous sanctions, referred to generally as "intermediate sanctions," focus enforcement on private persons who transact business with an exempt organization rather than the exempt organization itself, but these sanctions do not replace the other remedies available to the IRS, as mentioned above.

The University may be audited by the IRS. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest and penalties. An IRS audit ultimately could affect the tax-exempt status of the University, as well as the exclusion from gross income for federal income tax purposes of the interest on the Tax-Exempt Series 2016A Bonds and any other tax-exempt debt issued for the University.

State and Local Tax Exemption

The Texas Attorney General is responsible for supervising nonprofit organizations within the state, including scrutinizing their tax-exempt status. The University is not aware of any actions, pending or threatened, that would result in the revocation of the University's state and local tax exemption. Moreover, a revocation by the IRS of its federal tax exemption could trigger a revocation by the Texas Attorney General of the University's state and local tax exemption. However, the University is not aware of any action by the Texas Attorney General regarding the revocation of the University's state and local tax exemption.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can also be no assurance that future changes in the laws and regulations of federal, state or local governments will not materially adversely affect the operations and financial conditions of the University by requiring the University to pay income or local property taxes.

Unrelated Business Income

The IRS and state, county and local tax authorities may undertake audits and reviews of the operations of tax-exempt organizations with respect to the generation of unrelated business taxable income ("*UBTI*"). The University may participate in activities that generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to UBTI and, in some cases, ultimately could affect the tax-exempt status of the University as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Tax-Exempt Series 2016A Bonds.

Enforceability

The remedies granted to the Trustee or the owners of the Series 2016 Bonds upon an event of default under the Loan Agreement may be dependent upon judicial actions which are often subject to discretion and delay. Under existing law, the remedies specified in the Loan Agreement may not be readily available or may be limited. See **"LIMITATIONS ON SECURITY INTEREST AND ENFORCEABILITY OF REMEDIES."**

The University cannot assess or predict the ultimate effect of these factors on its operations or financial results of operation.

TAX MATTERS – TAX-EXEMPT SERIES 2016A BONDS

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Tax-Exempt Series 2016A Bonds is excludable from gross income for federal income tax purposes, and (ii) the Tax-Exempt Series 2016A Bonds are "qualified 501(c)(3) bonds" under the Code, and interest on the Tax-Exempt Series 2016A Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Tax-Exempt Series 2016A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include a requirement that the University be a tax-exempt organization described in section 501(c)(3) of the Code, limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the Issuer file an information report with the IRS. The University and the Issuer have covenanted in the Indenture and the Loan Agreement that they will comply with these requirements.

For purposes of its opinion that the Tax-Exempt Series 2016A Bonds are "qualified 501(c)(3) bonds," Bond Counsel will assume continuing compliance with the covenants of the Indenture and the Loan Agreement pertaining to those sections of the Code that affect the status of the University as an organization described in section 501(c)(3) of the Code and the exclusion from gross income of interest on the Tax-Exempt Series 2016A Bonds for federal income tax purposes. In addition, Bond Counsel will rely on representations by the Issuer, the University, the Underwriters and the University's Financial Advisor with respect to matters solely within the knowledge of the Issuer, the University, the Underwriters and the University's Financial Advisor, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the Report (the "*Report*") of KPMG certified public accountants, regarding the mathematical accuracy of certain computations. If the University or the Issuer should fail to comply with the covenants in the Indenture and the Loan Agreement or the foregoing representations or the Report should be determined to be incorrect, inaccurate or incomplete, interest on the Tax-

Exempt Series 2016A Bonds could become includable in gross income for federal income tax purposes from the date of delivery of the Tax-Exempt Series 2016A Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC) if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on certain tax-exempt obligations is included in a corporation's "adjusted current earnings," ownership of the Tax-Exempt Series 2016A Bonds could subject a corporation to alternative minimum tax consequences.

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 of interest on, or disposition of, the Tax-Exempt Series 2016A Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the IRS. Rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions as of the date of the opinion and the representations and covenants of the Issuer and the University that it deems relevant to such opinions. Bond Counsel observes that the University has covenanted in the Loan Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in treatment of interest on the Tax-Exempt Series 2016A Bonds as includable in gross income for federal income tax purposes. The IRS has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given regarding whether or not the IRS will commence an audit of the Tax-Exempt Series 2016A Bonds. If an audit is commenced, in accordance with its current published procedures, the IRS is likely to treat the Issuer as the taxpayer and the owners of the Tax-Exempt Series 2016A Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Tax-Exempt Series 2016A Bonds could adversely affect the value and liquidity of the Tax-Exempt Series 2016A Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Tax-Exempt Series 2016A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low end middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Tax-Exempt Series 2016A Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Tax-Exempt Series 2016A Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Tax-Exempt Series 2016A Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Discount

The issue price for all or a portion of the Tax-Exempt Series 2016A Bonds may be less than the stated redemption price payable at maturity of such Tax-Exempt Series 2016A Bonds (the "*Original Issue Discount*

Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Tax-Exempt Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Tax-Exempt Bonds under the captions **"Tax Exemption"** and **"Additional Federal Income Tax Considerations - Collateral Tax Consequences"** above generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Tax-Exempt Series 2016A Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Issuer nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Tax-Exempt Series 2016A Bonds may exceed the stated redemption price payable at maturity of such Tax-Exempt Series 2016A Bonds. Such Tax-Exempt Series 2016A Bonds (the "*Premium Bonds*") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. 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 that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Tax-Exempt Series 2016A Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Tax-Exempt Series 2016A Bonds. Prospective purchases of the Tax-Exempt Series 2016A Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

TAX MATTERS – TAXABLE SERIES 2016B BONDS

General

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Taxable Series 2016B Bonds by an initial holder (as described below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the University nor Bond Counsel offers any assurance that the IRS will not challenge one or more of the tax consequences described in this discussion, and neither of the University nor Bond Counsel has obtained, nor do the University or Bond Counsel intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Taxable Series 2016B Bonds.

This discussion is limited to holders who purchase the Taxable Series 2016B Bonds in this initial offering for a price equal to the issue price of the Taxable Series 2016B Bonds (i.e., the first price at which a substantial amount of the Taxable Series 2016B Bonds is sold for cash other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the "*Issue Price*") and who hold the Taxable Series 2016B Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. Bondholders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Taxable Series 2016B Bonds as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction;
- certain U.S. expatriates;

- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Taxable Series 2016B Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships acquiring Taxable Series 2016B Bonds and partners of partnerships acquiring the Taxable Series 2016B Bonds should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the Taxable Series 2016B Bonds.

INVESTORS CONSIDERING THE PURCHASE OF THE TAXABLE SERIES 2016B BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE TAXABLE SERIES 2016B BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Tax Consequences to U.S. Bondholders

As used herein "U.S. Bondholder" means a beneficial owner of a Taxable Series 2016B Bond and who or that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Interest on the Taxable Series 2016B Bonds

A U.S. Bondholder will be required to include any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes. If a U.S. Bondholder is a cash method taxpayer, such holder must report interest on the Taxable Series 2016B Bonds as ordinary income when it is received. If a U.S. Bondholder is an accrual method taxpayer, such holder must report the interest on the Taxable Series 2016B Bonds as ordinary income as it accrues.

Original Issue Discount

If the Issue Price of the Taxable Series 2016B Bonds of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Series 2016B Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Series 2016B Bonds at maturity over its Issue Price, and the amount of the original issue discount on such Taxable Series 2016B Bonds will be amortized over the life of the Taxable Series 2016B Bonds using the "constant yield method" provided in the U.S. Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Taxable Series 2016B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Taxable Series 2016B Bonds that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such Taxable Series 2016B Bonds each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds such Taxable Series 2016B Bonds will increase the adjusted tax basis of such Taxable Series 2016B Bonds in the hands of such beneficial owner.

Premium

If the Issue Price of the Taxable Series 2016B Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Taxable Series 2016B Bond with "amortizable Bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Taxable Series 2016B Bond and may offset interest otherwise required to be included in respect of such Taxable Series 2016B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on such Taxable Series 2016B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Taxable Series 2016B Bond. However, if such Taxable Series 2016B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of such Taxable Series 2016B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Disposition of the Taxable Series 2016B Bonds

A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Taxable Series 2016B Bond. This gain or loss will equal the difference between the U.S. Bondholder's adjusted tax basis in the Taxable Series 2016B Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such Bondholder has not previously included such amounts in income) by the Bondholder. A U.S. Bondholder's adjusted tax basis in the Taxable Series 2016B Bonds will generally equal the amount the U.S. Bondholder paid for the Taxable Series 2016B Bonds increased by any original issue discount previously included in the Bondholder's income and decreased by the amount of the bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the Bondholder held the Taxable Series 2016B Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Additional Tax on Investment Income

An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. Bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the Taxable Series 2016B Bonds, less certain deductions. U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.

Tax Consequences to Non-U.S. Bondholders

As used herein, a "non-U.S. Bondholder" means a beneficial owner of Taxable Series 2016B Bonds that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

Interest on the Taxable Series 2016B Bonds-Portfolio Interest

Subject to the discussions below under the headings "Information Reporting and Backup Withholding—Non-U.S. Bondholders and "Information Reporting and Backup Withholding—Foreign Account Tax Compliance," payments to a non-U.S. Bondholder of interest on the Taxable Series 2016B Bonds generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder's foreign status as described below, and:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of the University's voting stock;
- the non-U.S. Bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the University (actually or constructively); and
- the non-U.S. Bondholder is not a bank whose receipt of interest on the Taxable Series 2016B Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such Bondholder's trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the Taxable Series 2016B Bonds on a non-U.S. Bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (iii) the non-U.S. Bondholder holds their Taxable Series 2016B Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Trustee with a properly executed (a) IRS Form W-8BEN or IRS Form W-8-BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the Taxable Series 2016B Bonds is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder's conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the Taxable Series 2016B Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S.

person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Taxable Series 2016B Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

Disposition of the Taxable Series 2016B Bonds

Subject to the discussions below under the headings "Information Reporting and Backup Withholding—Non-U.S. Bondholders and "Information Reporting and Backup Withholding—Foreign Account Tax Compliance," a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Taxable Series 2016B Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the Bondholder in the United States);

- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;

- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the Bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding

U.S. Bondholders

Information reporting will apply to payments of principal and interest made by the University on, or the proceeds of the sale or other disposition of, the Taxable Series 2016B Bonds with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Non-U.S. Bondholders

Payments to non-U.S. Bondholders of interest on their Taxable Series 2016B Bonds and any amounts withheld from such payments generally will be reported to the IRS and such holder. Backup withholding will not apply to payments of principal and interest on the Taxable Series 2016B Bonds if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither the University nor its agent, if any, know or have reason to know that such Bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Taxable Series 2016B Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such Bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("*FATCA*"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, Taxable Series 2016B Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the IRS to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Taxable Series 2016B Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, Taxable Series 2016B Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the IRS, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Taxable Series 2016B Bonds.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE TAXABLE SERIES 2016B BONDS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

CONTINUING DISCLOSURE INFORMATION

In the Loan Agreement, the University has made the following agreement for the benefit of the holders and beneficial owners of the Series 2016 Bonds. The University is required to observe the agreement with respect to the Series 2016 Bonds for so long as it remains obligated to advance funds to pay the Series 2016 Bonds. Under the agreement, the University will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events.

Annual Reports

The University will provide certain updated financial information and operating data to the Municipal Securities Rulemaking Board ("*MSRB*"). The information to be updated includes the financial statements of the University appended to this Official Statement as **APPENDIX B** and the following tables included in **APPENDIX A** to this Official Statement: **"First Year Undergraduate Admission and Enrollment Information," "Full Time Equivalent Enrollment," "Student Financial Aid," "Annual Operating Results," "Changes in Financial Position," "Changes in Endowment Value," "Undergraduate Student Charges," "Endowment Fund Growth," "Endowment Assets"** and **"Total Gifts and Bequests."** The University will update and provide this information as of the end of such fiscal year or for the twelve month period then ended within six months after the end of each fiscal year commencing with the fiscal year ending May 31, 2016.

The University may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the University commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the University will provide audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in **APPENDIX B** or such other accounting principles as the University may be required to employ in order to be in conformity with generally accepted accounting principles.

The University's current fiscal year is June 1 to May 31. Accordingly, it must provide updated information by November 30 in each year, unless the University changes its fiscal year. If the University changes its fiscal year, it will notify the MSRB.

Disclosure Event Notices

The University will provide notice to the MSRB of any of the following events with respect to the Series 2016 Bonds: (1) non-payment related defaults, if material; (2) modifications to rights of Bondholders, if material; (3) Bond calls, if material; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (6) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The University will also provide notice to the MSRB of any of the following events with respect to the Series 2016 Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax-exempt status of the Tax-Exempt Series 2016A Bonds, or other events affecting the tax-exempt status of the Series 2016A Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person.

The University will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The University will also provide timely notice of any failure by the University to provide annual financial information in accordance with their agreement described above under "Annual Reports."

Availability of Information

The University has agreed to provide the foregoing information to the MSRB only. The information will be available to holders of Series 2016 Bonds free of change at www.emma.msrb.org.

Limitations and Amendments

The University has agreed to update information and to provide notices of material events only as described above. The University 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 University makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2016 Bonds at any future date. The

University disclaims any contractual or tort liability for 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 Series 2016 Bonds may seek a writ of mandamus to compel the University to comply with its agreement.

The University may amend its continuing disclosure agreement 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 University, if the agreement, as amended, would have permitted an underwriter to purchase or sell the Series 2016 Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Series 2016 Bonds consent or any person unaffiliated with the University (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Series 2016 Bonds. If the University amends its agreement, it must 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 information and data provided.

Compliance with Prior Undertakings

In connection with the issuance of the Prior Bonds, the University entered into certain continuing disclosure agreements (the "*Prior Undertakings*") made in accordance with SEC Rule 15c2-12, including agreements to file with the MSRB the University's updated financial information (the "*Financial Information*") and operating data (the "*Operating Data*" and, together with the Financial Information, the "*Annual Report*"). In reviewing its compliance with such Prior Undertakings during the previous five years, the University determined that with respect to its Fiscal Year ended May 31, 2011, although its Annual Report for such period was timely filed, certain tables comprising the Operating Data were inadvertently omitted. Additionally, with respect to its Fiscal Year ended May 31, 2015, the University's Annual Report was not timely filed. The University filed such Annual Report with the MSRB on January 23, 2016. The University has filed an event notice with respect to (1) the 2011 omission of certain tables comprising the Operating Data and (2) the non-timely filing of the Annual Report for its Fiscal Year ending May 31, 2015. Finally, the University has reviewed the circumstances surrounding these instances and has instituted procedures that it believes will assure timely and complete filings in the future.

RATINGS

The following ratings are not recommendations to buy, sell or hold the Series 2016 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Fitch and Moody's Investors Service, Inc. ("*Moody's*") have assigned their municipal bond ratings of "AA-" and "Aa3" (*negative outlook*) respectively, to the Series 2016 Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of Moody's or Fitch's, circumstances so warrant.

The University currently has parity debt rated by other rating agencies.

The Issuer, the Underwriters and the University have not undertaken any responsibility to bring to the attention of the registered owners of the Series 2016 Bonds subsequent to delivery thereof any proposed revision or withdrawal of the ratings of the Series 2016 Bonds or to oppose any such proposed revision or withdrawal; provided the University is obligated to file a notice of rating change with the MSRB pursuant to the University's obligations under SEC Rule 15c2-12. Any downward revision or withdrawal of such ratings by either or both rating agencies may have an adverse effect on the market price and/or marketability of the Series 2016 Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of the University as of May 31, 2015 and 2014, and for the years then ended included in **APPENDIX B** in this Official Statement have been audited by KPMG LLP, independent auditors, as stated in their report appearing in **APPENDIX B**. Such report includes an explanatory paragraph addressing the University's adoption of Financial Accounting Standards Board Accounting Standards Codification

(ASC) 958-810, Reporting of Related Entities by Not-for-Profit Organizations and ASC 970-323, Investments – Equity Method and Joint Ventures as of June 1, 2009.

UNDERWRITING

Tax-Exempt Series 2016A Bonds

The Tax-Exempt Series 2016A Bonds are being purchased by the Underwriters, for which Merrill Lynch, Pierce, Fenner & Smith, Incorporated is acting as representative, at an underwriters' discount of $507,687.41 from the initial public offering price of the Tax-Exempt Series 2016A Bonds. The Contract of Purchase provides that the Underwriters will purchase all of the Tax-Exempt Series 2016A Bonds, if any are purchased, subject to certain terms and conditions set forth therein, including the delivery of specified opinions of counsel, the delivery of an approving opinion of the Attorney General of the State of Texas, and of a certificate of the University that there has been no material adverse change in its properties, financial condition or results of operation from that set forth in this Official Statement.

The Underwriters may offer and sell the Tax-Exempt Series 2016A Bonds to certain dealers, including dealer banks, dealers depositing the Tax-Exempt Series 2016A Bonds into investment trusts, and others at prices lower than the public offering prices stated on the cover page of this Official Statement.

The University has agreed to indemnify the Underwriters and the Issuer against certain liabilities.

J.P. Morgan Securities LLC ("*JPMS*"), one of the Underwriters of the Tax-Exempt Series 2016A Bonds, has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of Charles Schwab & Co., Inc. ("*CS&Co.*") and LPL Financial LLC ("*LPL*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Tax-Exempt Series 2016A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Tax-Exempt Series 2016A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, acting through its Municipal Products Group.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("*WFBNA MPG*"), one of the underwriters of the Tax-Exempt Series 2016A Bonds, has entered into an agreement (the "*Distribution Agreement*") with its affiliate, Wells Fargo Advisors, LLC ("*WFA*"), for the distribution of certain municipal securities offerings, including the Tax-Exempt Series 2016A Bonds. Pursuant to the Distribution Agreement, WFBNA MPG will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Tax-Exempt Series 2016A Bonds with WFA. WFBNA MPG also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("*WFSLLC*") for the distribution of municipal securities offerings, including the Tax-Exempt Series 2016A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA MPG pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA MPG, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

One of the Underwriters is BOSC, Inc., which is not a bank, and the Tax-Exempt Series 2016A Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

Taxable Series 2016B Bonds

The Taxable Series 2016B Bonds are being purchased by the Underwriters, for which J.P. Morgan Securities LLC is acting as representative, at an underwriters' discount of $121,135.35 from the initial public offering price of the Taxable Series 2016B Bonds. The Contract of Purchase provides that the Underwriters will purchase all of the Taxable Series 2016B Bonds, if any are purchased, subject to certain terms and conditions set forth therein, including the delivery of specified opinions of counsel, the delivery of an approving opinion of the

Attorney General of the State of Texas, and of a certificate of the University that there has been no material adverse change in its properties, financial condition or results of operation from that set forth in this Official Statement.

The Underwriters may offer and sell the Taxable Series 2016B Bonds to certain dealers, including dealer banks, dealers depositing the Taxable Series 2016B Bonds into investment trusts, and others at prices lower than the public offering prices stated on the cover page of this Official Statement.

The University has agreed to indemnify the Underwriters and the Issuer against certain liabilities.

J.P. Morgan Securities LLC ("*JPMS*"), one of the Underwriters of the Taxable Series 2016B Bonds, has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of Charles Schwab & Co., Inc. ("*CS&Co.*") and LPL Financial LLC ("*LPL*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Taxable Series 2016B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Taxable Series 2016B Bonds that such firm sells.

Miscellaneous

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer and the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Issuer and the University.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

FirstSouthwest is serving as the financial advisor to the University (the "*Financial Advisor*") with respect to the sale of the Series 2016 Bonds. The Financial Advisor assisted in matters relating to the planning, structuring and issuance of the Series 2016 Bonds and provided other financial advice. The Financial Advisor will not engage in any underwriting activities with regard to the Series 2016 Bonds.

LEGAL MATTERS

Certain legal matters relating to the Series 2016 Bonds will be passed upon by Bracewell LLP, Bond Counsel, whose opinion will be delivered with the initial delivery of the Series 2016 Bonds. Such opinion is expected to be in substantially the form included as **APPENDIX D**. The Series 2016 Bonds are subject to the approving opinion of the Attorney General of the State of Texas. Certain legal matters will also be passed upon for the University by its counsel, Paul J. Ward, General Counsel and Vice President for Legal Affairs and Government Relations. Certain legal matters will be passed upon for the Issuer by Bond Counsel, and for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Series 2016 Bonds are contingent on the sale and delivery of the Series 2016 Bonds. The legal opinion of Bond Counsel will accompany the Series 2016 Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Series 2016 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 expression of professional judgment, 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.

The legal fees to be paid McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as counsel for the Underwriters, in connection with the Underwriters' purchase of the Series 2016 Bonds are contingent on the sale and delivery of the Series 2016 Bonds.

LITIGATION

There is no litigation now pending against the Issuer or the University or, to the knowledge of their respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution, or delivery of the Series 2016 Bonds, or in any way contesting or affecting the validity of the Series 2016 Bonds, any proceeding of the Issuer or the University taken concerning the issuance or sale thereof, or the security provided for the payment of the Series 2016 Bonds, or the existence or powers of the Issuer relating to the issuance of the Series 2016 Bonds.

The University is a defendant in several legal actions. The outcomes of these actions cannot be determined at this time, but management is of the opinion that liability, if any, from these actions will not have a material effect on the University's financial position.

MISCELLANEOUS

The descriptions of the provisions of the Loan Agreement, the Indenture and the Master Indenture set forth above and in **APPENDIX C**, and all references to other materials not purporting to be quoted in full, are only brief summaries of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is hereby made to the complete documents for further information, copies of which are available from the Financial Advisor, prior to delivery of the Series 2016 Bonds, and thereafter from the designated corporate trust office of the Trustee. Any statements made in this Official Statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The Trustee has not undertaken any responsibility for reviewing, and has not assumed any responsibility for any of the matters contained in, this Official Statement.

Neither the Issuer nor the City of University Park, Texas, has undertaken to review or has assumed any responsibility for the matters contained herein except matters relating to the Issuer. All findings and determinations by the Issuer and the City of University Park, Texas, in connection with their authorization of issuance of the Series 2016 Bonds have been made for their respective internal uses and purposes in performing their duties under the Act and the articles of incorporation, bylaws and regulations of the Issuer. Notwithstanding its approval of the Series 2016 Bonds and the facilities financed thereby, neither the Issuer nor the City of University Park, Texas, endorses or in any manner, directly or indirectly, guarantees or promises to pay the Series 2016 Bonds from any source of funds of the City of University Park, Texas, or guarantees, warrants, or endorses the creditworthiness or credit standing of the University or the investment quality or value of the Series 2016 Bonds.

KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the consolidated financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement.

This Official Statement has been duly approved, executed, and delivered by the Issuer and the University. The distribution of this Official Statement has been approved by the Issuer and the University.

SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.

By: /s/ Jerry Grable
Name: Jerry Grable
Title: President

SOUTHERN METHODIST UNIVERSITY

By: /s/ R. Gerald Turner
Name: R. Gerald Turner
Title: President

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Higher Education Revenue Bonds
(Southern Methodist University Project)
Series 2009

Bond	Maturity	Interest Rate	Par Amount	Call Date	Call Price
SERIAL	2020	5.000%	$ 9,980,000	10/01/2019	100.000
	2021	5.000%	10,510,000	10/01/2019	100.000
	2022	5.000%	9,100,000	10/01/2019	100.000
	2023	5.000%	7,765,000	10/01/2019	100.000
	2024	5.000%	8,150,000	10/01/2019	100.000
	2025	5.000%	8,555,000	10/01/2019	100.000
	2026	5.000%	8,865,000	10/01/2019	100.000
	2027	4.000%	200,000	10/01/2019	100.000
	2027	5.000%	6,285,000	10/01/2019	100.000
	2028	5.000%	6,810,000	10/01/2019	100.000
	2029	5.000%	6,725,000	10/01/2019	100.000
TERM 1	2030	4.250%	1,125,000	10/01/2019	100.000
	2031	4.250%	1,165,000	10/01/2019	100.000
	2032	4.250%	1,210,000	10/01/2019	100.000
TERM 2	2030	5.000%	1,285,000	10/01/2019	100.000
	2031	5.000%	1,335,000	10/01/2019	100.000
	2032	5.000%	1,380,000	10/01/2019	100.000
TERM 3	2033	5.000%	2,870,000	10/01/2019	100.000
	2034	5.000%	2,980,000	10/01/2019	100.000
	2035	5.000%	3,095,000	10/01/2019	100.000
	2036	5.000%	3,210,000	10/01/2019	100.000

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APPENDIX A

INFORMATION CONCERNING SOUTHERN METHODIST UNIVERSITY

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SOUTHERN METHODIST UNIVERSITY

GENERAL DESCRIPTION

Southern Methodist University (the "*University*" or "*SMU*") is a private, nonprofit, coeducational institution located on 234 acres in University Park, Highland Park and Dallas, Texas, five miles from downtown Dallas. SMU also maintains campuses in Plano, Texas, and near Taos, New Mexico. The University was founded in 1911 by what is now The United Methodist Church in partnership with Dallas leaders. SMU opened in 1915 with 706 students and a 35-member faculty. Two permanent buildings included the campus' historic centerpiece, Dallas Hall. Today the University has a total headcount enrollment of approximately 11,000 (6,411 undergraduate students and 5,232 graduate students in fall 2015) and a faculty of nearly 750.

The University offers a strong foundation in the humanities and sciences, as well as undergraduate and graduate degree programs through seven schools. Students benefit from small classes and opportunities for research, leadership development and unique learning experiences on campus and around the world. SMU is dedicated to shaping world changers. It prepares students to make an impact through their chosen professions and service to society. The University's location in Dallas offers students enriching experiences beyond the campus.

Governance of the University is vested in a Board of Trustees comprised of civic, business, and church leaders — both Methodists and non-Methodists. The founders' first charge to the University was that it become not merely a great Methodist university, but a great university. SMU aspires to fulfill its promise as a private university of the highest quality.

STATEMENT OF MISSION

Southern Methodist University will create, expand, and impart knowledge through teaching, research, and service, shaping world changers who contribute to their communities and excel in their professions in a global society. Among its faculty, students, and staff, the University will cultivate principled thought, develop intellectual skills, and promote an environment emphasizing individual dignity and worth. SMU affirms its historic commitment to academic freedom and open inquiry, to moral and ethical values, and to its United Methodist heritage.

To fulfill its mission, the University strives for continuous advancement as it pursues the following goals:

- To enhance the academic quality and stature of the University
- To improve teaching and learning
- To strengthen scholarly research, creative achievement, and opportunities for innovation
- To sustain student development and a supportive campus experience
- To broaden global perspectives
- To increase revenue generation and promote responsible stewardship of resources

ACADEMIC PROGRAMS

The University offers undergraduate and graduate degree programs in five of its schools: Dedman College, Meadows School of the Arts, Edwin L. Cox School of Business, Bobby B. Lyle School of Engineering, and Annette Caldwell Simmons School of Education and Human Development. It also offers graduate degree programs in its two professional schools: Dedman School of Law and Perkins School of Theology. The University offers 106 baccalaureate degrees in 92 fields, 114 master's degrees in 105 fields, 31 doctoral-research degrees, one doctoral-professional degree, and one specialist degree.

SMU-in-Plano serves Collin County and its North Texas vicinity, one of the state's fastest growing areas, providing diverse programs that include evening and weekend programs leading to master's degrees and/or graduate certificates, as well as noncredit continuing education and professional education programs. It is home to The Guildhall, one of the world's premier graduate programs in video game development. Outreach services include the Center for Dispute Resolution and Conflict Management, Center for Family Counseling and Diagnostic Center for

Dyslexia and Related Disorders. The Plano campus also offers summer learning opportunities for more than 2,000 students in grades K-12. Local organizations rent classrooms for employee training programs and meetings.

SMU-in-Taos in Northern New Mexico, includes pre-Civil War Fort Burgwin and remains of a 13th-century Native American pueblo. SMU-in-Taos offers summer credit courses in the natural and social sciences, humanities, arts, and business. Classes are enhanced by the region's distinctive mix of cultures and rich natural resources. Short-term courses are offered in January and May. The annual Taos Cultural Institute provides a summer weekend of informal classes for adults taught by SMU faculty. Taos facilities are available for conferences and retreats.

SMU students participate in study abroad through more than 150 programs in 50 countries, in addition to research and service projects abroad. Students also participate in Alternative Break national service projects.

Academic Units and Programs of Study. The University operates on a semester calendar. The calendar consists of Fall, Spring and Summer terms. The Summer Term consists of three primary sessions: two five-week sessions, and a ten-week session. There are also shorter and longer sessions to accommodate the particular needs of instructional units such as SMU-in-Taos, International Programs, and Perkins School of Theology. There also are inter-terms between the primary terms: January Inter-term, May Inter-term and August Inter-Term. The education programs of the University reside in its six academic schools and a college, which are as follows:

Dedman College. Dedman College offers studies in the humanities, social sciences, and natural sciences. All entering first-year SMU students are admitted into Dedman College, where faculty and advisors assist students with their selection of courses for SMU's general education program called the University Curriculum and with classes suitable for the students' academic majors. Dedman College provides all undergraduate students, whatever their majors, with fascinating explorations of past, present, and future worlds through liberal arts study presented by outstanding and dedicated instructors.

Most students remain in Dedman College through their four-year careers at SMU, to do a major or minor in one or more of the humanities (English, Ethnic Studies, World Languages and Literatures, History, Human Rights, Medieval Studies, Philosophy, Religious Studies, French, German, and Spanish); the social sciences (Anthropology, Health and Society, Economics, Markets and Cultures, Political Sciences, Psychology, International Studies, Public Policy, and Sociology), as well as in the natural and mathematical sciences (Biochemistry, the Biological Sciences, Chemistry, Earth Sciences, Environmental Science, Geophysics, Mathematics, Physics, and the Statistical Sciences). In addition, Dedman College offers undergraduate degrees in interdisciplinary areas including Individualized Studies in Liberal Arts and International Studies. At the graduate level, Dedman offers master's degrees in 17 academic subjects and doctoral degrees in 14 fields of study.

The Annette Caldwell Simmons School of Education and Human Development. The Annette Caldwell Simmons School of Education and Human Development is comprised of research institutes, undergraduate and graduate programs, and community service centers in the areas of professional education, dispute resolution, counseling, applied physiology, wellness, liberal studies and lifelong learning. The mission of the school is to integrate theory, research and practice of education and human development; promote academic rigor and interdisciplinary study; educate students for initial certification and professional practice; and nurture collaboration across the academic community.

Undergraduate programs include a major and three minors in applied physiology and sport management and a major and minor in education. The school offers one school-wide doctoral program as well as four Master's degrees and a number of graduate certification programs through five academic departments, which include Teaching and Learning, Education Policy and Leadership, Dispute Resolution and Counseling, Applied Physiology and Wellness, and Lifelong Learning.

The professional education programs fall under the auspices of the Departments of Teaching and Learning and represent SMU's commitment to the professional development of educators through innovative and research-based undergraduate, graduate and continuing education programs. The undergraduate curriculum prepares students for initial teacher certification. Graduate programs – which include a Ph.D., Master's degrees and graduate-level certifications – focus on research, literacy and language acquisition; teaching and learning; giftedness; mathematics; science; and technology. A variety of enrichment opportunities serve the continuing education needs of practicing educators. The school promotes high-quality research that combines quantitative and qualitative methodologies, generates new hypotheses, and influences pedagogical practices in early childhood (or "*EC*") through grade 12 schools. The department's research faculty is among some of the most productive literacy research centers in the nation and performs research concerning reading and writing disabilities, language acquisition, and teaching and learning in mathematics and science.

The Department of Education Policy and Leadership focuses on preparing educators for leadership roles in complex school settings. Coursework and systematic applications of knowledge are designed to ensure that the education leaders of tomorrow are able to develop and support effective teachers and other education service providers; select and implement effective curricula and instructional programs; and identify, implement and sustain effective organizational practices to ensure high levels of student learning and achievement. In service to this mission, the department offers a Master of Education in educational leadership. The department is also dedicated to the preparation and continued development of education policy leaders. The department seeks to improve the quality and rigor of education policy research, development and analysis, and to encourage and facilitate the translation of research into policy and practice at local, state, national and international levels.

The Department of Dispute Resolution and Counseling offers an M.S. in counseling, an M.A. in dispute resolution and a graduate certificate in dispute resolution – all of which draw on social and behavioral science theories to teach the communication skills necessary for the resolution of personal and interpersonal conflicts. Additionally, the department operates three community resource centers: the SMU Conflict Resolution Center and two centers for family counseling.

The Department of Lifelong Learning promotes personal enrichment and achievement of potential through a broad interdisciplinary curriculum. Its credit and noncredit offerings broaden students' perspectives, insights and understandings of the world by exposing them to the ideas and events that constitute the human experience. At the heart of the Lifelong Learning programs is the Master of Liberal Studies and the Doctor of Liberal Studies.

The Department of Applied Physiology and Wellness offers a B.S. in applied physiology and sport management and courses in Personal Responsibility and Wellness, two of which must be completed to earn a baccalaureate degree at SMU. The Personal Responsibility and Wellness courses reflect the University's philosophy that a well-rounded education should enhance the physical and mental well-being of the student.

SMU Edwin L. Cox School of Business. High academic standards in teaching and research and close involvement with the professional business community highlight the organization and structure of the SMU Edwin L. Cox School of Business ("*SMU Cox*"). All academic programs, both undergraduate and graduate, faculty recruitment, student selection, research efforts, and continuing education for the business community are built on this foundation. In addition, SMU Cox brings business executives into the educational process through internship programs, special management briefings, numerous seminars, and special conferences held each year.

The school's curriculum exposes students to ethical, theoretical and practical business issues with particular focus on building skills well suited to a successful business career in the twenty-first century. Specific educational needs of designated industries or specialized topics also are addressed by centers or institutes within the school: the Don Jackson Center for Financial Studies, the Caruth Institute for Entrepreneurship, the Folsom Center for Real Estate and Land Use Economics, the Maguire Energy Institute, the JCPenney Center for Retail Excellence, the Southwestern Graduate School of Banking, the William J. O'Neil Center for Global Markets and Freedom, the Edwin L. Cox B.B.A. Leadership Institute and Business Leadership Center, the Center for Marketing Management Studies, the EnCap Investments & LCM Group Alternative

Asset Management Center and the Kitt Investing and Trading Center. Additionally, SMU Cox offers a variety of executive professional development programs and certificate programs through the Cox Executive Education Department and other departments.

Undergraduate majors in the SMU Cox are offered in Accounting, Finance, General Business, Marketing, Management, Financial Consulting, and Real Estate Finance.

The school offers the Bachelor of Business Administration degree (B.B.A.); the Full-Time Master of Business Administration degree (M.B.A.); the Professional Master of Business Administration Degree (P.M.B.A.); the Executive Master of Business Administration (E.M.B.A.); and, Master of Science degrees in Accounting, Entrepreneurship, Finance and Management. SMU Cox also offers a dual degree in Arts Management (M.A./M.B.A.) with SMU's Meadows School of the Arts, and a Juris Doctor/M.B.A. (J.D./M.B.A.) degree with SMU's Dedman School of Law. SMU Cox is ranked among the top business schools nationally and internationally by major publications, including *Bloomberg Businessweek, The Economist, Financial Times, Forbes,* and *U.S. News & World Report.*

Bobby B. Lyle School of Engineering. The Bobby B. Lyle School of Engineering, founded in 1925, offers bachelor, master and doctoral-level programs through five departments: Computer Science and Engineering; Electrical Engineering; Engineering Management, Information and Systems; Civil and Environmental Engineering; and Mechanical Engineering. The school's small student-to-faculty ratio (12:1) guarantees student interaction with faculty members. The Bobby B. Lyle School of Engineering opened the Innovation Gymnasium in December 2009 which is modeled after one of the most innovative research programs in the world, focusing on finding ways to solve real-world challenges in areas like bridge design and clean water technology, the gym was officially named The Deason Innovation Gym in May 2014. The school also has one of the country's oldest and largest distance education programs and is one of the first engineering schools in the nation to offer Master degrees through executive-style programs designed for mid-career engineers. Additionally, the school has one of the highest percentages of female engineering students in the country, almost double the national average at 33%, and offers modern facilities such as the Jerry Junkins Electrical Engineering Building, J. Lindsey Embrey Engineering building—one of the first academic buildings in the country to be designed and constructed to LEED Standards (Leadership in Energy and Environmental Design) and Caruth Hall. Caruth Hall opened in spring 2010 and is home to the Caruth Institute for Engineering Education—an institution dedicated to innovative math and science programs and curricula for students from kindergarten through college, The Hart Center for Engineering Leadership and The Hunt Institute for Engineering and Humanity. The school's undergraduate programs are accredited by the Accreditation Board for Engineering and Technology (ABET).

Meadows School of the Arts. The Meadows School of the Arts ("*Meadows*") provides education and training to help students meet demanding professional standards in the visual, communication, and performing arts. For undergraduates, the liberal studies requirements are an integral part of all students' work. In addition to meeting general admission requirements, entering undergraduate students who intend to major in art, film and media arts (B.F.A), dance, music or theatre must interview and either audition or submit a portfolio prior to acceptance. The auditions/portfolios measure the prospective student's previous experience and potential for success in the particular major.

The Meadows School of the Arts offers three types of undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Fine Arts (B.F.A.), and Bachelor of Music (B.M.); and five types of graduate degrees: Artist Diploma (music), Performer's Diploma (music), Master of Arts (M.A.), Master of Fine Arts (M.F.A.), Master of Music (M.M.), and Doctor of Philosophy (Ph.D.). In addition, Meadows offers several joint graduate degree programs: the Master of Sacred Music (M.S.M.) with Perkins School of Theology; the Master of Arts/Master of Business Administration (M.A./M.B.A.) in Arts Management/Arts Entrepreneurship with the Edwin L. Cox School of Business; and the Master of Management in International Arts Management with HEC Montréal in Canada and Bocconi University Graduate School of Management in Milan, Italy.

Specific areas of undergraduate study include Advertising, Art, Art History, Arts Management and Arts Entrepreneurship, Creative Computation, Communication Studies, Dance, Film and Media Arts, Interdisciplinary Studies, Journalism, Music (music education, music composition, music therapy, performance in orchestral instruments, guitar, organ, piano, and voice), and Theatre (acting, critical studies, directing, playwriting, stage design, and stage management).

Specific areas of graduate study include Advertising, Art, Art History, Arts Management and Arts Entrepreneurship, Music (choral conducting, composition, instrumental conducting, music education, music history and literature, music theory pedagogy, piano performance and pedagogy, and performance in orchestral instruments, guitar, keyboard instruments and voice), and Theater (acting, directing and stage design). Admission requirements for the graduate programs vary, but they can include auditions, portfolios, essays, standardized tests and/or sample research papers.

Perkins School of Theology. Perkins School of Theology is a graduate professional school preparing women and men for leadership in the church and the academy. It combines the study of theology with practical training for the specialized ministries of the church, and in conjunction with the graduate faculty of Dedman College, offers the M.A. and Ph.D. in selected fields of religious and theological study. In addition to courses on the University Park campus, Perkins offers classes that allow master's degree students to begin studies at an extension site in Houston/Galveston.

The basic degree for ordained pastoral leadership is a 73 credit hour Master of Divinity (M.Div.) degree. In addition to a common program of biblical, historical, theological and practical studies for all candidates, it provides a 9 credit hour, 9-month-long supervised internship in a setting similar to that in which the student hopes to serve his or her ministry. Internships are offered in both full-time and part-time formats. Degree students may have concentrations in Hispanic Studies, Urban Ministry, Anglican Studies, Pastoral Care, African American Church Studies, and Women's and Gender Studies.

The Master of Arts of Ministry (M.A.M.) degree is a 49 credit hour degree intended to prepare persons for specialized church ministry, both ordained and lay. The degree program currently offers tracks in Christian Education, Urban Ministry, Theology and Social Justice, Christian Spirituality, and Evangelism and Mission.

The Master of Sacred Music (M.S.M.) degree is a 48 credit hour degree, offered in conjunction with the Meadows School of the Arts, intended to prepare students for professional music leadership in the church in both ordained and lay positions.

The Master of Theology (Th.M.) degree is a 24 credit hour degree offered to ministers having furloughs from military chaplaincy, missionary service, or transitions in ministry. It is designed to require one year of full-time study. Students may also earn this degree while fulfilling preparations for Ph.D. studies. It currently is offered in English and, beginning in 2017, will be offered in Spanish as well.

The Master of Theological Studies (M.T.S.) degree is a 48 credit hour degree providing a basic understanding of the theological disciplines for persons who intend to engage in further graduate study.

The Doctor of Ministry (D.Min.) degree is a 27 credit hour degree designed to enable specially qualified and promising persons to achieve advanced competency in ministry for leadership in the church, both in the theological fields and in the practice of ministry. The degree requirements are fulfilled over a three-year period beyond the M.Div. degree or its equivalent. The program presupposes significant experience in ministry and provides for specialization in one area of ministerial practice, advanced study in theology, and demonstration of advanced competence.

The Doctor of Pastoral Music (D.P.M.) degree is a 39 credit hour degree designed for experienced church musicians who have achieved a Master of Sacred Music degree or its equivalent and who are devoted to increasing their effectiveness in and broadening their vision of the pastoral dimensions of music ministry.

The school offers a wide variety of continuing-education programs for clergy and lay audiences on campus and in other locations. These programs include an annual four-week United Methodist Course of Study School offered in English and Spanish, as well as a short-term intensive Spanish Language Licensing

School, providing an alternate route to pastoral ministry for United Methodist "local pastors," and United Methodist certification programs in Children's Ministry, Christian Education, Church Music, Older Adult Ministry, and Youth Ministry. Also, Perkins offers a Certification in Spiritual Direction during which attendees are trained to listen, pray, and ask questions in a fashion that encourages directees to look for the movement of the Holy Spirit in their lives.

Perkins School of Theology houses the Mexican-American and Hispanic-Latino/a Church Ministry Program, the Center for Evangelism and Missional Church Studies, the Center for Methodist Studies, the Center for Religious Leadership, the Center for Preaching Excellence, and the Centers for Teaching and Research at Perkins. It is one of the 13 graduate theological schools of The United Methodist Church and one of five university-based schools of theology in the denomination. It is accredited by the Association of Theological Schools and approved by The United Methodist Church University Senate.

Three programs at Perkins School of Theology have been funded partially or substantially by external grants: Faith Calls (formerly the "Perkins Youth School of Theology"), The Center for the Study of Latino/a Christianity and Religions, and The Center for Preaching Excellence.

Dedman School of Law. Established in 1925, the University's law school is a member of the Association of American Law Schools and is accredited by the American Bar Association Section of Legal Education and Admissions to the Bar.

The law faculty is comprised of a diverse and highly talented group of men and women who hold outstanding academic credentials and are dedicated to teaching and scholarship. Students come from a wide variety of backgrounds from all over the United States and other countries. The Dedman School of Law enjoys a national and international reputation, with its graduates practicing all over the United States and in many foreign countries.

The law curriculum combines training in the science and method of law, knowledge of legal principles, understanding the role of law in society, and practical experience in handling professional problems. Most of the school's students are candidates for the Juris Doctor (J.D.) degree, the first degree in law, which requires the equivalent of three years of full-time post-graduate professional study or four years of part-time study in the evening program, which was reinstituted in 2004. The purpose of the Juris Doctor program is to train students for competent and ethical practice of law on behalf of both private and public clients and for effective use of law in business, government, and other pursuits. The course of study requires reading and analysis of legal materials, training in effective advocacy of positions in both oral and written form, and the acquisition of other legal skills, such as counseling clients, negotiating disputes, and drafting of documents.

In addition to the J.D. degree, the Dedman School of Law offers several advanced law degrees. The Master of Laws in Comparative and International Law (LL.M.) is designed primarily to provide non-U.S. trained law graduates an opportunity to acquire knowledge of the U.S. legal system as well as to advance knowledge in international and comparative law. The Master of Laws in Taxation (LL.M. in Taxation) is a comprehensive advanced-degree program for lawyers holding a J.D. degree who intend to specialize in tax practice. The General Masters of Law program (LL.M.) offers J.D. degree graduates an opportunity to broaden their backgrounds in certain specialized areas of law by enrolling in advanced courses and seminars and by engaging in specialized research. The degree of Doctor of the Science of Law (S.J.D.) is the highest postgraduate law degree offered by the Dedman School of Law. It is primarily a research and writing degree program during which the S.J.D. candidate conducts extensive postgraduate-level legal research with a view toward submitting a dissertation of publishable quality. Admission preference is given to a very limited number of highly qualified graduates of the law school's L.L.M. program in International and Comparative Law.

Accreditation and Memberships. Southern Methodist University is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools to award Baccalaureate, Masters, Professional and Doctoral degrees. It is a member of the American Association of Colleges, the Southern University Conference, the Independent Colleges and Universities of Texas, Inc., and the Association of Texas Colleges and Universities.

In addition, individual academic programs are accredited by the appropriate national professional associations. The Edwin L. Cox School of Business is accredited by the Association to Advance Collegiate Schools of Business (AACSB). The Dedman School of Law is accredited by the American Bar Association. Perkins School of Theology is accredited by the Commission on Accrediting of the Association of Theological Schools. Undergraduate programs in Civil Engineering, Mechanical Engineering, Computer Engineering, Environmental Engineering, and Electrical Engineering are accredited by the Engineering Accreditation Commission of ABET (Accreditation Board for Engineering Technology). The undergraduate computer science program that awards the degree Bachelor of Science (B.S.) is accredited by the Computing Accreditation Commission of ABET. The Department of Chemistry is accredited by the Committee on Professional Training of The American Chemical Society. The Department of Psychology Doctoral Program in Clinical Psychology is accredited by the American Psychological Association. In the Meadows School of Arts, the Dance Division is accredited by the National Association of Schools of Dance; the Music Division by the National Association of Schools of Music, The Music Therapy program is approved by the American Music Therapy Association; the Art and Art History are accredited by the National Association of Schools of Arts and Design; the Corporate Communications and Public Affairs Division by the American Communication Association; the Journalism Division by the Association for Education in Journalism and Mass Communication; and the Theatre Division by the National Association of Schools of Theater. The Annette Caldwell Simmons School of Education is accredited by the State Board for Education Certification. The Learning Therapist Center is accredited by the Texas Education Agency, the Academic Language Therapy Association (ALTA), and the International Multisensory Structured Language Education Council (IMSLEC). In the Linda and Mitch Hart eCenter, The Guildhall at SMU's Master of Interactive Technology is accredited by the National Association of Schools of Art and Design for the two specializations in art creation and level design.

FACILITIES

As of March 2016, the combined University Park, Dallas, and Highland Park campus includes approximately 92 major buildings for academic purposes, student housing and for institutional support and special use, comprising some 6.3 million gross square feet. University-owned Fraternity houses, apartments and residence halls provide capacity to house approximately 2,600 students. In addition to the buildings that house the libraries, museums and research facilities described below, the main campus also includes the Hughes-Trigg Student Center; the 32,000-seat Gerald J. Ford Stadium; the Paul B. Loyd, Jr. All-Sports Center which houses men's and women's sports, weight rooms, and a sports medicine complex; the Dedman Center for Lifetime Sports; Moody Coliseum; the Perkins Administration Building; and McFarlin Auditorium. University properties in Dallas and Highland Park, Texas, south of East Mockingbird Lane were developed for University purposes to include an intercollegiate Tennis Center, intercollegiate throwing fields, and the University Data Center. The University owns six buildings east of North Central Expressway that hold various administrative offices and academic departments from the various Schools. The University and affiliated corporations also own Park Cities Plaza, a shopping center just south of the main campus in University Park, and other properties in Dallas and University Park east of North Central Expressway. These properties are all used for University purposes or are expected to be developed in the future for the educational purpose of the University. The University also owns four two-story buildings and adjacent land which comprise SMU-in-Plano located in Plano, Texas approximately 20 miles north of the main University Park campus. The SMU-in-Taos campus at Fort Burgwin, near Taos, New Mexico, includes 32 buildings.

Libraries. The Central University Libraries form the nucleus of the SMU Library system and are comprised of the Fondren Library, the Jake and Nancy Hamon Arts Library, the DeGolyer Library, the Norwick Center for Digital Services (nCDS), the SMU-in Plano Library Resource Room, and the Fort Burgwin Library on the SMU-in-Taos campus. The University's library system also includes the Bridwell Library in Perkins School of Theology; the Underwood Law Library in the Dedman School of Law; and the Business Library in the Edwin L. Cox School of Business. The Underwood Law Library is the largest private law library in the southwestern United States. Bridwell Library is one of the finest theological libraries in the nation, housing more than 380,000 volumes with strengths in biblical studies, theology, and church history. It also houses outstanding rare book collections, one of the finest Bible collections in the world, and the largest collection of incunabula in the southwest. The libraries' combined holdings in May 2014 numbered over 4 million volumes, which include 2 million books, more than 1 million e-books, 650,000 government documents and over 235,000 bound periodicals. In addition, the libraries have a combined total of nearly 2 million microforms. The University's libraries provide mobile device and wireless access from anywhere in the world to a wide variety of electronic resources, as well as offering the more traditional onsite services of Interlibrary Loan and document delivery.

The DeGolyer Library's great strengths include the European discovery and exploration of the New World, particularly the Spanish colonial enterprise in North America. The DeGolyer collections devoted to the Trans-Mississippi West are numbered among the finest in the country. The DeGolyer also has strong collections in the fields of business history and transportation history, most notably the history of railroads. Other collections are devoted to English and American authors and literary genres. The history of science and technology is well represented, especially the history of geology and the history of photography with over 1,000,000 photographs and negatives. The DeGolyer Library also house the University Archives, the official repository for SMU records of historical importance, and the Archives of Women of the Southwest.

The Jake and Nancy Hamon Fine Arts Library, opened in 1990, houses SMU's collections in art, arts administration, cinema, dance, music and theater. It includes the G. William Jones Film and Video Collection, comprising more than 9,000 prints and negatives in all film formats and more than 3,000 videotapes and videocassettes. The Jones Collection includes important archival collections, among them the Tyler, Texas, Black Film Collection, the Gene Autry Film Collection, 2 million feet of news footage in the Belo Newsfilm Collection, and the Pre-Nickelodeon Short Films Collection. The Jones Collection is used strictly for research; its primary purpose is to support education through the study, preservation and sharing of moving images. Another major archive in the library is the Jerry Bywaters Special Collection Wing, focusing on the cultural history of the Southwest. Its holdings include 15 special collections, including the Greer Garson Collection, which chronicles the actress' acting career and philanthropic activities; the Jerry Bywaters Collection on Art of the Southwest; the Paul Van Katwijk Music Collection; and the McCord/Renshaw Collection of film, theater and dance in Texas.

Laboratories and Research Facilities. The University provides laboratories and equipment for courses in Accounting, Anthropology, Art, Biology, Chemistry, Foreign Languages, Earth Sciences, Communication Arts, Psychology, Physics, Health and Physical Education, Dance, Music, Theatre, Statistics, Computer Science, and Electrical, Civil, Environmental, Computer and Mechanical Engineering. The teaching laboratories of the departments of Biological Sciences, Chemistry, Geological Sciences, and Physics are housed in the Fondren Science and Dedman Life Sciences Buildings. Engineering departments are housed in the Caruth, Embrey and Junkins buildings. Virtually all teaching laboratories and support facilities in the buildings have been recently remodeled and updated or are in the process of being updated or remodeled.

Students and faculty have access to a wide array of specialized instrumentation and laboratory equipment fundamental to studies in the natural sciences and engineering, including spectrophotometers, high performance liquid chromatographs, scintillation counters, a DNA synthesizer, X-ray diffractometers, mass spectrometers, an atomic absorption spectrometer, an automated X-ray fluorescence analyzer, an XIA UltraLo-1800 Alpha Particle Counter, a scanning electron microscope, a transmission electron microscope, and a high-performance computing cluster operated by the Center for Scientific Computation and comprising 213 nodes with 2,040 total cores. The Electron Microprobe Laboratory contains a fully automated JEOL model 733 electron microprobe with four X-ray spectrometers and associated sample preparation equipment. An optoelectronics laboratory is equipped with all necessary equipment to test electrical circuits and analyze spectra, including equipment to analyze performance under conditions of intense radiation. The Bobby B. Lyle School of Engineering has a number of teaching and research laboratories across five departments. Research facilities include the SMU Clean Room which has a class 10 photolithography area and a class 1000 main area. A partial list of equipment in the clean room includes: hoods, photoresist spinners, contact mask aligners, thermal evaporator, plasma etcher, turbo-pumped reactive ion etcher, ion beam etch system, microprobe stations, ultrasonic cleaners, sputtering system, plasma-enhanced chemical vapor deposition (PECVD) system, e-beam evaporator, photoluminescence system, ellipsometers and profilometers. Support outside the clean room includes a scanning electron microscope, atomic force microscope, wafer lapper, wafer saw, and cleave and scribe tools. Bobby B. Lyle School of Engineering also houses the Research Center for Advanced Manufacturing (RCAM) and the Center for Laser Aided Manufacturing (CLAM). These laboratories possess cutting-edge research equipment for rapid manufacturing processes (include 3-D printer), multi material arc welding and laser-based laser cladding system, friction stir welding system, electron beam materials processing system, abrasive waterjet materials processor, short-pulse lasers for micro-machining and a hybrid welder.

The Office of Information Technology Help Desk, located in Fondren Library Center,, provides support for the instructional, research, administrative computing, high-performance computing and communication environment for the University. The Institute for the Study of Earth and Man, housed in the Heroy Science Hall, was created in 1966 by a gift from W.B. Heroy, Sr. Its purpose is to develop a program of continuing and professional education reflecting the research and scholarly interests of the faculties in Anthropology, Geological Sciences, and Statistical Science. The Dallas Seismological Observatory, established by the Dallas Geophysical Society, is maintained and operated by the University. A three-component, long-period seismograph at the University, along with two remote experimental seismic stations, are in operation. In addition, the observatory monitors remote seismic stations in southwest Texas. The Ellis W. Shuler Museum of Paleontology is a research museum affording opportunities for advanced study of fossil faunas and their climatic and paleo ecologic significance. The collection, which specializes in vertebrate paleontology, includes more than 150,000 fossils from the United States, Central America, and northeastern Africa. The Geothermal Laboratory is the focus of an extensive program of research in the thermal field of the earth's geothermal energy resources. Interview and observation facilities for Psychology are located in Hyer and Heroy Halls as well as in the University-owned Expressway Tower, a nearby off-campus facility. The Applied Physiology Laboratory of the Annette Caldwell Simmons School of Education and Human Development is equipped with a clinical treadmill, electronically braked cycle ergometer, a friction-braked cycle ergometer, a wireless electrocardiogram system, a metabolic measurement cart, high speed cameras, force plates to measure forces during acceleration, and computers for data acquisition and analysis.

Museum. The Meadows Museum, founded in 1965 by the late philanthropist Algur H. Meadows, houses one of the largest and most comprehensive collections of Spanish art outside of Spain. With works dating from the 10th to the 21st century, the internationally renowned collection presents a broad spectrum of art covering over a thousand years of Spanish heritage. The permanent collection includes masterpieces by some of Europe's greatest painters: Velázquez, Ribera, Zurbarán, El Greco, Murillo, Goya, Miró and Picasso. Highlights of the collection include Renaissance altarpieces, monumental Baroque canvases, exquisite rococo oil sketches, polychrome wood sculptures, impressionist landscapes, modernist abstractions, a comprehensive collection of the graphic works of Goya, and a select group of sculptures by major 20th century masters.

With an active program of tours, educational outreach, weekend family days and a summer art program for young people, the museum plays an important role as an educational and cultural center in North Texas. Throughout the year, the museum presents special exhibitions, public lectures, symposia and gallery talks featuring university professors, visiting scholars and artists. The museum also hosts concerts by local and international musicians.

Other Facilities. The University has undertaken a variety of major construction, renovation and expansion projects over the last 15 years. The Laura Lee Blanton Student Services Building was completed in 2003 and offers one-stop student services for undergraduate admission, enrollment, financial aid, and student account services, as well as The Office of Information Technology. September 2005 marked the opening of the James M. Collins Executive Education Center. The Collins Center houses the Edwin L. Cox School of Business' Executive M.B.A. and Executive Education programs, which offer lifelong learning opportunities for professionals from all over the world. It also serves as home for the Southwestern Graduate School of Banking. Also opened in 2006 is the newly renovated and expanded Dedman Center for Lifetime Sports, a concept initiated by students who envisioned a place to promote physical fitness while fostering community, self-awareness, and emotional well-being. The renovation and expansion resulting in a 165,000 square foot facility is being funded by student fees. The facility merges the latest trends and equipment in health and fitness with the amenities and comforts of a time-honored student gathering spot. Opened in 2006, the 50,000 plus square foot J. Lindsay Embrey Engineering Building received LEED Gold certification (Leadership in Energy and Environmental Design) and is a living laboratory for students and faculty as well as a showpiece for design and construction in the region. It houses the Environmental and Civil Engineering department, Mechanical Engineering department, classrooms, laboratories, and faculty offices. The J. Lindsay Embrey Engineering Building is the second new engineering facility constructed at SMU since 2000, with the Jerry R. Junkins Engineering Building for Electrical Engineering having opened in 2002. Caruth Hall opened in spring 2010 and received LEED Gold certification. As well, the School of Theology opened Elizabeth Perkins Prothro Hall in 2009 which received LEED Silver certification. Construction of the 40,000 square foot Annette Caldwell Simmons Hall for the School of Education and Human Development was completed in 2010 and received LEED Gold certification. The second 40,000 square foot building for the Simmons School of Education, Harold Clark Simmons Hall, opened in 2016 and is expected to receive LEED Gold certification. In 2014, SMU completed its largest capital project which included five new residence halls to house a total of 1,250 students, a 30,000SF dining facility, and an 800-space parking center. The five residence halls and dining facility all achieved LEED Gold certification. The 26,000 square foot Dr. Bob Smith Health Center, a new center under construction on the site of the former Memorial Health Center, will open in the fall of 2016 and is seeking LEED Silver for Health Care certification. A new Aquatics Center currently under construction on the East Campus is expected to open in 2017 and is seeking LEED Gold certification. It replaces the recently demolished Perkins Natatorium once located on the main campus.

These projects and improvements are designed to ensure that SMU facilities will keep pace with technological change and competitive pressures.

RECENT ADVANCEMENTS

- SMU's main campus in Dallas has grown from 60 buildings and 160 acres in 1995 to 92 buildings and 234 acres in 2016. The campus has expanded east of North Central Expressway along SMU Blvd. with the addition of 19 buildings on 15 acres making up the East Campus.
- SMU consistently ranks in the top one-fourth of the "best national universities" in the guide published by *U.S. News & World Report*. In the 2016 report, SMU ranks 61st among 270 national universities. Individual SMU schools and programs receiving national recognition include Cox School of Business, Dedman School of Law and the music program in Meadows School of the Arts. In 2011 the Carnegie Foundation for the Advancement of Teaching raised SMU's classification to a research university with "higher research activity."
- SMU's endowment surpassed the $1 billion mark in 2005. It is now $1.5 billion. SMU has an operating budget of $613 million for fiscal year 2016.
- Since 1995 SMU has added doctoral programs in art history, biostatistics, chemistry, four fields of education, three fields of engineering, English, history and liberal studies, bringing to 31 the fields offering doctoral-research degrees.
- SMU faculty members have been named to prestigious academies, including the National Academy of Sciences, the American Academy of Arts and Sciences and the National Academy of Engineering.
- The University's eight libraries house the largest private collection of research materials in the Southwest, with more than four million print and electronic volumes, up from1.8 million in 2000.
- SMU's external awards for research and sponsored projects have increased significantly. During 2014-15, SMU received $26 million for research and sponsored projects, compared with $4.1 million in 1994-95.
- Applications for the incoming first-year class have increased from 3,869 in 1995 to 12,992 for the fall 2015 incoming class of 1,374. This has enabled SMU to become more selective in its admissions.
- The academic strength of incoming SMU students has grown significantly. The average SAT score of the first-year undergraduate class for fall 2015 was 1309, up from 1217 in 2005.
- SMU's enrollment has become increasingly diverse. In fall 2015 the total minority enrollment was 26 percent, up from 18.8 percent in 1995. Students now come from all 50 states, with more than half of undergraduates from outside Texas. A fall 2015 international enrollment of 1,652 (14 percent of total enrollment) represents 92 foreign countries, with China, India and Saudi Arabia the largest international groups.
- Ten years ago SMU offered 18 education abroad programs in 12 countries. Today students have access to more than 150 study abroad programs in 50 countries, plus research and service opportunities overseas.
- SMU is home to the George W. Bush Presidential Center, consisting of a library, museum and independent institute. The Center, which opened in 2013, is a valuable source of research materials and programs for scholars, students and visitors.
- The Meadows Museum at SMU houses one of the largest and most comprehensive collections of Spanish art outside of Spain. The Museum celebrated its 50th anniversary in 2015 with exhibitions never before seen in the U.S.
- SMU is a major contributor to the Dallas economy and enriches the community through diverse educational and cultural opportunities.
- SMU expenditures for operations, capital projects and scholarships, plus spending by students, visitors and alumni, contribute $7 billion annually to the region.

- Construction activity over the past four years has contributed $390 million to the regional economy through renovation and new construction. Between 2011 and 2015, more than 350 renovation and new construction projects involved an estimated 270 service providers, including architects, engineers and contractors.
- SMU-in-Plano, which opened in 1997, now occupies four buildings on 25 acres on the campus north of Dallas.
- Recent renovations and expansions have been made at SMU-in-Taos, currently including 32 buildings on 423 acres in Northern New Mexico.

GOVERNANCE

The University is governed by a Board of Trustees that has overall responsibility for setting policies and guidelines for the operation of the University and for the welfare of the institution.

There are currently 42 individuals serving on SMU's Board of Trustees. The full list of members follows. The Articles of Incorporation provide that the Board of Trustees shall have representatives of the Annual Conferences within the South Central Jurisdiction of The United Methodist Church (these members shall be recommended for nomination by the College of Bishops of the South Central Jurisdiction of The United Methodist Church), plus no fewer than 28 additional members (including ex-officio members). The President of the University and representatives of the Faculty Senate, student body, and Alumni Association serve as ex-officio members of the Board of Trustees. The Board of Trustees is nominated to the South Central Jurisdiction for election every four years. The current Board of Trustees is as follows:

Name	Residence	Principal Occupation
Michael M. Boone Chairman	Dallas, Texas	Partner Haynes and Boone LLP
Ruth S. Altshuler	Dallas, Texas	Civic Leader and Philanthropist
William D. Armstrong	Cherry Hills Village, Colorado	President/Owner Armstrong Oil and Gas, Inc.
Bradley Brookshire	Tyler, Texas	Chairman of the Board Brookshire Grocery Company
Laura W. Bush	Dallas, Texas	Former First Lady of the United States, Civic Leader and Philanthropist
Pastor Richie L. Butler	Richardson, Texas	Prescott Group Managing Director
Kelly H. Compton	Dallas, Texas	Executive Director The Hoglund Foundation
Jacob Conway*	Dallas, Texas	Student Trustee
Jeanne T. Cox	Dallas, Texas	Civic and Philanthropic Leader
Rev. W. Mark Craig	Dallas, Texas	Retired Senior Minister Highland Park United Methodist Church
Katherine R. Crow	Dallas, Texas	Civic and Philanthropic Leader
Gary T. Crum	Houston, Texas	President CFP Foundation
Robert H. Dedman, Jr. Vice Chair	Dallas, Texas,	President & CEO DFI Management (GP), Ltd.

Name	**Residence**	**Principal Occupation**
Antoine L. V. Dijkstra	The Netherlands	Partner and Co-Founder Implexus Capital & Partners
Dr. Larry R. Faulkner	Austin, Texas	President *Emeritus* University of Texas at Austin
Gerald J. Ford	Dallas, Texas	Chairman of the Board and CEO Diamond A Ford Corporation
The Honorable Antonio O. Garza, Jr.	Mexico City, Mexico	White & Case S.C.
Dr. James R. Gibbs	Houston, Texas	San Pablito Ranch
Dr. Frederick B. Hegi, Jr.	Dallas, Texas	Founding Partner Wingate Partners
Clark K. Hunt	Dallas, Texas	Chair of the Board & CEO Kansas City Chiefs
Ray L. Hunt	Dallas, Texas	Executive Chairman Hunt Consolidated, Inc.
Gene C. Jones	Dallas, Texas	Civic and Philanthropic Leader
Bishop Scott J. Jones	Wichita, Kansas	Bishop, Great Plains Area The United Methodist Church
Dr. Fredrick Leach	Dallas, Texas	Physician Private Practice
Peter Lodwick	Dallas, Texas	Vice President & General Counsel The Container Store Group, Inc.
Paul B. Loyd, Jr.	Houston, Texas	PBL Enterprises Investments
Dr. Bobby B. Lyle	Dallas, Texas	Chairman, President and CEO Lyco Holdings Incorporated
Bishop Michael McKee*	Dallas, Texas	Bishop Dallas Area North Texas Conference The United Methodist Church
Scott McLean	Houston, Texas	President Zions Bancorporation
David B. Miller Secretary	Dallas, Texas	Co-Founder/Managing Partner EnCap Investments, L.P.
Connie O'Neill	Dallas, Texas	Civic and Philanthropic Leader
Dr. Sheron Patterson	Dallas, Texas	The United Methodist Church
Sarah Perot	Dallas, Texas	Civic and Philanthropic Leader
The Honorable Jeanne L. Phillips	Dallas, Texas	Sr. Vice President Corporate Affairs and International Relations Hunt Consolidated, Inc.
Caren H. Prothro	Dallas, Texas	Civic Leader and Philanthropist
Douglas Reinelt*	Dallas, Texas	Faculty Senate President SMU

Name	Residence	Principal Occupation
Carl Sewell	Dallas, Texas	Chairman Sewell Automotive Companies
Richard K. Templeton	Plano, Texas	Chairman, President, and CEO Texas Instruments, Inc.
Dr. R. Gerald Turner*	Dallas, Texas	President Southern Methodist University
Richard Ware	Amarillo, Texas	President Amarillo National Bank
Royce Ed Wilson	Pacific Palisades, CA	CEO Dreamcatcher, LLC

* Ex officio members

ADMINISTRATION

The following list sets forth the University's key officials and other administrative officials of its various schools for academic year 2015-2016, their titles and dates of employment at the University:

Name	Title	Year of Employment
R. Gerald Turner	President	1995
Steven C. Currall	Provost and Vice President for Academic Affairs	2016
Harold W. Stanley	Vice President for Executive Affairs	2003
Paul J. Ward	General Counsel, Vice President for Legal Affairs & Government Relations and Secretary	2009
Pamela D. Anthony	Vice President for Student Affairs	2016
Christine Regis	Vice President for Business and Finance and Treasurer and Chief Investment Officer *ad interim*	2007
Brad E. Cheves	Vice President for Development and External Affairs	2004
Rick Hart	Director of Athletics	2012
Jennifer Collins	Dean of the Dedman School of Law	2014
James Quick	Associate Vice President for Research and Dean of Graduate Studies	2007
Samuel S. Holland	Dean of the Meadows School of the Arts	1991
William Lawrence	Dean of the Perkins School of Theology	2002
Thomas DiPiero	Dean of the Dedman College of Humanities and Sciences	2014
Albert W. Niemi, Jr.	Dean of the Edwin L. Cox School of Business	1997
David J. Chard	Dean of Annette Caldwell Simmons School of Education and Human Development	2008
Marc Christensen	Dean of the Bobby B. Lyle School of Engineering	2002
Gillian M. McCombs	Dean and Director of Central University Libraries	1998

KEY ADMINISTRATIVE OFFICIALS

The President of the University has primary responsibility for management and operation of the University. The Provost, Vice Presidents, Deans, and all other administrative officers are responsible to the President and through the President, to the Board of Trustees. Information concerning the background of the University's principal officers is provided below.

R. Gerald Turner, President, A.A., B.S., M.A., Ph.D. As the president of Southern Methodist University since 1995, R. Gerald Turner is leading an era of unprecedented progress as the University celebrates the centennial of its founding in 2011 and of its opening in 2015.

Under his leadership, the Second Century Campaign, launched in September 2008, seeks resources for a dramatic increase in academic quality and impact. As of February 2016, it has raised $1.1 billion with an original goal of $750 million in additional endowment for student scholarships, academic positions and programs, and the campus experience. The previous Campaign for SMU: A Time to Lead (1997-2002) raised more than $540 million for academic programs, scholarships, professorships, and student life programs.

A strategic plan guides the University's advancement, and a master plan is reshaping the physical profile of the campus, including property acquisition and 26 new or renovated facilities.

Working with the SMU Board of Trustees, President Turner led the University's efforts to attract the George W. Bush Presidential Center, which opened in 2013.

Beyond the campus, Gerald Turner is a member of the board of the American Council on Education and the National Association of Colleges and Universities, and he co-chairs the Knight Commission on Intercollegiate Athletics. In Texas he serves on the boards of the Methodist Hospital Foundation, the Salvation Army of Dallas, and two publicly traded companies.

Before joining SMU, President Turner was the chancellor of the University of Mississippi. A native of New Boston, Texas, he earned a B.S. degree in psychology from Abilene Christian University and M.A. and Ph.D. degrees in psychology from The University of Texas at Austin. He and his wife, Gail, a native of Graham, Texas, have two married daughters. Angela, a professional opera singer, and husband Michael Wilson are the parents of Luke and Wyatt and live in Dallas; Jessica, an SMU alumna and professional actress, and husband Jeff Waugh are the parents of Abigail and Lexie. They live in Boston, Massachusetts.

Steven C. Currall, Provost and Vice President for Academic Affairs, B.A., M.Sc, Ph.D. Dr. Currall joined the University as Provost and Vice President for Academic Affairs at the beginning of 2016. Dr. Currall previously worked at the University of California, Davis (UC Davis), where he served as Senior Advisor to the Chancellor for Strategic Projects and Initiatives and as Professor of Management. As Chancellor's Senior Advisor, Currall co-chaired campus-wide strategic visioning exercises to position UC Davis as the "University of the 21st Century." He also led planning for an additional campus in the Sacramento region, which included the academic strategy, financial plan, fundraising plan, analysis of physical facilities, organization of advisory groups, and liaison to the Academic Senate.

A psychological scientist, Currall has conducted research and taught for nearly three decades on organizational psychology topics such as innovation, emerging technologies, negotiation, and corporate governance. At the invitation of the U.S. President's Council of Advisors on Science and Technology, Currall was a member of the Nanotechnology Technical Advisory Group. He has been a grantee on $21,533,893 in external funding of which over 78% came from refereed research grants from the National Science Foundation (NSF) and National Institutes of Health. Currall was lead author of a book on university-business-government collaboration entitled, Organized Innovation: A Blueprint for Renewing America's Prosperity (Oxford, 2014). Based on a study funded by the NSF, the book is the culmination of a 10-year research project on interdisciplinary research involving science, engineering, and medicine. He has served as a member of several editorial review boards such as Academy of Management Review, Academy of Management Journal, and Organization Science. He is a Fellow of the American Association for the Advancement of Science.

He has served as the Vice Chair of the Board of Directors and member of the Executive Committee for the 10-campus University of California system's Global Health Institute. He also served on the Boards of Directors of the San Francisco Bay Area Council and the California Life Sciences Association.

Additional leadership experience included serving as the Dean of the Graduate School of Management at UC Davis, leading the School to the highest ranking in its history; Endowed Chair holder; founding Chair of an academic department; leadership of seven centers/institutes, and campus-wide service roles as Chair of the Task Force on Faculty Salary Equity, Chair of the Strategic Review of Human Resources, Chair of Board of Directors of the Ecosystem for Biophotonics Innovation, Vice Chair of Chancellor's Blue Ribbon Committee on Research, and member of the Vision of Excellence committee.

Currall has served as a member of the boards of BioHouston (interim Vice Chair; Executive Committee; chair of Governance Committee), Leadership in Medicine, Inc., Nanotechnology Foundation of Texas, and Interferometrics, Inc., a venture-funded medical device start-up. He has been quoted over 600 times in publications such as the New York Times, Wall Street Journal, Washington Post, Financial Times, Business Week, British Broadcasting Corporation (BBC) television, and the Nightly Business Report on public television.

Harold W. Stanley, Vice President for Executive Affairs and the Geurin-Pettus Distinguished Chair in American Politics and Political Economy. B.A., M.Phil., Ph.D. Dr. Stanley was appointed to the position of Vice President for Executive Affairs in February of 2016. Earlier, as Associate Provost at SMU he oversaw the International Center, SMU-in-Taos, the Altshuler Learning Enhancement Center, the Center for the Academic Development of Student Athletes, and the President's Scholars.

Professor Stanley came to SMU in Fall 2003 from the University of Rochester where he had served as the Chair of the Political Science department. He began his career at Rochester in 1979 and served as a Visiting Research Professor at the University of Alabama (1987–1988) and SMU (2000–2001). In 2000-2001 he served as president of the Southern Political Science Association. Professor Stanley began teaching at Yale University in 1979, serving as a Prize Teaching Fellow there.

Professor Stanley holds a Ph.D. in Political Science from Yale, a Masters degree in Politics from Oxford, and a Bachelor's degree in Political Science from Yale, where he graduated *magna cum laude*. He received a Rhodes Scholarship for study at Oxford from 1972–1975.

He has published three books, *Vital Statistics on American Politics 2015–2016* (CQ Press, fifteenth edition), *Voter Mobilization and the Politics of Race: The South and Universal Suffrage, 1952 –1984* (Praeger, 1987), and *Senate vs. Governor, Alabama 1971: Referents for Opposition in a One-Party Legislature* (University of Alabama Press, 1975). He has also published numerous journal articles, book chapters, and reviews.

Professor Stanley was selected as a Phi Beta Kappa Visiting Scholar for 2015-2016.

In 2010 Professor Stanley received the "M" Award, the most highly prized recognition bestowed upon SMU students, faculty, staff and administrators for service to the University. In 2013 Professor Stanley received SMU's Outstanding Administrator Award.

Paul J. Ward, General Counsel, Vice President for Legal Affairs and Government Relations, and Secretary to the Board, B.S., M.A., J.D. Mr. Ward was appointed as General Counsel, Vice President for Legal Affairs and Government Relations, and Secretary of the University effective January, 2009. He serves as the University's chief legal officer. Prior to his appointment at the University, he served as Vice President for University Administration and General Counsel at Arizona State University, Senior Vice President and General Counsel at The University of South Carolina, and was in private law practice in Washington, D.C. with Casey, Lane & Mittendorf. Mr. Ward earned his B.S. and M.A. degrees from Eastern Illinois University and his J.D. degree from Southern Methodist University in 1975.

Pamela D. Anthony, Vice President for Student Affairs, B.S., M.Ed., Ph.D. Dr. Anthony's appointment to the position of Vice President for Student Affairs in February 2016 overseeing the areas of the Office of the Dean of

Student Life; Residence Life; women's, LGBT, multicultural, volunteer and leadership programs; student activities; student conduct; campus ministries; health and wellness programs; career services; the Hughes-Trigg Student Center and the Dedman Center for Lifetime Sports.

As Dean of Students at Iowa State since August 2012, Dr. Anthony has been responsible for supervising programs and services including academic support, multicultural student affairs, LGBT student support, judicial affairs, fraternity and sorority life, women's programs, student legal services, student disability resources, recreation services, and parent and family involvement, among others. She also serves as chair of the university's Critical Incident Response Team, Sexual Misconduct Leadership Committee and Student Affairs Diversity Committee, co-chair of its Academic Enrichment Subcommittee and Student Experience Enhancement Council.

She began her career in student life and development at the University of Alaska-Fairbanks, where she served as Area Coordinator of Residence Life from 1996-98 and Coordinator of Multicultural Affairs from 1997-2000.

Dr. Anthony also served as Director of Student Activities at Spelman College from 2000-03. Her nine years of experience at Georgia State University included service as Assistant Dean and Director of Student Life and Leadership (2003-09) and as Assistant Dean of Students (2009-12).

Dr. Anthony received her B.S. degree in speech pathology from James Madison University in Harrisonburg, Virginia. She earned a Master of Education degree focusing on student personnel in higher education from the University of Georgia-Athens and a Ph.D. in educational policy studies from Georgia State University in Atlanta.

Christine Regis, Vice President for Business and Finance, and Treasurer and Chief Investment Officer ad interim B.S., M.B.A., CPA. Ms. Regis serves as the University's chief business and financial officer and administers the University's operating budget and capital budgets. The Vice President oversees and is accountable for the University Budget Office, Controller's Office, Human Resources, Campus Services, Office of Planning, Design, and Construction, and the Office of Police and Risk Management.

Ms. Regis has served as Treasurer and Chief Investment Officer, *ad interim*, since March 24, 2016. In such capacity she is responsible for planning the work of the Committee on Investments of the Board of Trustees, setting agendas, developing policies, formulating investment strategies and recommending specific investment managers and vehicles for carrying out the investment program. A national search is underway to find a permanent Treasurer and Chief Investment Officer.

Ms. Regis joined SMU from the University of California system, where she served as Assistant Vice President for Administrative Services for the Agriculture and Natural Resources Division from July 2005 to 2007. Prior to her position at the University of California, she served for 12 years at Western New Mexico University ultimately as Vice President for Business and Administration.

Ms. Regis's involvement in community and professional organizations include being a current member of the National Association of College and University Business Officers (NACUBO) and The National Council of University Research Administrators (NCURA). Ms. Regis is a past member of the Hansen Agricultural Center advisory board, Rotary Club of Silver City, Business and Professional Women, Optimist Club of Silver City, and ex-officio member of the WNMU Foundation. She was the Young Careerist for the State of New Mexico and is a Paul Harris Fellow.

Ms. Regis, a certified public accountant, earned a B.S. degree in accounting from New Mexico State University and an M.B.A. degree from Western New Mexico University (WNMU).

Brad E. Cheves, Vice President for Development and External Affairs, B.A., J.D. Mr. Cheves serves as Vice President for Development and External Affairs (DEA) at SMU and is responsible for fund-raising and public relations for the University, including oversight of the $750 million Second Century Campaign and the five-year Second Century Celebration marking the centennial of SMU's founding in 1911 and opening in 1915.

This is Cheves' second appointment at SMU. From 1998 to 2001, Cheves was SMU's Associate Vice President for Development. From 2001 to 2004, Cheves was Vice President for Advancement and Public Affairs and an assistant professor of public policy at Pepperdine University. He previously served Pepperdine as Associate Dean at the School of Public Policy and director of alumni relations at the School of Law.

A native of Albuquerque, New Mexico, Cheves earned a Bachelor's degree in business administration and finance from Abilene Christian University and a Juris Doctor degree from Pepperdine University School of Law. He is a member of the State Bar of Texas and has worked with the Texas State Legislature. Cheves currently serves in leadership roles with several Dallas community organizations, including Dallas Assembly, Dallas Summer Musicals, YMCA of Metropolitan Dallas and Circle Ten Boy Scouts. He is also a member of the Texas Lyceum.

STUDENT ENROLLMENT

The University takes an active approach in recruiting students. Representatives of the University visit over 700 secondary schools and nearly 300 college fairs each year and use advanced marketing techniques to support recruiting efforts. Although the preponderance of the student body is from the Southwest (55% of undergraduates), all states as well as 91 foreign countries have representation across the entire student body. In the Fall Semester 2015, 16% of SMU's student body was Methodist; 25% was Catholic and the remaining students reporting a religious preference represented other Protestant denominations and other religions such as Judaism, Buddhism, and Islam. The following chart sets forth certain information relating to first-year undergraduate admissions for academic years beginning in the fall of 2011 through 2015.

TABLE ONE
First-Year Undergraduate Admission and Enrollment Information

	Academic Year Beginning Fall of				
	2011	**2012**	**2013**	**2014**	**2015**
Number of Applications Completed	10,338	11,217	12,080	11,817	12,992
Number Admitted	5,641	6,031	6,125	6,192	6,360
(% of Applicants)	55%	54%	51%	52%	49%
Number Enrolled	1,382	1,426	1,431	1,459	1,374
(% of Admitted)	31%	24%	24%	24%	22%
Mean Range SAT Score of Enrolled	1200-1360	1200-1350	1230-1380	1240-1390	1250-1390

The undergraduate student body is primarily full-time. During the Fall Semester 2015, headcount undergraduate enrollment totaled 6,411 which included 6,160 full-time and 251 part-time students. The graduate and professional student headcount enrollment for the Fall Semester 2015 was 5,232. Currently, 98% of first-time/first-year students and 57% of undergraduates live in residence halls on campus, in University owned apartments or nearby fraternity and sorority houses. The average age of the undergraduate population is 20 and the average age of graduate and professional students is 30. The following chart sets forth the student full-time equivalent enrollment by school for the academic years beginning in the fall of 2011 through 2015.

SMU's undergraduate student body primarily enters as first-time freshmen. Admission, scholarship, financial aid and credit policies are inclusive and welcoming of transfer students. In Fall 2015 and Spring 2016, transfer students accounted for 23% of all new undergraduates. The largest number originate from 2-year schools (42%), followed by 4-year schools (39%), international schools (9%) and other (10%).

TABLE TWO
Full-Time Equivalent Enrollment

	Academic Year Beginning Fall of				
	2011	2012	2013	2014*	2015*
School					
Undergraduate					
Dedman College (under class)	2,741	2,650	2,688	2,784	2,699
Dedman College (upper class)	1,181	1,168	1,166	1,128	1,156
Edwin L. Cox School of Business	942	868	916	970	988
Bobby B. Lyle School of Engineering	502	605	614	644	616
Meadows School of the Arts	627	712	726	669	644
Simmons School of Education & HD	100	152	150	155	164
Total Undergraduate	6,093	6,155	6,260	6,350	6,267
Graduate & Professional					
Dedman College	193	204	197	218	226
Edwin L. Cox School of Business (full-time)	421	489	420	478	620
Edwin L. Cox School of Business (part-time)	230	209	207	205	214
Executive MBA Program	126	138	141	133	143
Bobby B. Lyle School of Engineering	429	405	452	523	578
Meadows School of the Arts	152	141	151	143	132
Perkins School of Theology	243	235	216	224	208
Dedman School of Law	909	872	845	957	915
Guildhall	127	150	118	103	103
Simmons School of Education & HD	310	328	354	370	456
Subtotal	3,140	3,171	3,101	3,354	3,595
Special Studies	113	84	86	149	210
Total University	9,346	9,410	9,447	9,853	10,072

Note: Non-degree students included in school totals.
Based on 15 credit hours for undergraduate enrollment; 14 credit hours for juris doctor program in the Dedman School of Law; and 12 credit hours for all other graduate programs.
* The standard changed in 2014 and is based on 15 credit hours for undergraduate enrollment, and 12 credit hours for all graduate programs.

FINANCIAL AID

The University awarded financial aid to approximately 70% of the Fall Semester 2015 undergraduate student body. Student financial aid includes both merit and need based programs. In the 2014-2015 academic year, the University awarded over $103 million in scholarships and fellowships to students of all classifications from its unrestricted revenues. The University also sponsors the Family Assistance Loan Program which offers selected families loans that are available to pay a significant portion of the cost for a student's four years of undergraduate study and are repayable over an eight-year period. There is no standard model for a financial aid package. Many students secure Federal Direct Student Loans to help fund their educational expenses. There are other forms of Federal and State financial assistance as well. The University's most recent student loan default rate is 10.1% for Federal Perkins loan program and 3.3% for the Stafford loan program.

The following table provides information on the University's financial assistance to all students for the last five fiscal years. Included in this table are government funds, excluding Federal Parent Loans, but including all other funds administered or awarded by the University. The table does not include private scholarships, state scholarships or interest capitalized under various loan programs.

TABLE THREE
Student Financial Aid
(in thousands)

	FISCAL YEAR ENDING MAY 31,				
	2011	2012	2013	2014	2015
GRANTS					
Federal	$5,355	$5,274	$4,929	$4,787	$4,745
State	6,348	4,868	4,786	4,867	5,027
Total	$11,703	$10,142	$9,714	$9,654	$9,772
SCHOLARSHIPS & FELLOWSHIPS					
Unrestricted Funds	$72,688	$78,966	$86,455	$93,991	$100,270
Restricted Funds	23,343	26,716	23,286	26,723	26,894
Total	$96,031	$105,682	$109,742	$120,714	$127,164
OUTSTANDING LOANS TO STUDENTS					
From University Funds	$791	$540	$737	$783	$501
From Government Funds	80,057	82,459	74,728	71,898	69,228
From Private Funds	5,524	5,769	6,390	7,835	8,222
Total	$86,372	$88,768	$ 81,856	$80,516	$77,951
STUDENT EMPLOYMENT					
College Work Study	$5,548	$5,716	$4,860	$4,732	$4,501
Student Payroll	2,820	3,348	3,152	3,426	3,463
Total	$8,368	$9,064	$8,012	$8,158	$7,964

FACULTY AND STAFF

As of Fall Semester 2015, the University employed a total of 2,281 employees (both full and part time), including 1,457 staff, 794 faculty and 30 postdoctoral students. Currently, 50.8% of the University's full-time instructional faculty members are tenured. Females account for 39.3% of the full-time instructional faculty, and 19.3% of the full-time instructional faculty are minorities. Among full-time instructional faculty, 82.2% hold a doctorate degree and/or terminal degree in their fields of study.

No employees of the University are represented by labor unions or similar organizations for the purpose of collective bargaining. Administration of the University believes its relations with employees are good.

PENSION PLAN

The University has a defined contribution retirement plan covering substantially all full-time employees. The plan was established effective September 1, 1976, replacing a defined benefit plan that was terminated effective August 31, 1990. Retirement benefit expense under this plan was approximately $16,866,000 for the fiscal year ending May 31, 2015 and $16,250,000 for the fiscal year ending May 31, 2014. The University provides retiree health care benefits for employees who meet minimum age and service requirements and retire from the University. See Note 14 to the Financial Statements included in **APPENDIX B** hereto.

LITIGATION

The University is involved in various pending or threatened administrative and legal proceedings arising in the ordinary course of operations. Although the amount of loss, if any, that may result from the ultimate resolution of any such matters is presently undeterminable, the University is of the opinion that the ultimate resolution will not have a materially adverse effect on its financial condition.

SUMMARY OF FINANCIAL POSITION FOR THE FISCAL YEAR ENDED MAY 31, 2015

The University's financial position improved from fiscal year 2014 to fiscal year 2015. Following is a summary of the fiscal year 2015 changes in the University's financial position (dollars in thousands):

TABLE FOUR
Changes in Financial Position
(in thousands)

			Net Assets			
	Assets	Liabilities	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
FY2015	$ 2,616,642	$ 787,793	$ 1,828,849	$ 557,241	$ 615,993	$ 655,615
FY2014	2,555,443	808,679	1,746,764	529,583	610,374	606,807
Change	$ 61,199	$ (20,886)	$ 82,085	$ 27,658	$ 5,619	$ 48,808

Total assets increased by $61.2 million during fiscal year 2015. Changes in the assets were primarily the result of $61.7 million in capital gifts and pledges as well as net realized and unrealized gains on investments totaling $52.9 million, offset by the liquidation of assets to pay scheduled principal maturities and debt service of $35.5 million.

Changes in asset categories that merit mention include a $34.9 million decrease in cash and cash equivalents, or 16.5 percent, to $176.0 million, and an increase in property, plant and equipment of $50.9 million, or 5.4 percent, to $987.2 million. The decrease in cash and cash equivalents was driven by ongoing construction spending. The increase in property, plant and equipment resulted primarily from campus construction projects during fiscal year 2015, including the following (dollars in thousands):

Harold Clark Simmons Hall	$ 9,850
Tennis Complex	8,950
University Data Center	4,820
Building Automation System Upgrade	5,420
Pedestrian Malls	4,340
Distributed Antenna System	3,900
Residential Hall Conversions	3,900
Project 2015 Residential Commons Complex	2,550
Total	$ 43,730

Liabilities decreased by $20.9 million, or 2.6 percent, in fiscal year 2015, to $787.8 million at year-end. Notable changes in liabilities were a decrease in accounts payable and accrued expenses of $7.0 million, or 3.6 percent, to $188.8 million, and a decrease in bonds payable of $17.9 million, or 3.1 percent, to $556.3 million. The decrease in accounts payable and accrued expenses resulted from decreased general accounts payable obligations. The decrease in bonds payable resulted from scheduled principal maturities.

Net assets increased by $82.0 million, or 4.7 percent, to over $1.8 billion at year-end, principally as a result of capital gifts and gains on investments.

ENDOWMENT

The market value of the University's endowment increased $87.1 million during fiscal year 2015. The following is a summary of the changes in endowment market value (dollars in thousands):

TABLE FIVE
Changes in Endowment Value
(in thousands)

Endowment market value at May 31, 2014		$ 1,458,204
Gifts		47,292
Net realized and unrealized gains on investments	$ 52,825	
Less realized gains transferred for spending	(56,904)	(4,079)
Increase in market value of assets not carried at fair value		40,141
Other changes		3,770
Endowment market value at May 31, 2015		$ 1,545,328

The endowment market values reported above include pledges receivable totaling $34,727,000 and $27,606,000 for fiscal years ending 2015 and 2014, respectively. Pledges receivable are included pursuant to Accounting Standards Codification 958, *Not-for-Profit Entities*. The pledges receivable do not generate income for spending and are not included when the University reports endowment fund market value for purposes other than the financial statements.

These market values include all assets reported at fair value, whereas the financial statements only include marketable securities, funds held in trust by others and equity method of accounting investments reported at fair value. Since the University has elected not to report other investments at fair value for financial statement purposes, the unrealized gains or losses on these investments are not reported for financial statement purposes, except if they are determined to be permanently impaired. Assets determined to be permanently impaired in fiscal year 2015 totaled $24,604,000.

Further, these endowment market values also include non-endowment funds invested in the endowment, including annuity funds and a trust totaling $5,305,000 and $5,452,000 for fiscal years 2015 and 2014, respectively.

OTHER

The University engaged Bain & Company late in fiscal year 2014 to review the University's administrative functions and explore revenue generating opportunities. This initiative, the Operational Excellence for the Second Century (OE2C) project, is intended to institute changes in the University's organizational structure and processes, redeploying resources to its core mission activities of instruction and research. The timeline for the project is 12 to 18 months with some implementation going beyond that time period. Payments to Bain & Company are expensed when incurred. Savings generated will be used to fund these onetime costs and for academic and research initiatives.

OPERATING BUDGET

The University conducts its annual operations in accordance with a Board approved detailed operating budget that has produced an operating surplus for 28 consecutive fiscal years. The budget is organized to assign operational responsibility and accountability both for achieving revenue targets and for controlling expenses.

Current financial statement presentation and format help make financial statements of private colleges and universities comparable and offer the careful reader additional important information, but they tend to obscure annual operating results. To determine from the financial statements how the University has performed from an operating perspective, one needs to look at the unrestricted net asset column on the Statements of Activities. By taking out the effect of investment gains (except for those gains that have been spent in support of the operating budget per the endowment spending policy), one can derive an approximation of operating results.

The following table presents this data for the past five fiscal years.

TABLE SIX
Annual Operating Results
(in thousands)

	Fiscal Year Ending May 31,				
Unrestricted Net Assets	**2011**	**2012 ****	**2013**	**2014**	**2015**
Total Revenues	$462,624	$455,609	$453,291	$531,330	$534,601
Exclude net realized and unrealized (gains)/losses on investments	(14,832)	1,856	(5,484)	(3,828)	(2,493)
Total Operating Revenues	$447,792	$457,465	$447,807	$527,502	$532,108
Total Expenses	462,746	440,846	447,723	473,044	506,943
Increase in Unrestricted Net Assets from Operations	**$(14,954)**	**$16,619**	**$84**	**$54,458**	**$25,165**

** FY2012 was restated in the FY2013 Audited Financial Statements.

STUDENT CHARGES

For the fiscal year ending May 31, 2015, income from tuition and fee charges, net of scholarship allowances, accounted for approximately 52% of the University's current fund operating revenues. Approximately 70% of the total tuition and fee revenue for the fiscal year ending May 31, 2015 came from the University's regular undergraduate program. The total charges per typical undergraduate resident student for the five most recent academic years are as follows:

TABLE SEVEN
Undergraduate Student Charges

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Tuition	$37,050	$38,870	$40,770	$42,770	$44,694
General Fee	4,700	4,930	5,170	5,420	5,664
Room and Board	13,540	13,955	14,645	15,575	16,125
Total Resident Student Charges	$55,290	$57,755	$60,585	$63,765	$66,483

In setting the level of tuition, fees, room and board, the University takes into account anticipated expense increases and attempts to keep student charges in balance with other sources of revenue. In addition, it considers its charges in relation to other colleges and universities.

ENDOWMENT

Endowment and Similar Funds. The University's endowment had a May 31, 2015 market value of approximately $1.51 billion. According to the Fiscal Year 2015 NACUBO Endowment Study, prepared by the

National Association of College and University Business Officers, the University's endowment was the 64th largest endowment of the 812 public and private institutions in the United States surveyed. The endowment has approximately $1.1 billion reserved to the schools and specific areas and approximately $386 million available for general University use. School endowments range from approximately $24 million for the Simmons School of Education and Human Development to approximately $215 million for The Cox School of Business. The following table shows market value and endowment pool return of the University's endowment for each of the past sixteen fiscal years.

TABLE EIGHT
Endowment Fund Growth
Fiscal Years 2000 through 2015
(in thousands)

Fiscal Year Ended May 31,	Value	(Note)	Endowment Pool Total Return
2000	911,121		19.5%
2001	872,388		-1.7%
2002	831,116		-2.1%
2003	807,551		0.4%
2004	908,903		15.4%
2005	1,008,506		12.4%
2006	1,127,671		15.1%
2007	1,329,274		20.7%
2008	1,401,274		6.3%
2009	1,032,262		-24.0%
2010	1,069,399	(1)	7.8%
2011	1,190,709	(1)	14.0%
2012	1,162,415	(1)	-0.1%
2013	1,268,079	(1)	12.1%
2014	1,425,146	(1)	13.9%
2015	1,505,296	(1)	6.6%

NOTES: [1]The endowment market value does not include pledges recorded, annuity funds, a trust invested in the endowment or other impairments. These are included in the endowment market value shown in Table 5.

As of December 2015, the endowment market value is $1,441 billion with an endowment pool total return of -5.4%.

The following table lists all Endowment and Similar Funds assets of the University by type of asset at cost and market as of May 31, 2015.

TABLE NINE
Endowment Assets as of May 31, 2015
(in thousands)

Asset	Cost	Market	Strategic Target	Current Allocation
Global Equities	$487,783	$604,198	40%	43%
Fixed Income	74,524	74,848	12.5%	5%
Absolute Return	194,756	352,269	25%	25%
Private Markets	141,333	185,430	12.5%	13%
Real Assets	81,227	116,278	10%	8%
Cash/Cash Equivalent	81,177	81,177	0%	6%
Separately Invested	28,310	91,097	n/a	n/a
Total Endowment	**$ 1,089,110**	**$1,505,297**	**100%**	**100%**

The University has a wide variety of investments in the categories above. Global equities include U.S. equities and international equities (both developed and emerging markets). Fixed Income includes corporate bonds and asset backed securities. Diversifying Strategies includes hedge funds using various strategies. Private markets include venture capital and private equity. Real assets include real estate, oil and gas, and timber. Cash/Cash equivalents include money market funds and cash. The University invests for long term growth, but also recognizes and provides for the need for liquidity. As of July 1, 2015, available liquidity in the endowment pool includes within one week $328.9 million, within one month $485.7 million, and within one year $1.004 billion. In total the University could redeem around 91% of its public portfolio within one year, or approximately 72% of the entire endowment.

The University has committed to capital draws totaling $662,502,000 for private equity, venture capital, real estate funds and other investments, of which $492,298,000 had been drawn as of May 31, 2015. The University has committed to pay draws as required for the remaining $170,204,000 through fiscal year 2026. There is no annual limit on such draws and, hence, any remaining amount could be called upon in its entirety at any time. In such a case, the University anticipates that it would meet its obligation to pay a sizeable draw by using cash on hand and liquidating short term investments. The University includes within its budget an amount anticipated to be sufficient to meet the capital calls for the coming budget year. It has not experienced and does not anticipate that it would receive capital calls materially greater than the amount budgeted for that purpose. See Note 15 to the Financial Statements included in **APPENDIX B** hereto.

The University directs the management of approximately 94% of its Endowment and Similar Funds through the use of approximately 85 external managers. The remaining funds are managed internally or by trustee banks. The Investment Committee of the Board of Trustees meets from four to six times each year to review overall performance, monitor existing managers, evaluate options for new investments, and reach decisions on any changes in asset allocations, managers and policy. The Board of Trustees at its quarterly meetings receives reports on investment activity and performance and ratifies all decisions made by the Investment Committee.

Endowment Spending Policy. The Endowment Spending Policy states:

Policy Statement

The intent of this endowment policy is to provide adequate income to support the current needs for which the endowment funds are intended while preserving the capacity to maintain support for the future, as well. This policy is consistent with the tenets of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective September 1, 2007, UPMIFA was adopted in Texas substantially in the form developed by the National Conference of Commissions on Uniform State Laws and repeals the Uniform Management of Institutional Funds Act (UMIFA) previously adopted by the Texas Legislature in 1989.

UPMIFA allows spending based on total return, permitting prudent expenditures of both appreciation and income, which is incorporated into this policy. UPMIFA also allows the University to appropriate for expenditure an amount the University determines to be prudent for the uses, benefits, purposes and duration for which the endowment is established. Within these parameters, under UPMIFA, the University is allowed to spend some portion of historic dollar value (the original gift amount and other fund additions required by the donor).

Policy

The Administration is authorized to distribute for spending from all endowment funds invested in the Balanced Pool that have sufficient realized and unrealized capital gains an amount equal to 70% of the spending calculated for the previous fiscal year increased by an inflation factor (X) to be determined each fiscal year, and a percent (Y) determined for each fiscal year of 30% of the four-quarter average of market values for the preceding calendar year.

The inflation factor (X) and the percent (Y) will be determined annually as part of the budget approval process.

In instances where an individual endowment fund does not have accumulated realized or unrealized capital gains, the Administration shall distribute for spending only the income (interest, dividends, royalties and rents) from the fund's assets and not spend below the historic dollar value of the endowment, unless it is deemed prudent for the uses, benefits, purposes and duration for which the endowment fund is established and approved by the Board of Trustees of the University, or if it is so stipulated by the donor.

The Administration will conduct an annual review to ensure that University transfers for spending under this policy are consistent with standards of prudence, which for purposes of this policy is defined as not exceeding 7% of the average of the previous three (3) years' markets values of the aggregate endowment. If the transfers for spending exceed 7%, the Administration will document for approval of the Board of Trustees an explanation of why the transfers constitute prudent spending and/or make appropriate adjustments to this policy.

The effective spending rate for fiscal year 2015 was 4.31%.

FUNDRAISING

The Campaign for SMU: A Time to Lead exceeded its initial goal of $300 million by raising $542 million from 1997-2002. SMU Unbridled: The Second Century Campaign raised $1.15 billion in gifts from 2008-2015, the largest amount ever raised by a private university in Texas. The combined gifts for the two campaigns have provided funds for 860 scholarships; 148 academic programs, including endowment support for two schools (Annette Caldwell Simmons School of Education and Human Development and Bobby B. Lyle School of Engineering) and one academic department (Roy M. Huffington Department of Earth Sciences); 70 endowed faculty positions, making a total of 116; and 38 capital projects, including new and renovated facilities.

SMU Unbridled: The Second Century Campaign:

- Gained support from the largest number of donors – more than 65,000 from throughout the world, an increase of 58 percent from SMU's previous campaign, which ran from 1997-2002.
- Saw an increase of 135 percent in gifts from outside Texas, as compared to the last campaign.
- Received the largest number of gifts of $1 million or more – 183.
- Exceeded its goal to receive gifts from 50 percent of alumni over the course of the campaign, achieving 59 percent.

- Surpassed its goal to achieve 25 percent of undergraduate alumni giving in a single year, reaching 26 percent for 2014–2015. (This measurement is used by some ranking organizations to gauge the level of alumni satisfaction with their alma mater.)

The following table sets forth the total gifts and bequests to the University for the past four years by both Source and Net Asset Distribution.

TABLE TEN
Total Gifts and Bequests
(in thousands)

	Fiscal Year Ended May 31,				
	2011	**2012**	**2013 ****	**2014**	**2015**
SOURCES					
Alumni	$14,776	$17,626	$22,128	$17,868	$39,121
Parents & Friends	8,901	6,422	22,039	35,321	20,590
Foundations	30,064	58,140	52,549	41,779	36,401
Corporations	4,048	5,155	6,058	6,502	9,804
Religious Organizations	1,599	1,769	2,433	1,868	4,151
Other Parents & Organizations	4,229	8,480	4,267	7,852	8,196
Total	$63,617	$ 97,592	$109,474	$111,190	$118,263
NET ASSETS					
Unrestricted:					
General	$11,360	$20,494	$20,114	$23,113	$18,696
Auxiliary	7,029	8,266	0	0	0
Temporarily Restricted	29,974	42,242	63,281	47,454	52,270
Permanently Restricted	15,254	26,590	26,079	40,623	47,297
	$63,617	$97,592	$109,474	$111,190	$118,263

** FY2013 gifts were reclassified in the FY2014 Audited Financial Statements.

LIQUIDITY

In managing the University's overall investment strategy, providing sufficient liquidity is an important consideration. The following table shows the estimated liquidity availability of the University's endowment and working capital as of May 31, 2015. In addition to internal liquidity sources, the University has access to a working capital line of credit at one commercial bank for a total of $25,000,000.

Liquidity in < 30 days	40%
Liquidity in > 30 days and < 1 year	29%
Liquidity > 1 year	31%

MANAGEMENT DISCUSSION AND ANALYSIS

General. SMU's financial position remains strong with net assets increasing $82.1M for fiscal year 2015. Excluding proceeds from bonds reserved for construction, the University's cash and cash equivalents increased due to strong fundraising and favorable budget results. SMU continues to invest excess operating cash in low risk, secure investments ensuring its cash position remains healthy. SMU's financial philosophy allows the institution to operate in less favorable economic conditions without major changes in operations or negative effects on programs.

As SMU works to limit tuition increases as much as possible, additional measures have been put in place to ensure expense increases are thoroughly reviewed and implemented to achieve the most strategic impact. In 2015 and 2016 the University employed Bain & Company to review administrative operations. The review resulted in the reorganization of the several administrative functions, and the redesign of administrative processes to operate more efficiently allowing resources to be re-allocated to the University's mission. As of February 2016 the University identified over $14M in savings that will pay back the consulting fees, and be re-allocated to the University's teaching and research activities.

Enrollment. Undergraduate enrollment for fiscal year 2016 is expected to meet budgeted expectations for net tuition and demand remains strong as application numbers continue to rise. The University continues to be selective in its admissions and continues to see increases in the average SAT scores of the incoming, first year undergraduate class. The University's philosophy of maintaining student quality has resulted in SMU's 61st place ranking of National Universities in the 2016 edition of Best Colleges published by U.S. News & World Report.

SERIES 2016 BOND PROJECTS

The proceeds of the Series 2016 Bonds will be used primarily to fund, in part, construction, renovation, equipping and improvement of parking structures and surface parking, athletic and recreational facilities, telecommunications facilities, an electrical substation, library facilities, childcare facilities for SMU employees and students, academic laboratory facilities, upgrades to the Student Center and other University buildings, structures and improvements; and planning and site preparation, including abatement and demolition, environmental remediation, acquisition, construction, relocation and improvement of streets, promenades and other walkways, sidewalks, sewers and underground utilities and acquisition of property. The University expects to issue not just tax exempt but also taxable bonds for projects that may have private business use as well as being used for the university's exempt purpose. A portion of proceeds will be used to refund certain outstanding debt.

COMMUNITY ENRICHMENT

The University has long maintained an active role of service and outreach to the Dallas community. Under the leadership of President R. Gerald Turner, SMU has expanded its outreach into numerous new areas that enrich the community and beyond.

Community Outreach. More than 300,000 visitors come to SMU annually for cultural events, lectures, athletics events and other programs. The Willis M. Tate Distinguished Lecture Series makes national and international leaders available to the community. The Meadows Museum offers access to one of the finest collections of Spanish art outside of Spain. Dedman College offers numerous lectures and symposia that are open to the public. Meadows School of the Arts is a center of cultural life and provides programming and events for youth and adults. Each year the Meadows School presents more than 400 student and professional performances of music, theatre and dance, open to the public. Edwin L. Cox School of Business has strong connections with the business community and offers education programs for business executives. The Bobby B. Lyle School of Engineering works closely with area industries and provides youth programs including engineering summer camps and an annual workshop that promotes engineering to youth. Dedman School of Law, one of the first schools in the country to sponsor legal clinics, currently operates 10 clinics serving diverse community needs with free or low-cost legal services. Perkins School of Theology provides continuing education programs for ministers and lay people. Annette Caldwell Simmons School of Education and Human Development serves the community through its Center on Research and Evaluation, Institute for Evidence-Based Education, Gifted Students Institute, Center for Child and Community Development, Center for Family Counseling, Diagnostic Center for Dyslexia and Related Disorders, Budd Center: Involving Communities in Education, Community Counseling Centers, Mediation Services, and academic enhancement programs for youth.

Student Community Service. Nearly 3,000 undergraduate student volunteers serve annually through approximately 70 nonprofit agencies. The SMU Service House, first of its kind at a Texas university, is home to 28 students, each of whom devotes a certain number of hours to volunteerism per semester. The Public Service Program of Dedman School of Law requires each student to provide a minimum of 30 hours of pro bono law-related work in the community. Students also participate in Alternative Break national service projects.

Engaged Learning. Engaged Learning provides an institutional framework for undergraduates to deepen their SMU education through experiential learning opportunities beyond the classroom, in scholarly research, civic engagement, professional internships and creative projects, on campus and in local and global settings. Service-learning courses combine a classroom component with community service that builds on classroom theory. Through the Center for Academic-Community Engagement, SMU students study urban issues while volunteering in the community. Several live in an inner-city house, where they provide mentoring and tutoring to neighborhood children. Dedman College offers an interdisciplinary major in human rights. The Big iDeas program each year gives 10 undergraduate interdisciplinary teams up to $5,000 each to research and address challenges facing the Dallas area. The Cary M. Maguire Center for Ethics and Public Responsibility awards summer internship stipends to students engaged in public service. SMU has partnered with numerous public service agencies to create internships through which students intern for credit.

INSURANCE

The University maintains a comprehensive insurance program to cover SMU's liability against a broad spectrum of potential incidents. This program includes a blanket "all-risk" property insurance policy that includes coverage for real property, contents, flood, earthquake, and business interruption. SMU also maintains a casualty insurance program to include comprehensive general liability, auto liability, and licensed professional liability with multiple layers of coverage. The University also maintains Educator's Legal Liability or Directors' and Officers' coverage for higher education, to cover wrongful acts and errors and omissions. Additional coverage includes workers' compensation, crime, fiduciary, multi-media, and fine art among others. SMU's property insurance premium is based on a combination of loss ratios, replacement value costs and a mitigation program for losses and is placed with the worlds largest and most financially sound property insurer noting primary coverage up to $1B in losses at the insurer level, with additional exposure reinsured. The University expects that its property rates will remain relatively flat for the near future due to enhanced risk mitigation efforts through a broad-scope, multi-departmental effort to increase risk resilience. All other lines are expected to remain relatively flat with slight increases due to industry-related losses. The University believes that its risk management program is consistent with the practices of other similarly situated institutions in higher education and includes an appropriate risk appetite mix of coverage and retentions appropriate for the University's exposures.

INTERCOLLEGIATE ATHLETICS

Intercollegiate athletics at the University includes 17 sports, all competing at the Division 1 level: (six for men and eleven for women). The men's sports include basketball, football, golf, soccer, swimming and diving, and tennis. The women's sports include basketball, cross country, equestrian, golf, indoor and outdoor track and field, rowing, soccer, swimming and diving, tennis, and volleyball. The University is a member of the Football Bowl Subdivision of Division 1 in the National Collegiate Athletic Association and began play in the new American Athletic Conference in 2013. University athletic facilities include Moody Coliseum, the Barr Swimming Facility, the Morrison-Bell Track, Westcott Field for soccer, the Turpin Tennis Center, the Gerald J. Ford Stadium and Pettus Practice Fields for football, the Paul B. Loyd, Jr. All-Sports Center, Crum Basketball Center, Buck Branch Equestrian Center, White Rock Boathouse, golf practice facilities at the Dallas Athletic Club, as well as a variety of training rooms, equipment, locker and conference rooms. In November of 2012, SMU Golf Foundation (an entity whose sole member is SMU) entered into a number of agreements with The Company of Trinity Forest Golfers, Inc. ("*CTFG*") and the City of Dallas, giving SMU rights to use a new golf course, being developed by CTFG on land leased from the City of Dallas, for the SMU men's and women's golf teams. In 2016 SMU broke ground for a 42,000 square foot aquatics center for the men's and women's swimming and diving teams. Intramural and club sports are offered through the Office of Student Affairs, which maintains separate intramural practice fields and the Dedman Center for Lifetime Sports.

APPENDIX B

CONSOLIDATED FINANCIAL STATEMENTS, MAY 31, 2015 AND 2014 OF SOUTHERN METHODIST UNIVERSITY

KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the consolidated financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement.

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KPMG

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SOUTHERN METHODIST UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

KPMG

KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2709

Independent Auditors' Report

The Board of Trustees
Southern Methodist University:

We have audited the accompanying consolidated financial statements of Southern Methodist University (the University), which comprise the consolidated balance sheets as of May 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Methodist University as of May 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas
September 2, 2015

Southern Methodist University
Consolidated Balance Sheets
As of May 31, 2015 and 2014
(Dollars in Thousands)

Assets	2015	2014
Cash and cash equivalents (restricted for capital projects: $97,090 in 2015 and $142,564 in 2014)	$ 176,006	$ 210,870
Accounts receivable, less allowance for doubtful accounts of $1,041 in 2015 and $1,595 in 2014	25,501	28,099
Pledges receivable, net	130,789	126,952
Investments:		
Short-term paper (restricted for debt retirement: $2,542 in 2015 and $1,688 in 2014)	$ 147,328	$ 86,160
Stocks	203,323	204,207
Bonds (restricted for debt retirement: $6,102 in 2015 and $6,794 in 2014	118,631	120,689
Venture capital	40,283	47,101
Mortgage and other notes receivable, less allowance for doubtful accounts of $565 in 2015 and $780 in 2014	7,318	7,564
Real estate	27,695	75,039
Funds held in trust by others	20,992	21,721
Other	711,775	670,692
Total investments	$ 1,277,345	$ 1,233,173
Property, plant and equipment, at cost, net of accumulated depreciation	987,238	936,299
Other assets	19,763	20,050
Total Assets	$ 2,616,642	$ 2,555,443

Liabilities and Net Assets	2015	2014
Liabilities:		
Accounts payable and accrued expenses	$ 188,809	$ 195,776
Deposits and deferred income	39,278	35,450
Bonds payable	556,287	574,219
Advances for student loans	2,990	2,929
Other liabilities	429	305
Total Liabilities	$ 787,793	$ 808,679
Net Assets:		
Unrestricted	$ 557,241	$ 529,583
Temporarily restricted	615,993	610,374
Permanently restricted	655,615	606,807
Total Net Assets	$ 1,828,849	$ 1,746,764
Total Liabilities and Net Assets	$ 2,616,642	$ 2,555,443

See accompanying notes to the consolidated financial statements

Southern Methodist University
Consolidated Statements of Activities
For the Fiscal Years Ended May 31, 2015 and 2014
(Dollars in Thousands)

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Tuition and fees	$ 429,679	$ -	$ -	$ 429,679	$ 402,381	$ -	$ -	$ 402,381
Scholarship allowance - tuition and fees	(149,905)	-	-	(149,905)	(142,686)	-	-	(142,686)
Net tuition	$ 279,774	$ -	$ -	$ 279,774	$ 259,695	$ -	$ -	$ 259,695
Gifts	18,696	52,270	47,297	118,263	23,113	47,454	40,623	111,190
Endowment income, net of investment expenses	15,015	233	1,401	16,649	20,107	487	1,105	21,699
Net realized and unrealized gains on investments	2,493	50,298	110	52,901	3,828	58,114	717	62,659
Grants and contracts	30,278	-	-	30,278	34,466	-	-	34,466
Organized activities	8,435	-	-	8,435	8,476	-	-	8,476
Other sources	29,234	-	-	29,234	30,462	-	-	30,462
Auxiliary activities	53,268	-	-	53,268	42,238	-	-	42,238
Scholarship allowance - room and board	(3,669)	-	-	(3,669)	(2,842)	-	-	(2,842)
Independent operations	3,895	-	-	3,895	3,871	-	-	3,871
Total revenue	$ 437,419	$ 102,801	$ 48,808	$ 589,028	$ 423,414	$ 106,055	$ 42,445	$ 571,914
Net assets released from restrictions	97,182	(97,182)	-	-	107,916	(107,916)	-	-
Total adjusted revenue	$ 534,601	$ 5,619	$ 48,808	$ 589,028	$ 531,330	$ (1,861)	$ 42,445	$ 571,914
Expenses:								
Program expenses:								
Instructional	$ 169,730	$ -	$ -	$ 169,730	$ 163,351	$ -	$ -	$ 163,351
Academic support	61,869	-	-	61,869	60,152	-	-	60,152
Research	27,101	-	-	27,101	23,489	-	-	23,489
Organized activities	11,227	-	-	11,227	9,870	-	-	9,870
Student services	47,475	-	-	47,475	47,186	-	-	47,186
Auxiliary activities	74,240	-	-	74,240	70,383	-	-	70,383
Total program expenses	$ 391,642	$ -	$ -	$ 391,642	$ 374,431	$ -	$ -	$ 374,431
Institutional support	112,469	-	-	112,469	94,903	-	-	94,903
Independent operations	2,922	-	-	2,922	4,364	-	-	4,364
Total expenses	$ 507,033	$ -	$ -	$ 507,033	$ 473,698	$ -	$ -	$ 473,698
Postretirement plan changes other than net periodic postretirement benefit cost	(90)	-	-	(90)	(654)	-	-	(654)
Total expenses and actuarial adjustment	$ 506,943	$ -	$ -	$ 506,943	$ 473,044	$ -	$ -	$ 473,044
Change in net assets	$ 27,658	$ 5,619	$ 48,808	$ 82,085	$ 58,286	$ (1,861)	$ 42,445	$ 98,870
Net assets at beginning of period	529,583	610,374	606,807	1,746,764	471,297	612,235	564,362	1,647,894
Net assets at end of period	$ 557,241	$ 615,993	$ 655,615	$ 1,828,849	$ 529,583	$ 610,374	$ 606,807	$ 1,746,764

See accompanying notes to the consolidated financial statements.

Southern Methodist University
Consolidated Statements of Cash Flows
For the Fiscal Years Ended May 31, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 82,085	$ 98,870
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	33,496	29,216
Bond premium amortization	(2,227)	(1,882)
Loss on disposal of property, plant and equipment	548	227
Increase in accounts and pledges receivable	(1,239)	(18,852)
(Increase) decrease in other assets	287	(6,318)
Increase in accounts payable and accrued expenses for operations	10,379	9,868
Increase in deposits and deferred income and advances for student loans	4,060	8,462
Contributions restricted for long-term investment	(56,599)	(49,581)
Noncash contributions	(13,356)	(15,717)
Net realized and unrealized gains on investments	(52,901)	(62,659)
Income restricted for long-term investment	(1,899)	(2,757)
Annuity obligation payments	378	321
Net cash provided by (used for) operating activities	$ 3,012	$ (10,802)
Cash flows from investing activities:		
Purchase of property, plant and equipment	$ (82,957)	$ (134,113)
Proceeds from sales of property, plant and equipment	12	532
Purchase of investments	(234,459)	(307,684)
Proceeds from the sale of investments	254,260	354,192
Decrease in accounts payable and accrued expenses for investing activities	(17,346)	(708)
Disbursements of mortgage and other notes receivable	(787)	(862)
Principal payments received on mortgage and other notes receivable	1,033	1,243
Net cash used for investing activities	$ (80,244)	$ (87,400)
Cash flows from financing activities:		
Contributions restricted for long-term investment	$ 56,599	$ 49,581
Income restricted for long-term investment	1,899	2,757
Annuity obligation payments	(378)	(321)
Payments on notes payable	(47)	(47)
Long-term bond payments	(15,705)	(33,520)
Net cash provided by financing activities	$ 42,368	$ 18,450
Net decrease in cash and cash equivalents	(34,864)	(79,752)
Cash and cash equivalents at beginning of period	210,870	290,622
Cash and cash equivalents at end of period	$ 176,006	$ 210,870
Supplemental data:		
Gifts of investments, real estate and other	$ 11,318	$ 7,166
Gifts of property, plant and equipment	2,038	1,929
Grants of property, plant and equipment	23	6,622
Cash paid for interest	19,829	20,037

See accompanying notes to the consolidated financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southern Methodist University (the University) is a private higher education institution providing undergraduate, graduate, and continuing educational opportunities. In addition to the revenue generated by the tuition and fees charged for these educational services, the University receives support from donations, and revenue from investment earnings, sponsored research, athletic events and other auxiliary activities, and other sources.

The University currently has nine corporations under its control that are included in the consolidated financial statements. Peruna Properties, Inc., Peruna Holdings Corporation, Mustang Mockingbird Corporation, Mustang Mockingbird Properties, Mustang Airline Corporation and Peruna East Corporation are corporations the University established to acquire, own and manage, on behalf of the University, real estate adjacent to or in the near vicinity of the University campus. The University also established the Southern Methodist University Foundation for Research to support academic scholarship and scientific research in the public interest for the benefit of the University and to assist in fulfilling the educational and research purposes of the University, SMU Corp. in connection with the location of the George W. Bush Presidential Library and Museum at the University and the SMU Golf Foundation to participate in a public-private initiative to construct a world class golf facility in southern Dallas that will become the home of the University's Men's and Women's Golf teams and support other community activities. During the fiscal year end May 31, 2015, the University dissolved the Stadium Club, Inc. which operated a private club in the Gerald J. Ford Stadium as well as Pony Properties, Inc. which owned and managed real estate adjacent to the University on behalf of the University.

Financial Reporting

The consolidated financial statements have been prepared in accordance with accounting standards established to provide meaningful information about the financial resources and operations of the University as a whole and to present balances and transactions based on the existence or absence of donor-imposed restrictions. Accordingly, transactions and balances have been classified into three categories of net assets:

Unrestricted net assets include funds that have no donor-imposed restrictions, time restrictions or whose restrictions have been satisfied. The University has determined that any donor-imposed restrictions for currently budgeted programs and activities generally are met within the operating cycle of the University. Therefore, the University's policy is to record these funds as unrestricted.

Temporarily restricted net assets include funds for which donor-imposed restrictions have not been met. This classification includes gifts, annuities and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts, annuities and unconditional promises to give that are restricted by the donor to be invested or held in perpetuity. Only the income from these funds is made available for program operations specified by the donor.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. The costs of providing various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, expenses such as depreciation, interest, bond issuance costs and the operation and maintenance of University facilities have been allocated among the functional categories. Fund-raising expenses of approximately $20,387 and $20,036 incurred by the University in fiscal years 2015 and 2014, respectively, are included primarily as institutional support expenses reported in the consolidated statements of activities.

During fiscal year 2015, the University undertook to restructure certain administrative processes in an effort to divert more of the University's funding to its primary mission. In accordance with ASC 420, *Exit or Disposal Cost Obligations,* expenses related to severances for employees departing during the fiscal year have been accrued on the 2015 consolidated statement of activities.

Cash equivalents include operating cash investments, U.S. Treasury bills and short-term paper with maturities of three months or less from the date of purchase and certain certificates of deposit with maturities in excess of three months. Such assets when purchased with endowment, loan, annuity and life income assets or trust funds are classified as investments.

Investments in short-term paper, stocks, bonds and funds held in trust by others with readily determinable fair values are recorded at fair value. Equity method investments are valued at the University's percentage of the net asset values reported by the fund managers, which are used as practical expedients to estimate the fair values. All other investments are recorded at cost, with disclosure of most recently reported fair values in Note 5, herein. Management monitors the managers and investment strategies of these and other investments to ascertain whether valuations are reasonable and whether the assets are permanently impaired. Permanent impairment losses are recognized when investments' fair values are below their carrying amounts and verifiable positive evidence does not exist to support the recoverability of the investments within a reasonable period of time. Permanent impairment losses were $24,604 and $25,853 as of May 31, 2015 and 2014, respectively. For the year ended May 31, 2015, the University has investments in venture capital funds, real estate and other investments that have fair values lower than cost by $13,668 that are not reported as permanently impaired. The aggregate related fair value of these 23 investments is $104,323.

The University has an energy hedge agreement that qualifies as a derivative financial instrument under ASC 815, *Derivatives and Hedging*. These instruments are recorded on the consolidated balance sheets as either an asset or liability measured at the fair value as of the reporting date. Changes in fair value of any derivatives are recognized in the consolidated statements of activities.

Gifts are recorded at fair value at the date of donation or a nominal value if fair value is not readily determinable. Recorded realized and unrealized gains on investments are reported in the appropriate net asset classifications in the consolidated statements of activities. Gifts and income thereon that are restricted in perpetuity by the donors for the purpose of making loans to students are reported as permanently restricted net assets. Refundable advances from the federal government for student loans are reported as long-term liabilities. University resources designated for student loans are reported as unrestricted net assets. Federally funded student loan programs consist of $2,990 and $2,929 of refundable government advances and $381 and $373 of matching University funds in fiscal years 2015 and 2014, respectively.

Property, plant and equipment (including art objects) are recorded at cost, if purchased, or at the fair value at the time of donation, if donated. During the period qualifying construction projects are in progress, net interest costs are capitalized as part of the basis of capital assets. Capital assets include property, plant and equipment that have an acquisition cost of $5 and over and have an estimated useful life of at least two (2) years, with the exception of software, where the cost must exceed $75 before the asset will be capitalized. Property, plant and equipment (except for art objects, land and other assets) are depreciated on the straight-line basis over their estimated useful lives with equipment, vehicles, furniture, software and "other" depreciating in 5 to 15 years; land improvements depreciating in 15 to 50 years; and buildings depreciating in 20 to 40 years.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment without such donor stipulations are reported as revenue of the temporarily restricted net asset class. The restrictions are considered to be released when the long-lived assets are placed in service.

The University has adopted an endowment spending policy whereby annually the Board of Trustees authorizes amounts to be spent for the purposes intended by the donors based in part on an index of the prior year allocation for spending and in part on a stipulated percentage of the fair value of endowments participating in the investment pool. If the current income of the endowment investments is not sufficient to cover the authorized level of spending, the difference is taken from the market value in excess of the historical gift value, to the extent available.

The expiration of donor-imposed restrictions on contributions or endowment income is recognized in the period in which the restrictions are satisfied. At that time, the related resources are reclassified from temporarily restricted to unrestricted net assets. Restrictions expire when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled. Endowment income and contributions received with donor-imposed restrictions that are satisfied in the same period as received are reported as unrestricted revenues.

Tuition revenue is recognized in the fiscal year in which the predominant portion of instruction occurs. Accordingly, deferred income as of May 31, 2015 includes the amount received from the students prior to May 31, 2015 for the 2015 summer session.

The University receives grant and contract revenue for research and other services it provides pursuant to arrangements with governmental and private entities. For financial statement purposes, grant and contract revenue is recorded at the time corresponding expenses have been incurred.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

2. Accounting Pronouncements or Laws Affecting Future Year Financial Statements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the University on June 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The University is evaluating the effect that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability. The new standard is effective for the University on June 1, 2016.

(Dollars in Thousands)

3. Cash, Cash Equivalents, and Accounts Receivable

The fair value of cash, short maturity cash equivalents, and accounts receivable is estimated to be the same as carrying (book) value because of their short maturities. Operating funds invested in short-term paper are included as cash equivalents, the value of which may fluctuate based on the financial environment and the type of short-term investment. Approximately $947 and $1,276, as of May 31, 2015 and 2014, respectively, of the cash and cash equivalents value relates to certificates of deposit with maturities exceeding three months at the date of purchase. The fair value of these investments may fluctuate with market conditions. The fair value of cash, cash equivalents, and accounts receivable totaled $201,507 and $238,969 of which $5,285 and $3,582 represent donations restricted for property, plant and equipment as of May 31, 2015 and 2014, respectively. The University reserves accounts receivable determined to be impaired or otherwise uncollectible.

4. Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as pledges receivable with gifts reported in the appropriate net asset categories. Pledges receivable are initially recorded at their fair value, which is determined by computing the present value of future cash flows discounted at rates ranging from 4% to 7%. The present value and the associated incremental income are reflected as gift revenue in the period the agreement is made and in the period accreted, respectively.

Unconditional pledges receivable as of May 31 are expected to be realized in the following periods:

	2015	2014
In one year or less	$ 45,399	$ 34,872
Between one year and five years	93,634	85,549
More than five years	13,564	40,681
Less discount	(21,808)	(34,150)
	$ 130,789	$ 126,952

Unconditional pledges receivable as of May 31 have the following restrictions:

	2015	2014
Endowment for departmental programs and activities	$ 18,313	$ 20,702
Endowment for scholarships	12,581	6,904
Construction projects	23,032	38,161
Scholarships, departmental programs and activities	42,151	26,621
Purpose restriction met	34,712	34,564
	$ 130,789	$ 126,952

Conditional promises to give are not recorded in the financial statements until the conditions on which they depend are substantially met. As of May 31, the University has received pledges contingent on the following conditions:

	2015	2014
Contingent on donor's gift collections	$ 4,330	$ 11,890
Matching donation/funding requirement	9,853	8,862
Other	1,500	2,191
	$ 15,683	$ 22,943

(Dollars in Thousands)

5. Investments

Total investments as of May 31 are as follows:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Short-term paper	$ 147,328	$ 147,328	$ 86,160	$ 86,160
Stocks	203,323	203,323	204,207	204,207
Bonds	118,631	118,631	120,689	120,689
Venture capital	40,283	69,081	47,101	58,511
Mortgage and other notes receivable, net	7,318	7,563	7,564	7,564
Real estate:				
Real properties	$ 27,695	$ 33,593	$ 75,039	$ 83,015
Mineral rights	-	57,560	-	49,248
Total real estate	$ 27,695	$ 91,153	$ 75,039	$ 132,263
Funds held in trust by others	20,992	20,992	21,721	21,721
Other investments:				
Private equity	$ 151,838	$ 194,954	$ 178,348	$ 246,863
Diversifying strategies	195,442	353,510	209,709	344,769
Equity funds without daily liquidity	351,077	421,691	272,362	325,432
Fixed income funds without daily liquidity	2,967	3,102	510	565
Equity method investments (carrying value is fair value)	10,451	10,451	9,763	9,763
Total other investments	$ 711,775	$ 983,708	$ 670,692	$ 927,392
Total investments	$ 1,277,345	$ 1,641,779	$ 1,233,173	$ 1,558,507

The fair value of short-term paper, stocks, bonds and funds held in trust by others is based on quoted market prices. The fair value of the University's interest in venture capital, real estate funds and other investments is based on the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the University's investment therein, unless it is probable that all or a portion of the value is different from NAV. The fair value of real estate mineral rights is estimated based on the income stream those assets generate. Where the fair value of mortgage and other notes receivable and University individually owned and managed real estate surface rights is not available and cannot be determined without incurring excessive costs, the amounts reflected as fair value are the same as carrying value.

Investments include assets associated with split-interest agreements. The University's split-interest agreements consist of perpetual trusts held and administered by others, gift annuities, unitrusts and annuity trusts. Perpetual trusts held and administered by others are recorded at the current fair value of the University's interest in the trust assets.

Under split-interest agreements, the University has the right to receive income distributions that are reported as revenue. The gains associated with split-interest agreements were $1,926 and $4,170 in fiscal years 2015 and 2014, respectively. The fair value of split-interest agreements was $34,427 and $35,509 in fiscal years 2015 and 2014, respectively.

Assets associated with gift annuities, unitrusts and annuity trusts held by the University are included in the applicable investment classifications. Under these split-interest agreements, the University makes periodic payments to named beneficiaries in return for assets received. Liabilities associated with split-interest agreements are recorded as accounts payable and accrued expenses on the consolidated balance sheets at current fair value by discounting the anticipated future payments to the income beneficiaries based on their life expectancies determined from the actuarial tables published by the Internal Revenue Service using discount rates of 3.98% and 4.16% per annum in fiscal years 2015 and 2014, respectively. As of May 31, 2015 and 2014, the present values of the University's financial obligations to beneficiaries were $6,773 and $6,799, respectively.

The University also owns foreign investments that are included in the applicable investment classifications on the consolidated balance sheets. To mitigate foreign exchange risk, the investment managers may purchase foreign currency futures contracts which result in unrealized gains and losses that are reflected in the fair values of appropriate investment categories.

Investment return is comprised of investment income and net realized and unrealized gains. Investment income of $20,363 and $25,579 for the years ended May 31, 2015 and 2014, respectively, is net of related expenses, such as custodial fees and investment advisory fees. These expenses are approximately $11,566 and $10,098 for the years ended May 31, 2015 and 2014, respectively. Net realized and unrealized gains on investments totaled $52,901 and $62,659 for the years ended May 31, 2015 and 2014, respectively. Included in these amounts are realized and unrealized gains attributed to assets reported at fair value of approximately $13,575 and $32,809 for the years ended May 31, 2015 and 2014, respectively, and realized gains attributed to assets reported at cost of approximately $39,326 and $29,850 for the years ended May 31, 2015 and 2014, respectively.

The University applies the guidance in Accounting Standards Codification (ASC) 970-323, *Investments - Equity Method and Joint Ventures*, on the equity method of accounting for its noncontrolling interests in a for-profit real estate partnership and similar for-profit real estate entities unless those investments are reported at fair value. The University has determined those for-profit real estate investments in which it holds an interest equal to or greater than 5% will be reported using the equity method of accounting. The University has noncontrolling interests in one real estate entity for investment purposes that meets this 5% threshold and has been recorded using the equity method. All disclosures and unrealized gain (loss) adjustments are based on the most recently reported fair values and financial statements of the investment companies.

As of May 31, 2015 and 2014, the University held a 5.4% ownership interest in the Sustainable Woodlands Fund, L.P. The fair value of its ownership using the most recent (unaudited) financial information of the investment company was $10,451 and $9,763 as of May 31, 2015 and 2014, respectively.

6. Endowment Fund

The University applies the provisions of ASC 958-205, *Endowments of Not-for-Profit Entities - Presentation of Financial Statements*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA or the Act) and also requires disclosures about endowment funds, including both donor-restricted endowment funds and funds functioning as endowment funds.

The University's endowment consists of approximately 1,600 individual donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Based on the interpretation of the UPMIFA by the University's Board of Trustees, absent explicit donor stipulations to the contrary, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until it is appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources
7. The investment policies of the University

(Dollars in Thousands)

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets as of May 31, 2013	$ 69,556	$ 469,776	$ 538,702	$ 1,078,034
Gifts	-	-	40,623	40,623
Investment return:				
Investment income, net of distributions	495	297	1,089	1,881
Net realized and unrealized gains	4,111	58,177	-	62,288
Total investment return	4,606	58,474	1,089	64,169
Endowment gains transferred for spending	(3,346)	(42,482)	-	(45,828)
Funds functioning as endowment net transfers	1,540	-	-	1,540
Other revenues and transfers	-	169	379	548
Net assets as of May 31, 2014	$ 72,356	$ 485,937	$ 580,793	$ 1,139,086
Gifts	-	-	47,292	47,292
Investment return:				
Investment income, net of distributions	1,232	77	1,398	2,707
Net realized and unrealized gains	3,436	49,389	-	52,825
Total investment return	4,668	49,466	1,398	55,532
Endowment gains transferred for spending	(3,691)	(53,213)	-	(56,904)
Funds functioning as endowment net transfers	(1,262)	-	-	(1,262)
Other revenues and transfers	-	965	156	1,121
Net assets as of May 31, 2015	$ 72,071	$ 483,155	$ 629,639	$ 1,184,865

Changes in endowment net assets split between donor-restricted and funds functioning as endowment are as follows:

	Donor-Restricted Endowment	Funds Functioning as Endowment	Total
Balance as of May 31, 2013	$ 1,008,478	$ 69,556	$ 1,078,034
Gifts	40,623	-	40,623
Investment return:			
Investment income, net of distribution	1,386	495	1,881
Net realized and unrealized gains	58,177	4,111	62,288
Total investment return	59,563	4,606	64,169
Endowment gains transferred for spending	(42,482)	(3,346)	(45,828)
Funds functioning as endowment net transfers	-	1,540	1,540
Other revenues and transfers	548	-	548
Balance as of May 31, 2014	$ 1,066,730	$ 72,356	$ 1,139,086
Gifts	47,292	-	47,292
Investment return:			
Investment income, net of distribution	1,475	1,232	2,707
Net realized and unrealized gains	49,389	3,436	52,825
Total investment return	50,864	4,668	55,532
Endowment gains transferred for spending	(53,213)	(3,691)	(56,904)
Funds functioning as endowment net transfers	-	(1,262)	(1,262)
Other revenues and transfers	1,121	-	1,121
Balance as of May 31, 2015	$ 1,112,794	$ 72,071	$ 1,184,865

Endowment funds classified as temporarily restricted net assets and subject to a time restriction under UPMIFA as of May 31 are as follows (dollars in thousands):

	2015	2014
With purpose restrictions	$ 66,699	$ 75,526
Without purpose restrictions	416,456	410,411
Total endowment funds classified as temporarily restricted net assets	$ 483,155	$ 485,937

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Act requires the University to retain as a fund of perpetual duration. There were no deficiencies of this nature as of May 31, 2015 or 2014.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods, as well as funds functioning as endowment funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform over the long term (defined as rolling three and five year periods) a blended benchmark composed of 75% of the Russell 3000 and 25% of Barclay's Government/Credit Index. The University expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually (or 5.5% after an expected average rate of University inflation of 3.5% per year), net of all costs of management fees, trading expenses and custody services over the long term. Actual returns in any given year may vary from this target.

The principal risk to the endowment is the possibility of prolonged or severe asset depreciation that impairs the ability of the fund to preserve the value of the corpus after inflation, fees and the yearly spending distribution. The endowment's broadly diversified portfolio is designed to reduce the volatility of returns. Also, the endowment is invested in asset classes that are projected to perform well and act as a hedge in environments that could cause prolonged or severe asset depreciation such as high inflation or deflation. Risk management is a dynamic process that takes into account general market developments, the proliferation of new investments and the changing nature of correlation across asset classes. The University and its Investment Committee are responsible for this process, monitoring and managing the factors pertaining to credit, liquidity, market and operational risks.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current income (interest and dividends, etc.). The University targets a diversified asset allocation that places emphasis on global equities, diversifying strategies, private markets, real assets and fixed income strategies to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and the Investment Objectives Relationship to Spending Policy

University Administration is authorized to distribute for spending from all endowment funds invested in the Investment Pool that have sufficient realized and unrealized capital gains, an amount equal to seventy percent (70%) of the spending calculated for the previous fiscal year increased by an inflation factor to be determined each fiscal year (1% for fiscal year 2015), and a percent determined for each fiscal year (4.65% for fiscal year 2015) of thirty percent (30%) of the four-quarter average of the Investment Pool per share market value for the preceding calendar year multiplied by the number of shares outstanding at the end of that calendar year. In establishing this policy, the University considers the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts and inflationary increases. Additional real growth will be provided through new gifts and excess investment returns.

7. Fair Value of Financial Instruments

The University complies with ASC 820, *Fair Value Measurement.* This codification provides a definition for fair value, as well as establishing a framework for measuring it and expanding disclosures about fair value measurements. The financial assets recorded at fair value on a recurring basis primarily relate to investments. ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entities (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entities' own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Additional disclosures are required under ASC 820, including segregating asset values among the three levels that identify how investments are valued. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices for comparable assets, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the assets and include situations where there is little, if any, market activity for the assets.

ASC 825, *Financial Instruments*, permits entities to choose to measure financial instruments and other items at fair value. The unrealized gains and losses on items for which the fair value option has been elected would be classified as revenue. For financial statement purposes (balance sheets), the University reports marketable securities, funds held in trust by others and equity method investments at fair value. Venture capital, real estate and other investments (other than equity method investments) are carried on the cost basis.

Annuity obligations are valued for financial statement purposes at fair value using Level 2 valuation techniques. Notes and bonds payable are at the amount of debt incurred, adjusted for principal payments made and premium amortizations. The fair values of annuity obligations, notes payable and bonds payable at the present value of future payments discounted at the prevailing interest rates of comparable debt instruments (Level 2 valuation technique) were $6,773, $227 and $597,267, respectively, as of May 31, 2015 and $6,799, $262 and $614,932, respectively, as of May 31, 2014.

The University entered into an agreement during fiscal year 2015 to hedge a portion of the cost of electricity from January 1, 2018 through December 31, 2026. The transaction allows the University to accurately budget future costs and limit the effect of unexpected changes in utility prices. The estimated fair value of the arrangement was a liability of $171 as of May 31, 2015. The change in value is reported as institutional support expense on the consolidated statements of activities. The fair value of the agreement is the estimated amount the University would pay to terminate the contract on May 31, 2015.

(Dollars in Thousands)

The following table presents information about the University's investments at fair value, the fair value hierarchy to determine such fair value and the strategies related to them: as of May 31, 2015:

	Quoted in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Short-term paper	$ 147,328	$ -	$ -	$ 147,328
Stocks	203,323	-	-	203,323
Bonds	116,417	2,214	-	118,631
Venture capital	-	-	69,081	69,081
Mortgage and other notes receivable	-	7,563	-	7,563
Real Estate:				
Real Properties				
Directly held real estate	-	4,213	290	4,503
Real estate funds	-	-	5,933	5,933
Timber funds	-	-	23,157	23,157
Mineral rights	-	57,560	-	57,560
Funds held in trust by others	-	15,391	5,601	20,992
Other Investments:				
Private Equity	-	-	194,954	194,954
Diversifying strategies:				
Single strategy hedge funds	-	-	215,267	215,267
Multi strategy hedge funds	-	-	135,754	135,754
Side pockets/private-like hedge funds	-	-	2,489	2,489
Equity funds without daily liquidity:				
Domestic equities, long only	-	-	187,832	187,832
International equities emerging markets	-	-	37,917	37,917
International equities developed markets	-	-	194,806	194,806
Multi strategy equity funds	-	-	1,136	1,136
Fixed Income funds without daily liquidity	-	-	3,102	3,102
Equity method investments (Timber Fund)	-	-	10,451	10,451
Total Investments	$ 467,068	$ 86,941	$ 1,087,770	$ 1,641,779

The University has unfunded commitments of $4,086, $13,226 and $142,852 in the venture capital, real estate funds, private equity and other investments categories, respectively.

(Dollars in Thousands)

The following table presents information about the University's investments at fair value as of May 31, 2014, including the fair value hierarchy to determine such fair value as well as the strategies related to them:

	Quoted in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Short-term paper	$ 86,160	$ -	$ -	$ 86,160
Stocks	204,207	-	-	204,207
Bonds	118,458	2,231	-	120,689
Venture capital	-	-	58,511	58,511
Mortgage and other notes receivable	-	7,564	-	7,564
Real Estate:				
Real Properties				
Directly held real estate	-	5,558	290	5,848
Real estate funds	-	-	54,787	54,787
Timber funds	-	-	22,380	22,380
Mineral rights	-	49,248	-	49,248
Funds held in trust by others	-	16,033	5,688	21,721
Other Investments:				
Private Equity	-	-	246,863	246,863
Diversifying strategies:				-
Single strategy hedge funds	-	-	212,018	212,018
Multi strategy hedge funds	-	-	128,454	128,454
Side pockets/private-like hedge funds	-	-	4,297	4,297
Equity funds without daily liquidity:				-
Domestic equities, long only	-	-	154,851	154,851
International equities emerging markets	-	-	43,699	43,699
International equities developed markets	-	-	125,852	125,852
Multi strategy equity funds	-	-	1,030	1,030
Fixed Income funds without daily liquidity	-	-	565	565
Equity method investments (Timber Fund)	-	-	9,763	9,763
Total Investments	$ 408,825	$ 80,634	$ 1,069,048	$ 1,558,507

At May 31, 2014, the University had unfunded commitments of $6,423, $18,353 and $121,393 in the venture capital, real estate funds, private equity and other investments categories, respectively.

The University's policy is to recognize transfers among levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 during fiscal years 2015 or 2014.

(Dollars in Thousands)

For fiscal years 2015 and 2014, fair value for assets using significant unobservable inputs (Level 3) is as follows:

2015	Opening Balance	Realized Gains	Unrealized Gains (Losses)	Sales	Purchases	Ending Balance
Venture capital	$ 58,511	$ 2,208	$ 17,386	$ (14,730)	$ 5,706	$ 69,081
Real estate	77,457	2,782	(2,537)	(56,164)	7,842	29,380
Funds held in trust	5,688	108	(198)	(110)	113	5,601
Other investments	927,392	31,115	8,364	(131,114)	147,951	983,708
Total	$ 1,069,048	$ 36,213	$ 23,015	$ (202,118)	$ 161,612	$ 1,087,770

2014	Opening Balance	Realized Gains (Losses)	Unrealized Gains	Sales	Purchases	Ending Balance
Venture capital	$ 57,435	$ (1,039)	$ 8,748	$ (13,890)	$ 7,257	$ 58,511
Real estate	102,412	(9,325)	12,508	(30,736)	2,598	77,457
Funds held in trust	5,234	333	66	(19)	74	5,688
Other investments	742,486	43,126	66,217	(116,492)	192,055	927,392
Total	$ 907,567	$ 33,095	$ 87,539	$ (161,137)	$ 201,984	$ 1,069,048

The following table presents the liquidity of the University's investments at fair value at May 31, 2015:

	Within 30 Days[1]	Quarterly[2]	Semi-Annual or Annual[3]	Illiquid[4]	Total
Venture capital	$ -	$ -	$ -	$ 69,081	$ 69,081
Real Estate:					
Real Properties					
Directly held real estate	-	-	-	4,503	4,503
Real estate funds	-	-	-	5,933	5,933
Timber funds	-	-	-	23,157	23,157
Mineral rights	-	-	-	57,560	57,560
Funds held in trust by others	-	-	-	20,992	20,992
Other Investments:					
Private Equity	-	-	-	194,954	194,954
Diversifying strategies:					
Single strategy hedge funds	-	73,776	106,108	18,590	198,474
Multi strategy hedge funds	-	111,187	15,850	25,510	152,547
Side pockets/private-like hedge funds	-	-	-	2,489	2,489
Equity funds without daily liquidity:					
Domestic equities, long only	-	65,474	53,420	68,939	187,833
International equities emerging markets	37,659	20,884	37	-	58,580
International equities developed markets	152,298	21,844	-	-	174,142
Multi strategy equity funds	1,136	-	-	-	1,136
Fixed Income funds without daily liquidity	3,102	-	-	-	3,102
Equity method investments (Timber Fund)	-	-	-	10,451	10,451
Total	$ 194,195	$ 293,165	$ 175,415	$ 502,159	$ 1,164,934
Level 1 Securities					467,068
Other investments not subject to redemption terms					9,777
Total investments					$ 1,641,779

[1] With 3 business days to 60 days notice
[2] With 30 to 90 days notice
[3] With 45 to 90 days notice
[4] Includes funds under lock up as of May 31, 2015

The following table presents the liquidity of the University's investments at fair value at May 31, 2014:

	Within 30 Days[1]	Quarterly[2]	Semi-Annual or Annual[3]	Illiquid[4]	Total
Venture capital	$ -	$ -	$ -	$ 58,511	$ 58,511
Real Estate:					
Real Properties					
Directly held real estate	-	-	-	5,848	5,848
Real estate funds	-	-	-	54,787	54,787
Timber funds	-	-	-	22,380	22,380
Mineral rights	-	-	-	49,248	49,248
Funds held in trust by others	-	-	-	21,721	21,721
Other Investments:					
Private Equity	-	-	-	246,863	246,863
Diversifying strategies:					
Single strategy hedge funds	-	63,241	129,729	19,048	212,018
Multi strategy hedge funds	-	89,081	22,945	16,428	128,454
Side pockets/private-like hedge funds	-	-	-	4,297	4,297
Equity funds without daily liquidity:					
Domestic equities, long only	-	63,298	46,190	45,363	154,851
International equities emerging markets	20,730	22,914	-	55	43,699
International equities developed markets	107,739	18,113	-	-	125,852
Multi strategy equity funds	1,030	-	-	-	1,030
Fixed Income funds without daily liquidity	565	-	-	-	565
Equity method investments (Timber Fund)	-	-	-	9,763	9,763
Total	$ 130,064	$ 256,647	$ 198,864	$ 554,312	$ 1,139,887
Level 1 Securities					408,825
Other investments not subject to redemption					9,795
Total investments					$ 1,558,507

[1] With 3 business days to 60 days notice
[2] With 30 to 90 days notice
[3] With 45 to 90 days notice
[4] Includes funds under lock up as of May 31, 2014

8. Property, Plant and Equipment

Plant assets include net interest expense of $3,098 and $3,631 capitalized for construction bond projects during fiscal years 2015 and 2014, respectively, and included in property, plant and equipment in the following table (dollars in thousands):

	2015	2014
Land	$ 176,012	$ 172,990
Land improvements	82,659	75,355
Buildings	922,402	879,494
Equipment	97,010	92,836
Art	37,469	32,550
Other assets	18,077	17,051
Construction in progress	52,217	35,970
Total property, plant and equipment	$ 1,385,846	$ 1,306,246
Less accumulated depreciation	(398,608)	(369,947)
Total, net of accumulated depreciation	$ 987,238	$ 936,299

(Dollars in Thousands)

The fair value of a liability for the legal obligation for asbestos and lead paint abatement associated with the retirement of long-lived assets is recognized in the period in which it is incurred, at the present value of expected future cash flows and is added to the carrying value of the associated asset to be depreciated over the asset's useful life.

The following table summarizes the change in the asset retirement obligation for fiscal years ended May 31, 2015 and 2014:

	2015	2014
Asset retirement obligations at beginning of year	$ 15,852	$ 15,452
Disposal of asset retirement obligations	(448)	(428)
Increase (decrease) in property, plant and equipment, net of accumulated depreciation	(69)	(221)
Current year accretion and depreciation expense	953	1,049
Asset retirement obligations at end of year	$ 16,288	$ 15,852

9. Accounts Payable and Accrued Expenses

The University has $188,809 and $195,776 reported as accounts payable and accrued expenses as of May 31, 2015 and 2014, respectively. Included in these amounts is the present value of conditional asset retirement obligations and performance on a long-term lease obligation, which are adjusted annually. Due to the use of present value calculations or the short maturity of the obligations included in accounts payable and accrued expenses, the carrying values reflected on the consolidated financial statements approximate their fair values.

10. Notes and Bonds Payable

Included in other liabilities are notes payable as of May 31 which consist of the following:

	2015	2014
Total notes payable include notes due at various dates through 2021, with average interest rates of 0% as of May 31, 2015 and 2014, with $18 and $25 secured by equipment and property as of May 31, 2015 and 2014, respectively. The University did not draw on its $25,000 line of credit as of May 31, 2015 or May 31, 2014	$ 258	$ 305

(Dollars in Thousands)

Bonds payable as of May 31 consist of the following:

	2015	2014
1985 Refunding Series; weekly demand put bonds due July 1, 2015 with a variable interest rate of 0.07% as of May 31, 2015; secured by unrestricted receivables supported by self liquidity	$ 19,200	$ 19,200
2007 Serial Bonds; maturing from 2014 through 2029 with fixed interest rates ranging from 4.00% to 5.25% and Term Bonds maturing in 2032 with a fixed rate of 4.30%; secured by unrestricted receivables	80,870	85,865
2009 Serial Bonds; maturing from 2014 through 2029 with fixed interest rates ranging from 4.00% to 5.00% and Term Bonds maturing in 2032 and 2036 with fixed interest rates of 4.25% and 5.00%, respectively; secured by unrestricted receivables	133,945	137,845
2010 Serial Bonds; maturing from 2014 through 2030 with fixed interest rates ranging from 3.00% to 5.00% and Term Bonds maturing in 2035 and 2041 with a fixed interest rate of 5.00%; secured by unrestricted receivables	114,215	116,330
2013A Serial Bonds; maturing from 2029 through 2033 with fixed interest rates ranging from 3.25% to 5.00% and Term Bonds maturing in 2038 with a fixed interest rate of 5.00% and maturing in 2042 with fixed interest rates of 4.00% and 5.00%; secured by unrestricted receivables	99,195	99,195
2013B Serial Bonds; maturing from 2014 through 2028 with fixed interest rates ranging from 0.54% to 3.62% and Term Bonds maturing in 2033 with a fixed interest rate of 4.16%; secured by unrestricted receivables	85,130	89,825
Total bonds payable prior to unamortized net premium	$ 532,555	$ 548,260
Unamortized net premium	23,732	25,959
Total bonds payable	$ 556,287	$ 574,219

On April 16, 2013, the University issued Series 2013A and Series 2013B bonds totaling $189,285. The proceeds of the Series 2013A tax-exempt bonds are being used to complete the construction of the new Residential Commons and related projects, renovate existing educational facilities and housing facilities, replace the PBX system, rebuild what will be the Dr. Bob Smith Health Center, and purchase property on the east side of North Central Expressway for future University growth. The proceeds of the Series 2013B taxable bonds are being used to partially fund the building of the SMU Tennis Center, renovate Moody Coliseum, equip a distributed antenna system, refund a portion of a prior bond issuance, and purchase property on the east side of campus. As of May 31, 2015, $66,723 of proceeds from the Series 2013A bonds and $25,082 of proceeds from the Series 2013B bonds are invested in cash and cash equivalents.

(Dollars in Thousands)

Bond issuance costs of $3,987 and $4,187 as of May 31, 2015 and 2014, respectively, are capitalized. All bond issuance costs are amortized using the straight-line method over the lives of the bonds.

As required by bond indenture agreements, the University has cash and securities that have fair values totaling $6,430 on deposit with the trustee bank as of May 31, 2015. These assets are restricted for the payment of principal and interest relating to $19,200 general obligation demand bonds included in long-term debt which matured and were paid on July 1, 2015.

In addition, the University has cash and securities in escrow with the trustee bank as of May 31, 2015, with a fair value totaling $2,266 that relates to a donor gift that will be applied to bond principal of $2,035 on the Series 2007 bonds.

Interest expense on notes and bonds payable was $17,534 and $18,417 for the fiscal years ended May 31, 2015 and 2014, respectively. As of May 31, 2015, the University had scheduled principal maturities for the following fiscal years:

2016	$	35,517
2017		18,432
2018		18,979
2019		19,765
2020		20,785
Thereafter		419,335
	$	532,813

11. Related Party Transactions

In the ordinary course of business, the University may have business transactions with entities in which University board members or employees have an interest. Although generally such transactions are immaterial, the University does engage in such business transactions that may be material. The University has invested funds totaling $6,591 and $6,885 in fiscal years 2015 and 2014, respectively, with investment firms with which board members are affiliated.

12. Postemployment Benefits

The University accrues obligations for certain other future postemployment benefits payable to former or inactive employees, if they are determinable. The University has post-employment benefit obligations of $703 and $732 in fiscal year 2015 and 2014, respectively.

13. Postretirement Healthcare Benefits

The University provides postretirement healthcare benefits for employees who meet minimum age and service requirements and retire from the University. These benefits are provided by an insured Medicare supplement product with no lifetime maximum. The funding for the premium of this product is shared between the University and plan participants.

The University accrues the expected cost of providing postretirement benefits, other than pensions, during the years that employees render services. The accumulated postretirement benefit obligation (APBO) initially recognized in fiscal year 1994 was amortized over twenty years.

Actuarial assumptions used to determine the value of the APBO and the benefit costs included discount rates of 3.98% and 4.16% per annum for fiscal years 2015 and 2014, respectively. Health care cost trends are graded from 8.5% in 2015 to 5.0% in 2023.

(Dollars in Thousands)

ASC 715, *Compensation - Retirement Benefits*, requires the funded status of the postretirement benefit plan to be reported as an asset (for overfunded plans) or a liability (for underfunded plans). ASC 715 also requires disclosure of the incremental effect of adopting the standard on certain individual line items of the consolidated balance sheet.

The components of the net periodic benefit cost for the years ended May 31 are as follows:

	2015	2014
Service cost	$ 777	$ 908
Interest cost	1,756	1,681
Amortization:		
Transition obligation	-	4
Prior service cost	132	132
Unrecognized loss	932	982
Net periodic benefit cost	$ 3,597	$ 3,707

The prior service cost and unrecognized loss for the defined benefit postretirement plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $330 and $949, respectively. The transition obligation has been completely amortized.

Net periodic benefit cost and other changes in plan assets and benefit obligations recognized in unrestricted net assets in 2015 and 2014 are as follows:

	2015	2014
Net periodic benefit cost recognized	$ 3,597	$ 3,707
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial gain	42	(518)
Prior service cost	(132)	(132)
Transition obligation	-	(4)
Total recognized in unrestricted net assets	(90)	(654)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 3,507	$ 3,053

(Dollars in Thousands)

The accrued postretirement benefit obligations recognized in the University's consolidated balance sheets as of May 31 pursuant to the recognition provisions of ASC 715 are as follows:

	2015	2014
Benefit obligation, beginning of year	$ 43,205	$ 41,692
Service cost	777	908
Interest cost	1,755	1,681
Plan participants' contribution	1,097	1,060
Benefit payments	(2,593)	(2,600)
Actuarial loss	975	464
Benefit obligation, end of year	$ 45,216	$ 43,205

The accumulated postretirement benefit includes a current liability of $2,210 for the claims and expenses that are expected to be paid out in the coming year and $43,006 of noncurrent postretirement benefit liabilities.

Healthcare cost trend assumptions have a significant impact on the amounts reported. A one percentage point increase in the assumed healthcare cost trend rate would result in a $159 increase in the net periodic postretirement benefit cost recognized in fiscal year 2015 and a $2,710 increase in the accumulated postretirement benefit obligation for healthcare benefits as of May 31, 2015. A one percentage point decrease in the assumed healthcare cost trend rate would result in a $150 decrease in the net periodic postretirement benefit cost recognized in fiscal year 2015, and a $2,554 decrease in the accumulated postretirement benefit obligation for healthcare benefits as of May 31, 2015.

As of May 31, 2015, the University had expected benefit payments in the following fiscal years:

2016	$ 2,210
2017	2,333
2018	2,450
2019	2,572
2020	2,700
2021-2025	15,660
	$ 27,925

The University also has a defined contribution retiree medical plan intended to replace the University's defined benefit retiree medical plan. Under this program, both the University and employees contribute monthly to the employees' retiree medical accounts. The University contributed $1,496 and $1,203 to this program in fiscal years 2015 and 2014, respectively. The current defined benefit retiree medical plan will be phased out concurrently with funding of this defined contribution plan.

14. Retirement Plan

Full-time and part-time benefits-eligible employees are eligible for the 403(b) Retirement Plan at age 21. Full-time employees are required to enroll if age 36 or older. Retirement benefit expenses under this plan were approximately $16,866 and $16,250 in fiscal years 2015 and 2014, respectively.

(Dollars in Thousands)

15. Net Assets Released from Restrictions

The sources of net assets released from temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors were as follows:

	2015	2014
Acquisition of buildings and equipment	$ 24,173	$ 39,261
Instruction, research, departmental support, scholarships and other	73,009	68,655
	$ 97,182	$ 107,916

16. Restrictions and Limitations on Net Asset Balances

Temporarily and permanently restricted net assets as of May 31 consist of the following:

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment	$ 483,155	$ 629,639	$ 485,937	$ 580,793
Annuity trust and unitrust	614	5,449	633	5,594
Student loan funds	-	20,527	-	20,420
Gifts and other unexpended revenues and gains available for:				
Acquisition of building and equipment	81,293	-	70,320	-
Instruction, research, departmental support, scholarships and other	50,931	-	53,484	-
	$ 615,993	$ 655,615	$ 610,374	$ 606,807

17. Commitments and Contingencies

The University is contractually obligated for approximately $69,122 as of May 31, 2015 for construction projects with scheduled completion dates through fiscal year 2018.

The University is party to various lease agreements which requires the University to make future lease payments and other agreements that entitle the University to future independent operations revenues. During the fiscal year, the University incurred $565 and $787 in operating lease expenses for facilities and equipment and received $3,423 and $3,367 in rental revenue in the fiscal years ended May 31, 2015 and 2014, respectively. As of May 31, 2015, the University has lease commitments and future lease revenue for the following future fiscal years:

	Lease Commitments	**Lease Revenues**
2016	$ 658	$ 3,069
2017	209	2,548
2018	142	2,235
2019	30	1,759
2020	18	1,589
Thereafter	119	2,318
	$ 1,176	$ 13,518

(Dollars in Thousands)

Accounts payable and accrued expenses include $44,615 reflecting the fair value of a ground lease contribution to The George W. Bush Foundation for the location, construction and operation of the George W. Bush Presidential Library Center facilities at the University as of May 31, 2015. This balance is being accreted over the 249 years of the lease, including extensions.

The University has committed to capital draws totaling $673,545 for venture capital, real estate funds and other investments, of which $492,298 had been drawn as of May 31, 2015. The University has committed to pay draws as required for the remaining $170,204 through fiscal year 2026.

The University participates in the federal Title IV student financial aid programs and must fulfill federal requirements to qualify for these programs. Management is of the opinion that the University is in compliance with the federal requirements.

The University enters into contracts with vendors, some of which may have penalties for early termination. It is the University's practice when entering into such contracts to not cancel the contracts prior to the end of their term. If, from a business standpoint, including consideration of the cancellation penalty, the University does cancel any such contract, it does not believe there would be any material adverse effect on the University's consolidated financial statements.

The University is a defendant in several legal actions. The outcomes of these actions cannot be determined at this time, but management is of the opinion that liability, if any, from these actions will not have a material effect on the University's financial position.

The University has entered into four agreements with banks to guarantee the construction loan debt for sorority houses built on University land. Under these agreements if the debtors default on their obligations, the University may be required to satisfy all or part of the remaining obligation. The liability for these guarantees has been recorded as accounts payable and accrued expenses with an offsetting amount recorded as other assets. The following guarantees were outstanding at the end of the respective fiscal years. Unless otherwise noted, the maximum amount of the guarantee is equal to the amount outstanding. The Delta Gamma guarantee was issued during fiscal year 2015.

	2015	2014	Maximum Amount	Expiration
Phi Beta Phi	$ 638	$ 768	$ -	2017
Tri Delta	3,062	3,062	-	2027
Chi Omega	2,895	2,314	4,000	2028
Delta Gamma	1,208	-	2,500	2029
	$ 7,803	$ 6,144	$ 6,500	

During fiscal year 2015, the Board authorized the University to guarantee up to $5,125 of debt for the Kappa Alpha Theta sorority. The corresponding loan and guarantee agreements are expected to be executed during fiscal year 2016.

18. Tax Status

The University has received a determination letter from the Internal Revenue Service indicating it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 ("Code"), as amended, as an organization described in Section 501(c)(3). Peruna Properties, Inc., Pony Properties, Inc., the Southern Methodist University Foundation for Research, Peruna Holdings Corporation, Mustang Mockingbird Corporation, Mustang Mockingbird Properties, Mustang Airline Corporation, The Stadium Club, Inc., SMU Corp., and Peruna East Corporation are controlled corporations included in the University's consolidated financial statements and exempt from federal income taxes under Section 501(a) of the Code, as amended, as organizations described in Sections 501(c)(3) and 501(c)(7). The University, Peruna Properties, Inc., Pony Properties, Inc., the Southern Methodist University Foundation for Research, Peruna Holdings Corporation, Mustang Mockingbird Corporation, Mustang Mockingbird Properties, Mustang Airline Corporation, and SMU Corp, and Peruna East Corporation have been classified as organizations that are not private foundations under Sections 509(a)(1) and 509(a)(3), and as such, contributions to these entities qualify for deduction as charitable contributions. SMU Golf Foundation, another controlled corporation, is awaiting a determination from the Internal Revenue Service to be a tax-exempt supporting organization, under Sections 501(c)(3) and 509(a)(3) of the Code. The University and its controlled corporations are exempt from federal income taxes except to the extent they have unrelated business income.

The University complies with the requirements of ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement requirements for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, ASC 740 provides guidance on recognition, classification, and accounting in interim periods and disclosure requirements for uncertain tax provisions. The University and its controlled corporations do not have any uncertain tax positions and, therefore, have recorded no liability or benefit for such positions for the years ended May 31, 2015 and 2014.

19. Subsequent Events

On July 1, 2015, the 1985 Series general obligation demand bonds matured and the University paid the outstanding balance of $19,200. The University has evaluated subsequent events from the balance sheet date through September 2, 2015, the issue date of the financial statements, and determined that there are no other items to disclose.

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

Capitalized terms not otherwise defined in the Official Statement or under this caption have the meanings ascribed to them in the Indenture and the Agreement.

"*Act*" means the Higher Education Authority Act, Chapter 53 of the Texas Education Code, as amended effective on September 1, 2005 and recodified as Chapters 53, 53A and 53B, as it may be further amended from time to time, and particularly Section 53.35A(b) thereof, and the Texas Non-Profit Corporation Act, as amended, as made applicable thereby.

"*Administration Expenses*" means compensation and reimbursement of expenses and advances payable to the Trustee and the Issuer.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means the Loan Agreement, dated as of January 1, 1999, between the University and the Issuer, as amended and supplemented from time to time.

"*Authorized Issuer Representative*" means any person at the time authorized to act on behalf of the Issuer by written certificate furnished to the University and the Trustee containing the specimen signature of such Person and signed by the President or the Vice President of the Issuer.

"*Authorized University Representative*" means any person at the time authorized to act on behalf of the University by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such Person and signed by the President or any Vice President of the University.

"*Board Resolution*" of any specified Person means a copy of a resolution certified by the Person responsible for maintaining the records of the Governing Body of such Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification and delivered to the Trustee.

"*Bond Counsel*" means the firm of nationally recognized bond counsel designated by the Issuer as its bond counsel with respect to bond financings for the University.

"*Bond Documents*" means, collectively the Indenture, the Agreement, the Master Indenture, the Purchase Contract and the Bonds.

"*Bond Payment Date*" means any Interest Payment Date and any other date on which the principal of, premium, if any, or interest on the Bonds is to be paid to the Owners thereof, whether upon redemption, at the Stated Maturity Date, or upon acceleration of the Stated Maturity Date of the Bonds.

"*Bonds*" means the Series 2016 Bonds, the Series 2013 Bonds, the Series 2010 Bonds, the Series 2009 Bonds, the Series 2007 Bonds, the Series 2003 Bonds and the Series 2002 Bonds and any additional Bonds issued by the Issuer and authenticated by the Trustee pursuant to the Indenture and any Supplemental Indenture.

"*Business Day*" shall mean a day other than (1) a Saturday; (2) a Sunday; (3) a day on which banks in New York, New York, Dallas, Texas, or in any city in which the Principal Office of the Trustee is located are required or authorized by law or executive order to remain closed; or (4) a day on which the New York Stock Exchange is closed.

"*Closing*" with respect to any issue of Bonds means the concurrent delivery of such issue against payment therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and includes the United States Treasury Regulations proposed or in effect thereunder and applicable to the Bonds or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"*Completion Date*" means with respect to an issue of Bonds the date on which each Project financed with the proceeds of the Bonds of such issue is completed in its entirety and is ready to be placed in service and operated for the purpose for which it is designed, as determined by the University and as that date shall be certified as provided herein under the caption "THE LOAN AGREEMENT-The Projects-Certification of Completion Date."

"*Consent*," "*Order*," and "*Request*" (i) when used in connection with either the Indenture or Agreement, of any specified Person mean, respectively, a written consent, order or request signed in the name of such Person by the Chairman of the governing body, the President, or a Vice President or by the Treasurer, an Assistant Treasurer, the Controller, or Assistant Controller, the Secretary, or an Assistant Secretary of such Person and delivered to the Trustee, and (ii) when used in connection with the Master Indenture, of any specified Person mean, respectively, a written consent, order or request delivered to the Master Trustee and signed in the name of such Person by its president, its chief executive officer, its chief financial officer, or any other Person designated, in writing and delivered to the Master Trustee, by any of such Persons to execute any such instrument.

"*Costs of Issuance*" means with respect to an issue of Bonds issuance costs with respect to the Bonds of such issue within the meaning of Section 147(g) of the Code.

"*Credit Agreement*" with respect to any series of Securities means any agreement or other obligation of the University entered into to provide credit or liquidity support relating to a series of Securities, or relating to other obligations secured by Securities, and designated as a Credit Agreement by University Order, the Master Indenture or Supplemental Master Indenture.

"*Credit Enhancer*" with respect to any series of Securities means the Person designated as such by University Order, the Master Indenture or Supplemental Master Indenture.

"*Credit Facility*" with respect to any series of Securities means any letter of credit, bond insurance policy, standby purchase agreement, line of credit, or other instrument or undertaking issued by a Credit Enhancer with respect to a series of Securities or other instruments secured by Securities and designated as a Credit Facility by University Order, the Master Indenture or Supplemental Master Indenture.

"*Debt*" of the University means all:

(a) indebtedness incurred or assumed by the University for borrowed money or for the acquisition, construction or improvement of property other than goods or services that are acquired in the ordinary course of business of the University;

(b) lease obligations of the University that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(c) all indebtedness (other than indebtedness otherwise treated as Debt under the Master Indenture) for borrowed money or the acquisition, construction or improvement of property or capitalized lease obligations guaranteed, directly or indirectly, in any manner by the University, or in effect guaranteed, directly or indirectly, by the University 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

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

For the purpose of computing the "Debt" of the University, there is excluded any particular Debt if, upon or prior to the Maturity thereof, there has been deposited with the proper depository in trust the necessary funds (or evidences of such Debt or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption or satisfaction of such Debt; and thereafter such funds, evidences of Debt and investments so deposited will not be included in any computation of the assets of the University.

"*Defeasance Obligations*" (i) when used in connection with the Indenture means clauses (1) and (2) below and (ii) when used in connection with the Master Indenture means clauses (1), (2) and (3) below:

(1) Direct obligations of the United States of America or obligations to the full and prompt payment of which the full faith and credit of the United States of America is irrevocably pledged or evidences of direct ownership of interests in future interest and principal payments on such obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on such obligations, and which underlying obligations are not available to satisfy any claim of the custodian or any Person claiming through the custodian or to whom the custodian may be obligated; or

(2) Obligations the interest on which is excludable from the gross income of all owners thereof for federal income tax purposes, and provision for the payment of the principal of (and premium, if any) and interest on which shall have been made by the irrevocable deposit at least 123 days preceding the date of determination with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of money, or obligations described in clause (1) above, the maturing principal of and interest on which, when due and payable, without reinvestment will provide money, sufficient to pay when due the principal of (and premium, if any) and interest on such obligations, and which money, or obligations described in clause (1) above, are not available to satisfy any other claim, including any claim of the trustee or escrow agent or any claim of any Person claiming through the trustee or escrow agent or any claim of any Person to whom the Person on whose behalf such irrevocable deposit was made, the trustee or the escrow agent may be obligated, whether arising out of the insolvency of the Person on whose behalf such irrevocable deposit was made, the trustee or escrow agent or otherwise; provided that, at the time of their purchase, such obligations are rated in the highest generic long-term debt rating category by at least one Rating Service; or

(3) with respect to any series of Securities, such obligations as may be designated in the instruments pursuant to which such series is created as "Defeasance Obligations."

"*Designated Corporate Trust Office*" means a corporate trust office designated in writing to the Issuer and the University by the Trustee from time to time as the Designated Corporate Trust Office for purposes of this Indenture, presently 601 Travis Street, 16th Floor, Houston, Texas 77002, Attention: Institutional Trust Services.

"*Event of Default*" as used in the Indenture mean any occurrence or event specified in under the caption "THE INDENTURE—Defaults and Remedies Under the Indenture—*Events of Default*" herein.

"*Event of Default*" as used in the Agreement means any of the events described as an event of default under the caption "THE LOAN AGREEMENT—Defaults and Remedies Under the Loan Agreement—*Events of Default*" herein.

"*Event of Default*" as used in the Master Indenture means any of the events described as an event of default under the caption "THE MASTER INDENTURE—Defaults and Remedies Under the Master Indenture—*Events of Default*" herein.

"*Fiscal Year*" of any specified Person means an annual period adopted by such Person as the accounting period used for preparation of the financial statements required to be delivered pursuant to the Master Indenture.

"*Force Majeure*" means acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State, or any department, agency, political subdivision, court or official of any of them, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; volcanoes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery; partial or entire failure of utilities; or any cause or event not reasonably within the control of the University.

"*Funded Debt*" of any Person means all Debt created, assumed or guaranteed by such Person that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of such Person, to a date more than one year after the original creation, assumption or guarantee of such Debt by such Person.

"*Governing Body*" of any specified Person means the board of directors or board of trustees of such Person or any duly authorized committee of that board, or if there be no board of trustees or board of directors, then the Person or body which pursuant to law or the organizational documents of such Person is vested with powers similar to those vested in a board of trustees or a board of directors.

"*Government Obligations*" means direct non-callable obligations of the United States of America or obligations to the full and prompt payment of which the full faith and credit of the United States of America has been pledged.

"*Holder*" or "*Security Holder*" means a Person in whose name a Security is registered in the security register maintained by the Master Trustee pursuant to the Master Indenture.

"*Indenture*" means the Trust Indenture, dated as of January 1, 1999 between the Issuer and the Trustee relating to the issuance of the Bonds, as amended or supplemented from time to time as permitted by the Indenture.

"*Independent*" when used with respect to any specified Person means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the University or any other obligor upon the Securities or in any Affiliate of the University or such other obligor, and (3) is not connected with the University or such other obligor or with any Affiliate of the University or such other obligor as an officer, employee, promoter, trustee, partner, director or person performing similar functions. Whenever it is provided that any Independent Person's opinion or certificate be furnished to the Trustee, such Person will be appointed by Order of the Person making such appointment and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"*Interest Payment Date*" means (i) with respect to the Series 2002 Bonds, October 1, 2002 and each April 1 and October 1 thereafter, (ii) with respect to the Series 2003 Bonds, April 1, 2004 and each October 1 and April 1 thereafter, (iii) with respect to the Series 2007 Bonds, April 1, 2007 and each October 1 and April 1 thereafter, (iv) with respect to the Series 2009 Bonds, April 1, 2010 and each October 1 and April 1 thereafter, (v) with respect to any other series of Bonds, the meaning set forth in the Supplemental Indenture or Issuer Order, (vi) with respect to the Series 2010 Bonds, April 1, 2011, and each October 1 and April 1 thereafter, (vii) with respect to the Series 2013 Bonds, October 1, 2013 and each October 1 and April 1 thereafter authorizing such series, and (viii) with respect to Securities the Stated Maturity of an installment of interest on any Security.

"*Investment Agreement*" means investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company), including, without limitation, a municipal bond insurer, the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Construction Fund, construction draws) on the Bonds;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(iv) the Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, to the Issuer and the Trustee;

(v) the investment agreement shall provide that if during its term

(A) the provider's rating by either S&P or Moody's falls below "AA" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the *"Holder of the Collateral")* collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction upon University Request), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment,

in either case with no penalty or premium to the Issuer or Trustee; and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered to the Issuer and the Trustee, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(vii) the investment agreement must provide that if during its term

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction upon University Request), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

"*Investment Securities*" means any of the following obligations or securities: (a) Government Obligations; (b) interest-bearing deposit accounts (which may be represented by certificates of deposit including Eurodollar certificates of deposit) in banks (which may include the Trustee) having a combined capital and surplus of not less than $100,000,000; (c) bankers' acceptances drawn on and accepted by commercial banks (which may include the Trustee) having a combined capital and surplus of not less than $100,000,000 which are rated not lower than "A-1" by S&P; (d) obligations of any agency or instrumentality of the United States of America; (e) commercial or finance company paper which is rated in the highest rating category by S&P or Moody's or any successor thereto with a term not exceeding 270 days; (f) Repurchase Agreements; (g) Exempt Securities rated in the highest rating category by a nationally recognized rating agency; (h) money market funds (which may include those of the Trustee or its Affiliates) rated "AAm" or "AAm-G" or better by S&P; (i) Investment Agreements; (j) obligations of any state, municipality or political subdivision of such state rated in one of the three highest categories by S&P or Moody's; (k) obligations (including asset-backed and mortgage backed obligations) of any corporation, partnership, trust or other entity which are rated in one of the three highest rating categories by S&P or Moody's; and (1) other obligations which are rated in one of the three highest categories by S&P or Moody's.

"*Issuer*" means the Southwest Higher Education Authority, Inc.

"*Loan*" means the loan made by the Issuer, as lender, from the proceeds of the sale on issue of Bonds, to the University, as borrower, pursuant to the terms of the Agreement.

"*Mail*" means mail by first class postage to the Owners of the Bonds.

"*Master Indenture*" means the Master Trust Indenture, dated as of January 1, 1999, from the University to the Master Trustee.

"*Master Trustee*" means The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), serving as trustee pursuant to the Master Indenture, and its successors and assigns permitted by the Master Indenture.

"*Maturity*" means (i) with respect to the Bonds, the date on which the principal of any Bond becomes due and payable whether on the Stated Maturity Date, by declaration of acceleration or otherwise and (ii) with respect to any Security means the date on which the principal of such Security becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.

"*Moody's*" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"*Officer's Certificate*" of any specified Person means (i) when used in connection with the Indenture or the Agreement a certificate signed by the Chairman of the governing body, the President or any Vice President or by the Treasurer, Assistant Treasurer, Secretary or Assistant Secretary of such Person and delivered to the Trustee, or (ii) when used in connection with the Master Indenture means a certificate delivered to the Trustee and signed in the name of such Person by its president, its chief executive officer, its chief financial officer, or any other Person designated in a writing delivered to the Master Trustee by any of such Persons to execute any such instrument.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel.

"*Opinion of Counsel*" means a written opinion of any legal counsel acceptable to the University and the Trustee and, to the extent the Issuer is asked to take action in reliance thereon, the Issuer, who may be an employee of or counsel to the University.

"*Outstanding*" or "*Bonds Outstanding*" or "*Prior Bonds*" under the Indenture and with respect to the Bonds means, at any given date, all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled at or prior to such date or delivered to or acquired by the Trustee on or prior to such date for cancellation;

(b) Bonds deemed to be paid in accordance with the Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under the Indenture; and

"*Outstanding*" under the Master Indenture and when used with respect to the Securities means, as of the date of determination, all Securities theretofore authenticated and delivered under the Master Indenture, except:

(a) Securities theretofore canceled by the Master Trustee or delivered to the Master Trustee for cancellation;

(b) Securities for whose payment or redemption money (or Defeasance Obligations to the extent permitted by the Master Indenture) in the necessary amount has been theretofore deposited with the Master Trustee or any paying agent for such Securities in trust for the Holders of such Securities pursuant to the Master Indenture; provided, that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to the Master Indenture or irrevocable provision therefor satisfactory to the Master Trustee has been made; and

(c) Securities upon transfer of or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to the Master Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver under the Master Indenture, Securities owned by the University or any other obligor (other than a Credit Enhancer that is not an Affiliate of the University) upon the Securities or any Affiliate of the University or such other obligor will be disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Master Trustee actually knows to be so owned will be so disregarded. The Master Trustee is under no duty to investigate whether any Securities are so owned, but may, in its discretion, make such further investigation or inquiry as it may see fit. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the University or any other obligor (other than a Credit Enhancer that is not an Affiliate of the University) upon the Securities or any Affiliate of the University or such other obligor.

"*Owner*" or "*Owners*" means the Person or Persons in whose name any Bond is registered on the books of the Issuer maintained by the Trustee.

"*Payment Date*" means any Bond Payment Date.

"*Payment Office*" means the payment office of the Trustee at 601 Travis Street, 16th Floor, Houston, Texas 77002, Attention: Institutional Trust Services, or such other office designated as such from time to time by the Trustee in writing to the University.

"*Permitted Encumbrances*" with respect to any specified Person means:

(a) liens or encumbrances on property (or on the income therefrom) received by such Person as a gift, grant or bequest, if such lien or encumbrance constitutes or results from restrictions (other than the requirement that the grantee thereof make payment in respect of Funded Debt incurred by the grantor with respect to such property) placed on such gift, grant or bequest (or on the income therefrom) by the grantor thereof;

(b) liens on proceeds of Debt (or on income from the investment of such proceeds) that secure payment of such Debt;

(c) liens on money or obligations deposited with a trustee or escrow agent to cause all or any portion of Debt to be no longer outstanding;

(d) liens on money or obligations deposited to fund a debt service fund in an amount not exceeding the amount of the Debt to which such debt service fund relates that matures in the Fiscal Year in which such deposit is made plus a reasonable carryover amount or deposited to a reserve fund in an amount not in excess of 15% of the principal amount of the Debt to which such reserve fund relates in accordance with the instrument under which such Debt may be secured; and

(e) liens on debt instruments owned by such Person which have been purchased under a credit or liquidity facility issued to secure or support other Debt.

"*Person*" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Place of Payment*" for any series of Securities means the Designated Corporate Trust Office or other location designated, from time to time, as a place of payment for a series of Securities, by University Order or Supplemental Master Indenture.

"*Previously Issued Securities*" means the loan agreement of the University relating to the Series 1985 Refunding Bonds, as such bonds are defined in this Official Statement under "INTRODUCTION—Prior Bonds and University Bonds," which is Security under the Master Indenture.

"*Principal Office of the Trustee*" means 601 Travis Street, 16th Floor, Houston, Texas 77002, Attention: Institutional Trust Services, or such other office designated as such from time to time by the Trustee in writing to the University.

"*Projects*" means the Series 2016 Project, the Series 2013 Project, the Series 2010 Project, the Series 2009 Project, the Series 2003 Project and the Series 2002 Project and any other property financed or refinanced from the proceeds of a series of Bonds and "Project" means any of the Projects.

"*Project Costs*" means any and all costs of acquiring, whether by purchase or otherwise, or constructing, enlarging, extending or improving educational facilities or housing facilities, including, without limitation, costs of acquiring land, costs of furnishing and equipping such facilities, Costs of Issuance relating to a series of Bonds, capitalized interest on a series of Bonds, and all such costs as may be necessary or incident to the financing, acquisition, construction or completion of any Project or any part thereof.

"*Purchase Contract*" means with respect to the Tax-Exempt Series 2016A Bonds, the Contract of Purchase between the Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of itself and as representative of an underwriting syndicate composed of the underwriters named in such Contract of Purchase, with respect to the Taxable Series 2016B Bonds, the contract of Purchase between the Issuer and J.P. Morgan Securities LLC, on behalf of itself and as representative of an underwriting syndicate composed of the underwriters named in such Contract of Purchase, and with respect to any other series of Bonds shall have the meaning set forth in the Supplemental Indenture or Issuer Order authorizing such series.

"*Record Date*" means, with respect to the Series 2016 Bonds, the fifteenth day of the calendar month preceding each Interest Payment Date, and with respect to any other series of Bonds shall have the meaning set forth in the Supplemental Indenture or Issuer Order authorizing such series.

"*Repurchase Agreement*" means a repurchase agreement with (i) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's, or (ii) any broker-dealer with *"retail customers"* or a related Affiliate thereof which broker-dealer has, or the parent company (which guarantees the obligation of the provider) of which has, long-term debt rated at least "A" by S&P or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (iii) any other entity rated "A" or better by S&P and Moody's, provided that:

(a) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(b) failure to maintain the requisite collateral percentage will require the Issuer or the Trustee to liquidate the collateral;

(c) the Trustee or its agent has possession of the collateral or the collateral has been transferred to the Trustee or its agent in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Trustee or its agent has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee or its agent is in possession);

(e) the repurchase agreement is a "*repurchase agreement*" as defined in the United States Bankruptcy Code or, if the provider is a domestic bank, a "*qualified financial contract*" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and such bank is subject to FIRREA;

(f) there is or will be a written agreement governing every repurchase transaction;

(g) the Issuer and the Trustee receive the opinion of counsel (which opinion shall be addressed to the Issuer and the Trustee) that such repurchase agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and satisfies the requirements of the Indenture; and

(h) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or fails below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the University), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee. Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P or Moody's, respectively.

"*Revenues*" means all moneys paid or payable to the Trustee for the account of the Issuer in accordance with the Agreement to pay the principal of and premium, if any, on the Bonds upon redemption, at maturity and upon acceleration of and to pay the interest on the Bonds when due.

"*Security*" means an obligation of the University, authenticated and delivered pursuant to the Master Indenture, including, to the extent so authenticated and delivered, a Credit Agreement.

"*Securities Depository*" means The Depository Trust Company, a New York limited purpose trust company, and any other Person that is a clearing corporation within the meaning of the New York Uniform Commercial Code, and a securities depository within the meaning of Section 17A of the Securities and Exchange Act of 1934 that is designated as such with respect to a series of Bonds by Issuer Order and their respective successors and assigns.

"*Series 2002 Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Series 2002.

"*Series 2002 Project*" means the facilities described generally in an exhibit to Amendment No. 2 to the Agreement which are to be constructed or acquired with proceeds of the Series 2002 Bonds.

"*Series 2003 Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Series 2003.

"*Series 2003 Project*" means the facilities described generally in an exhibit to Amendment No. 3 to the Agreement which are to be constructed or acquired with proceeds of the Series 2003 Bonds.

"*Series 2007 Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Series 2007.

"*Series 2009 Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Series 2009.

"*Series 2009 Project*" means the facilities described generally in an exhibit to Amendment No. 5 to the Agreement which are to be constructed or acquired with proceeds of the Series 2009 Bonds.

"*Series 2010 Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Series 2010.

"*Series 2010 Project*" means the facilities described generally in an exhibit to Amendment No. 6 to the Agreement which are to be constructed or acquired with proceeds of the Series 2010 Bonds.

"*Series 2013 Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2013A and Taxable Series 2013B.

"*Series 2013 Project*" means the facilities described generally in an exhibit to Amendment No. 7 to the Agreement which are to be constructed or acquired with the proceeds of the Series 2013 Bonds.

"*Series 2016 Bonds*" means collectively, the Tax-Exempt Series 2016A Bonds and the Taxable Series 2016B Bonds.

"*Series 2016 Project*" means the facilities described generally in an exhibit to Amendment No. 8 to the Agreements which are to be constructed or acquired with the proceeds of the Taxable Series 2016B Bonds.

"*S&P*" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, and its successors and assigns.

"*State*" means the State of Texas.

"*Stated Maturity*" when used in the Master Indenture with respect to any obligation or any installment of interest thereon means the date specified in such obligation as the fixed date on which the principal of such Security or such installment of interest is due and payable.

"*Stated Maturity Date*," when used with respect to any Bond means the date specified in such Bond as the fixed date on which the principal of such Bond is due and payable.

"*Supplemental Indenture*" means with respect to the Series 2016 Bonds a supplemental indenture between the Issuer and the Trustee entered into pursuant to the Indenture described under the caption "THE INDENTURE—Supplements and Amendments" herein.

"*Supplemental Master Indenture*" with respect to the Master Indenture means an instrument amending or supplementing the Master Indenture entered into pursuant to the Master Indenture described under the caption "THE MASTER INDENTURE—Supplements" herein.

"*Tax-Exempt Series 2013A Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2013A.

"*Taxable Series 2013B Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2013B.

"*Tax-Exempt Series 2016A Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2016A.

"*Taxable Series 2016B Bonds*" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2016B.

"*Trust Estate*" with respect to the Indenture means all right, title and interest of the Issuer in and to the Agreement (except its certain rights to indemnification and to reimbursement or payment of its fees and expenses, and its rights to receive notices, certificates, requests, requisitions and other communications thereunder), including, without limitation, all right, title and interest of the Issuer in the Revenues, its rights as a holder of a Security entitled to the benefit and security of the Master Indenture and all moneys and other obligations which are, from time to time, deposited with or held by or on behalf of the Trustee in the Bond Proceeds Clearance Fund, the Construction Fund or the Bond Fund under the Indenture.

"*Trust Estate*" with respect to the Master Indenture is defined under "THE MASTER INDENTURE—General" herein.

"*Trustee*" means The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), or any successor Trustee appointed under the terms of the Indenture.

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THE LOAN AGREEMENT

The following is a summary of certain provisions of the Agreement which are not discussed in the Official Statement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Agreement.

General

Issuance of Bonds; Deposit of Proceeds. To provide funds to finance and refinance the Project Costs for the various Projects and to refund or refinance from time to time obligations legally permitted to be refunded or refinanced, the Issuer, upon satisfaction of the conditions to the delivery of the Bonds set forth in the Indenture and upon University Request, will issue, sell and deliver the Bonds in one or more series and deposit the proceeds thereof with the Trustee in accordance with the Indenture and such University Request. The deposit of the proceeds of a series of Bonds with the Trustee will constitute the funding of a loan to the University pursuant to the Agreement.

Loan Payments. The University covenants and agrees to pay or cause to be paid to the Trustee for deposit into the Bond Fund, the sum equal to the amount due and payable on each Bond Payment Date on the Bonds, at the times and in the amounts provided in the Indenture. Each payment pursuant to this section is required to be sufficient to pay the total amount of accrued interest, principal (whether on a Stated Maturity Date or upon redemption or acceleration) and premium, if any, due and payable on the Bonds on such Bond Payment Date; provided that the following amounts (to the extent, if any, that such amounts have not previously been the basis for a credit) are required to be credited in the following order, against the payments required to be made by the University on such Bond Payment Date, and such payment shall be accordingly reduced to the extent of any:

(i) available funds then held by the Trustee in the Bond Fund; and

(ii) proceeds of any Defeasance Obligations, which have been deposited with the Trustee in accordance with and pursuant to the provisions of the Indenture.

In the event that the University fails to pay on any Bond Payment Date any amount required under the Agreement, such amount will, to the extent permitted by law, continue to bear interest from such Bond Payment Date until paid, at the same rate of interest borne by the Bonds to which such amount relates.

Maximum Interest Rate Permitted by Law. Notwithstanding any provision of the Agreement to the contrary, in no event will the interest contracted for, charged or received in connection with any loan made under the Agreement (including any costs or considerations that constitute interest under applicable laws which are contracted for, charged or received pursuant to the Agreement) exceed the maximum nonusurious rate of interest with respect to the Bonds, allowed under applicable laws as are presently in effect and to the extent allowable by such laws as such laws may be amended from time to time to increase such rate; and excess interest, if any, provided for in the Agreement or otherwise, will be credited to the Loan payments or, if the Loan payments are paid, refunded to the University.

Payment of Expenses. The University covenants to pay, or cause to be paid out of the Construction Fund or other funds provided by the University, all of the Administration Expenses of the Issuer and the Trustee, any such payment to be made directly to such entity.

Issuance of Other Obligations. The University expressly reserves the right to request the Issuer to issue additional Bonds under the Indenture and lend the proceeds to the University under the Agreement, or to issue additional bonds or to enter into, to the extent permitted by law, an agreement other than the Agreement with respect to the issuance by the Issuer under an indenture or indentures other than the Indenture to provide additional funds to acquire and construct facilities available for financing under the Act, or to refund all or any principal amount of the Bonds, or any combination of the foregoing.

Obligation Absolute. The obligation of the University to make the payments required to be made under the Agreement is absolute and unconditional, and is not subject to abatement, diminution, postponement or deduction, or to any defense other than payment or to any right of setoff, counterclaim or recoupment arising out of any breach under the Agreement, the Indenture or otherwise by the Issuer, the Trustee, any Owner of Bonds, or any other Person, or out of any obligation or liability at any time owing to the University by any of the foregoing. The obligation of the University to make the payments as provided in the Agreement and to perform all of its obligations thereunder is absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim the University might otherwise have against the Issuer, the Trustee, or any Owners. The University will not suspend or discontinue any such payment or terminate the Agreement (other than in the manner provided for thereunder) for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or commercial frustration of purpose, or any damage to or destruction of the Projects, or the taking by eminent domain of title to or the right or temporary use of all or any part of the Projects, or any change in the tax or other laws of the United States, the State or any political subdivision of either thereof, or any failure of the Issuer or the Trustee to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture.

Effective Date and Term. The Agreement becomes effective upon its execution and delivery by the parties thereto. The term of the Agreement commenced on the date of its execution and delivery and, subject to the provisions of the Agreement, expires at midnight on such date as the principal amount of the Bonds, premium if any, and interest thereon and all other expenses or sums to which the Issuer and the Trustee are entitled have been fully paid and retired or provision for such payment has been made as provided in the Agreement, in the Bonds and in the Indenture; provided that certain covenants of the Agreement will continue in effect with respect to each Project until the Bonds issued to finance such Project have been paid or provision has been made for such payment at or after the Maturity thereof and the indemnification covenants will survive the termination of the Agreement.

Security

Security Clauses. As security for the performance and payment by the University of its obligations under the Agreement, the University grants and assigns a security interest to the Issuer in any and all funds of the University now or hereafter on deposit in the Construction Fund, the Bond Proceeds Clearance Fund and the Bond Fund and the proceeds thereof. The liens, security interests and assignments granted, created or conveyed pursuant to the Agreement have been assigned by the Issuer to the Trustee as security for the payment of the Bonds. The Agreement constitutes a security agreement within the meaning of the Uniform Commercial Code as enacted and in force and effect in the State.

The Projects

Construction of Projects. The University has covenanted to cause each of the Projects to be constructed with all reasonable dispatch in order to effectuate the purposes of the Act. The University has the sole responsibility under the Agreement for the construction of the Projects and may perform the same itself or through its agents, and may make or issue such contracts, orders, receipts and instructions, and in general do or cause to be done all such other things as it may in its sole discretion consider requisite or advisable for the construction of the Projects and for fulfilling its obligations under the Agreement. The University has full authority and the sole right under the Agreement to supervise and control, directly or indirectly, all aspects of the construction of the Projects. The University is required to obtain all necessary approvals under all federal, State and local laws, ordinances and regulations requisite for the construction of the Projects and acquire and complete the Projects in conformity therewith. Upon completion of the construction of the Projects, the University is required to obtain all permits and authorizations from appropriate authorities, if any be required, authorizing the uses of the Projects for the purposes contemplated by the Agreement.

Insufficient Moneys in Construction Fund. If the moneys in the Construction Fund, together with any other moneys made available to pay the Project Costs, is not sufficient to pay the Project Costs in full, then the University is required to pay that portion of the Project Costs in excess of the moneys in the Construction Fund available therefor.

Revision of Plans and Specifications. The University may revise its plans and specifications for any Project (including, without limitation, any changes therein, additions thereto, substitutions therefor and deletions therefrom) at any time and from time to time prior to the Completion Date in any respect; provided, however, that, after giving effect to such revision, the University's representations contained in the Agreement are required to remain true and correct and that if any such revision renders inaccurate the description of the Project described as an exhibit to the Agreement, the University is required to deliver to the Issuer and the Trustee (a) a description of that Project as revised, the accuracy of which has been certified by an Authorized University Representative, and (b) a certificate of the University that the representations and covenants contained in the Agreement will continue to be true and correct following such revision of the plans and specifications. A revision pursuant to this section will not constitute an amendment, change or modification of the Agreement as contemplated in the Indenture. The University by University Request to the Trustee, accompanied by an Opinion of Bond Counsel to the effect that the action described in such University Request will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds and is permitted by the Act, may specify an alternate use for amounts on deposit in the Construction Fund.

Certification of Completion Date. The Completion Date will be the date on which each Project is completed in its entirety and ready to be placed in service and operated for the purposes for which it is designed, all as determined by the University. As promptly as possible after the Completion Date for each Project, the University is required to submit to the Issuer and the Trustee a certificate, executed by an Authorized University Representative, which specifies the Completion Date and states that construction of that Project has been completed and the Project Costs have been paid, except for any portion thereof which has been incurred but is not then due and payable, or the liability for the payment of which is being contested or disputed by the University, and for the payment of which the Trustee is directed to retain specified amounts of moneys in specified accounts within the Construction Fund. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being.

Maintenance of Projects; Modifications. The University covenants to maintain and operate the Projects as "educational facilities" and/or "housing facilities," within the meaning of the Act and/or facilities which are incidental, subordinate and related thereto or appropriate in connection therewith; provided, however, that the University may exercise all of such rights, powers, elections and options as owner to discontinue of the operation of the Projects, or any element or unit thereof, if, in the judgment of the University, it is no longer advisable to operate the same, or to sell and dispose of the same so long as the University delivers to the Trustee an Opinion of Bond Counsel to the effect that such sale or disposition does not adversely affect the excludability of interest on the Tax-Exempt Bonds from the gross income of the Owners thereof.

The University may at its own expense cause substitutions, additions, modifications and improvements to be made to each Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes. No such substitutions, additions, modifications or improvements are subject to the requirements of the Agreement.

Sectarian Use of the Projects. The University agrees and covenants that it will not use the Projects or any substantial part thereof primarily for sectarian instruction or primarily as a place of religious worship or as a facility used primarily in connection with any part of the program (a) of a school or department of divinity for any religious denomination, or (b) for the training of priests, ministers, rabbis, or other similar persons in the field of religion; provided, however, that the foregoing restrictions will apply only to the Projects and the components thereof. The Issuer acknowledges that the University operates its educational programs in accordance with the principles stated in its charter and by-laws, and nothing in the Agreement will be construed to restrain or restrict such operations except as specifically provided in this paragraph.

Special Covenants

Maintenance of Corporate Existence and Accreditation. The University covenants to maintain its corporate existence as a corporation, to not dissolve or otherwise dispose of all or substantially all its assets and to not consolidate with or merge with or into another corporation; provided, however, that the University may consolidate with or merge with or into or sell or otherwise transfer all or substantially all of its assets (and may thereafter dissolve) to another corporation, incorporated under the laws of the United States, one of the states thereof or the District of Columbia, if the surviving, resulting or transferee corporation, as the case may be (if other than the

University), prior to or simultaneously with such consolidation, merger, sale or transfer, assumes, by delivery to the Trustee of an instrument in writing, satisfactory in form and substance to the Trustee, all the obligations of the University under the Agreement.

Status of the University. The University covenants and agrees that it shall at all times be and remain a degree-granting college or university corporation accredited by the Texas Education Agency, or its successor. The University agrees and covenants that it shall operate the University as an *"institution of higher education,"* as defined in the Act.

Tax Covenants. The Issuer agrees that it will not take, or omit to take, any action with respect to the Bonds or the Projects which, under the Code, would adversely affect the exclusion from gross income of interest on any Tax-Exempt Bond on and as of the applicable Closing Date or subsequently; provided, however, that the Issuer and the University may conclusively rely on any opinion of Bond Counsel regarding the applicability of this paragraph to its subsequent actions and as to the effect thereof.

The University covenants it will not take, or omit to take, any action that will adversely affect the exclusion from gross income for federal income tax purposes of interest paid on the Tax-Exempt Bonds, and, in the event of such action or omission, it will use all reasonable efforts to cure the effect of such action or omission. With the intent not to limit the generality of the foregoing, the Agreement enumerates various specific covenants relating to the continued exclusion from gross income for federal income taxation and the University covenants and agrees that prior to the final Maturity of the Bonds, it will maintain the tax covenants specified in the Agreement unless it has received an Opinion of Bond Counsel to the effect that the proposed action will not adversely affect the exclusion from gross income of interest on any Tax-Exempt Bond.

Defaults and Remedies Under the Loan Agreement

Events of Default. Each of the following shall be an *"Event of Default"* under the Agreement:

(a) Failure by the University to pay or cause to be paid any amount that has become due and payable pursuant to any provision of the Agreement with respect to principal of, premium, if any, or interest on the Bonds at the times specified therein;

(b) Failure by the University to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Agreement (other than a failure resulting in an Event of Default under (a)) for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the University by the Issuer or the Trustee; provided, however, if the failure stated in the notice cannot, in the opinion of the University with the consent of the Trustee (which consent shall not be unreasonably denied), be feasibly corrected within the 30-day period, no Event of Default shall have occurred if corrective action is instituted within the 30-day period and diligently pursued in good faith until the occurrence of the earlier of (i) the correction of the default, or (ii) 180 days after the University shall have received written notice of such default;

(c) The University commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under the Bankruptcy Code, or any insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or takes any corporate action to authorize any of the foregoing;

(d) A court having jurisdiction in the premises enters a decree or order for relief in respect of the University in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the University or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order remains unstayed and in effect for a period of 60 consecutive days; or

(e) An Event of Default under the Indenture or the Master Indenture.

If by reason of Force Majeure, the University is unable in whole or in part to carry out any one or more of its agreements or obligations described in subsection (b) above, the University will not be deemed in default by reason of not carrying out such agreement or agreements or performing such obligation or obligations during the continuance of such inability. The University is required to make reasonable effort to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the University, and the University will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the University unfavorable to the University.

Remedies. Upon the occurrence and continuance of any Event of Default under the Agreement and further upon the condition that, in accordance with the terms of the Indenture, the Bonds have been declared to be immediately due and payable pursuant to any provision of the Indenture, the payments to be made pursuant to the Agreement will, without further action, become and be immediately due and payable.

Any waiver of any *"Event of Default"* under the Indenture and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event or Events of Default under the Agreement, and a rescission and annulment of the consequences thereof.

Upon the occurrence and continuance of any Event of Default, the Trustee, on behalf of the Issuer, may take any action at law or in equity to collect any payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the University under the Agreement.

Any amounts collected from the University, or from other sources, in payment of the University's Loan payment obligations under the Agreement, pursuant to this section, are required to be applied in accordance with the Indenture.

No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer (or the Trustee acting on its behalf) under the Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy is cumulative and in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

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THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not discussed in the Official Statement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Indenture.

Trust Estate Under the Indenture

The Issuer, in order to secure the payment of the principal of, premium, if any and interest on the Bonds issued and Outstanding under the Indenture and the performance and observance of the covenants and conditions contained in the Indenture and in the Bonds, has granted a security interest to the Trustee in the Trust Estate. The Trustee is required to hold all such property for the benefit of the Owners.

Funds

The Indenture establishes with the Trustee the Bond Fund, the Construction Fund, the Bond Proceeds Clearance Fund and the Rebate Fund.

Bond Proceeds Clearance Fund. The proceeds of the sale of each series of Bonds are to be deposited in the Bond Proceeds Clearance Fund. Such proceeds, together with funds contributed by the University, are then deposited and applied by the Trustee as specified in the Issuer Order to authenticate and deliver the Bonds of such series.

Bond Fund. The Trustee will deposit to the Bond Fund immediately upon receipt all payments made by the University pursuant to the Agreement with respect to principal of or premium, if any, and interest on the Bonds and any other amounts received from or on behalf of the University delivered to the Trustee and designated for deposit therein.

Except as provided in the Indenture or in any Supplemental Indenture, on each Interest Payment Date and on each Maturity of Bonds, the Trustee is required to apply sufficient money from the Bond Fund to pay the principal of (and premium, if any) and interest on the Bonds as the same shall become due and payable.

Construction Fund. The Trustee will deposit to the Construction Fund all amounts paid to the Trustee by the Issuer or the University specifically for deposit to the credit of the Construction Fund and a portion of the proceeds received by the Trustee from the sale of each series of Bonds to the extent specified by Issuer Order. The Trustee may establish separate accounts within the Construction Fund for the deposit of the proceeds of each series of Bonds that are to be deposited to the Construction Fund.

The Trustee will disburse amounts in the Construction Fund in accordance with the Issuer Order delivered to the Trustee in connection with the issuance of each series of Bonds and thereafter will disburse amounts in the Construction Fund to pay or reimburse the University for Project Costs within five Business Days following receipt of and in accordance with a University Request. On receipt of the Officer's Certificate of completion pursuant to the Agreement, the Trustee is required to transfer any amount then on deposit in the account in the Construction Fund relating to the applicable series of Bonds to the Bond Fund (a) except for amounts to be retained in the Construction Fund as provided in the Agreement, or (b) unless the Trustee has received a University Request specifying an alternative use of such amounts accompanied by an Opinion of Bond Counsel to the effect that complying with such University Request will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds and is permitted by the Act.

Rebate Fund. The Trustee will deposit to the credit of the Rebate Fund each amount delivered to the Trustee by the University for deposit thereto. Such amounts are to be used to pay, as necessary, any *"rebatable arbitrage"* to the United States Treasury.

Investments. The Indenture provides that money held for the credit of the Bond Fund and the Construction Fund will be continuously invested by the Trustee at the direction of the University in Investment Securities.

Obligations purchased as an investment of any money credited to the Construction Fund or Bond Fund will be deemed at all times to be a part of such Fund. Interest accruing on obligations so purchased and any profit realized or loss resulting from such investment will be charged to such Fund (or account within such Fund). The Trustee may make any and all such investments through its own investment department. As and when any amounts thus invested may be needed for disbursements from the Construction Fund or the Bond Fund, the Trustee is required to cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund. Any moneys remaining in the Construction Fund or transferred from the Construction Fund to the Bond Fund following the Completion Date for each Project, if derived from the proceeds of Tax-Exempt Bonds, will be invested at a Yield not in excess of the Yield on those Bonds or will be invested in Exempt Securities.

Defaults and Remedies Under the Indenture

Events of Default. Each of the following events constitutes an *"Event of Default"* with respect to the Bonds under the Indenture:

(a) a failure to pay the principal of or premium, if any, on any Bond when the same shall become due and payable at Maturity;

(b) a failure to pay an installment of interest on any Bond which becomes due and payable;

(c) a failure by the Issuer to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a) and (b) of this section) contained in the Bonds or in the Indenture on the part of the Issuer to be observed or performed, which failure continues for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Issuer and the University by the Trustee, which may give such notice in its discretion and is required to give such notice at the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding, unless the Trustee (if such notice was given at the discretion of the Trustee) and the Owners of a principal amount of Bonds not less than the principal amount of Bonds the Owners of which requested such notice (if such notice was given at the request of the Owners), agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the Owners of such principal amount of Bonds, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by the Issuer or the University on behalf of the Issuer, within such period and is being diligently pursued; or

(d) an Event of Default under the Agreement or the Master Indenture.

Acceleration; Other Remedies. If an Event of Default occurs and is continuing, then in every such instance the Trustee may, or upon request of the Owners of not less than *25%* in aggregate principal amount of the Bonds Outstanding, is required to declare the principal of the Bonds to be due and payable immediately, whereby the principal amount of the Bonds will, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and the Trustee is required to give written notice thereof to the University and the Issuer and to all Owners of Outstanding Bonds such notice to be sent by Mail.

The provisions of the preceding paragraph are subject to the condition that if, after the principal of the Bonds has been declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter provided, the Issuer shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which have become due otherwise than by reason of such declaration (with interest upon such principal) and such amount as is required to be sufficient to cover compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the Indenture with respect to Bonds other than nonpayment of the principal of Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default may be waived by the Trustee and such declaration and its consequences rescinded and annulled, and the Trustee is required to promptly give written notice of such waiver, rescission or annulment to the Issuer and the University and to give notice thereof by Mail to all Owners of Outstanding Bonds; but no such waiver, rescission and annulment extends to or affects any subsequent Event of Default or impairs any right or remedy consequent thereon.

Actions By Trustee. Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee, upon the written direction of the Owners of not less than *25%* in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, is required to, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the Issuer or the University to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Act, the Agreement and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Agreement or the Indenture, as the case may be;

(b) bring suit upon the Bonds; and

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners.

Limitation on Right of the Owners to Institute Proceedings. No Owner has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture, or any other remedy under the Indenture or on the Bonds, unless such Owner previously has given to the Trustee written notice of an Event of Default as hereinabove provided and unless also the Owners of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee so to do, after the right to institute said suit, action or proceeding under the heading "THE INDENTURE—Defaults and Remedies Under the Indenture—*Actions by Trustee*" have accrued and have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its name or the name of the Owners or the Issuer, and unless there also has been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the Owners has any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity will be instituted and maintained in the manner therein provided and for the equal benefit of all Owners.

Application of Moneys. Any moneys received by the Trustee, by any receiver or by any Owner pursuant to any right given or action taken under the provisions of the Indenture with respect to the Bonds, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, are required to be deposited in the Bond Fund and all moneys so deposited in the Bond Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) are required to be applied as follows:

(a) Unless the principal of all the Bonds has been declared due and payable, all such moneys will be applied (i) first, to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of Maturity of the installments of such interest and, if the amount available is not sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which have become due (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Indenture) with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the Persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds has been declared due and payable, all such moneys are to be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege. Following payment of the Bonds and any and all interest due thereon, any remaining moneys are to be paid to the University.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys are to be applied at such times, and from time to time, as the Trustee determines giving due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee applies such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee is required to give notice of any such moneys on deposit with it and of the fixing of any such date by Mail to all Owners of Outstanding Bonds and is not required to make payment to any Owner until such Bonds is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Supplements and Amendments

Supplemental Indentures Without Consent of the Owners. Subject to certain provisions of the Indenture, the Issuer and the Trustee may, from time to time and at any time, without the consent of or notice to the Owners, enter into Supplemental Indentures as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture;

(b) to add to the covenants and agreements of the Issuer in the Indenture other covenants, agreements, or to surrender any right or power reserved or conferred upon the Issuer, which shall not adversely affect the interests of the Owners;

(c) to confirm, as further assurance, any pledge of or lien on the Revenues or of any other moneys, securities or funds subject to the lien of the Indenture;

(d) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(e) to modify, alter, amend or supplement the Indenture in any other respect which in the judgment of the Trustee is not materially adverse to the Owners;

(f) to provide for an agreement, commonly referred to as a master trust indenture or master intercreditor agreement, which secures all debt of the University entitled to its benefits on the terms provided therein;

(g) to add such covenants or requirements as may be necessary to obtain, maintain or improve any rating of the Bonds; or

(h) to authorize an additional series of Bonds or to make provision for the rebate of investment earnings to the United States of America in connection with the issuance of such additional Bonds or to make other changes authorized by the Indenture.

Before the Issuer and the Trustee may enter into any Supplemental Indenture, it is required that there be delivered to the Trustee and the University an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income of the Owners for federal income tax purposes of interest on any Tax-Exempt Bonds.

Supplemental Indentures Requiring Consent of the Owners. Except for any supplemental indenture entered into without the consent of the Owners, subject to the terms and provisions contained in the Indenture and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have the right from time to time to consent to and approve the execution and delivery by the Issuer and the Trustee of any Supplemental Indenture deemed necessary or desirable by the Issuer and the Trustee for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that, unless approved in writing by the Owners of all the Bonds then Outstanding, nothing permits, or is construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bond, or a reduction in the principal amount or redemption price of any Outstanding Bond or the rate of interest thereon, or (ii) a reduction in the aggregate principal amount of Bonds the consent of the Owners of which is required for any such Supplemental Indenture or which is required for any modification, alteration, amendment or supplement to the Agreement.

Consent of the University Required. So long as the University is not in default under the Agreement, no Supplemental Indenture will become effective unless the University has consented thereto.

Amendment of Agreement Without Consent of the Owners. Without the consent of or notice to the Owners of the Bonds, the Issuer and the University may modify, alter, amend or supplement the Agreement, with the consent of the Trustee, as may be required (a) by the provisions of the Agreement and the Indenture, (b) for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein (c) in connection with the issuance of an additional series of Bonds, or (d) in connection with any other change therein which is not materially adverse to the Owners.

Amendment of Agreement Requiring Consent of the Owners. Except in the case of modifications, alterations, amendments or supplements referred to above and subject to University consent, the Issuer may not enter into, and the Trustee may not consent to, any amendment, change or modification of the Agreement without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, given and procured as provided in the Indenture; provided, however, that, unless approved in writing by the Owners of all Bonds then Outstanding, nothing contained in the Indenture may permit, or be construed as permitting, a change in the obligations of the University under the Agreement, except with respect to additional provisions and obligations of the University relating to the issuance of additional Bonds. If at any time the Issuer or the University requests the consent of the Trustee to any proposed modification, alteration, amendment or supplement, the Trustee is required to cause notice thereof to be given in the same manner as provided by the Indenture with respect to Supplemental Indentures. Such notice is required to state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all the Owners. The Issuer may enter into, and the Trustee may consent to, any such proposed modification, alteration, amendment or supplement subject to the same conditions and with the same effect as provided in the Indenture with respect to Supplemental Indentures.

Notice to Moody's and S&P. The Trustee is required to send a copy of any proposed supplemental indenture or amendment to the Agreement to Moody's and/or S&P, as appropriate, at least 15 days prior to the execution or adoption thereof.

Amendment of Master Indenture. As the Security Holder, as defined in the Master Indenture, the Trustee is required to consent to supplements to the Master Indenture where provided therein upon receipt of the consent of the Owners of the Bonds in the same aggregate principal amount as is required for the consent of the Security Holders of such supplement as provided in the Master Indenture.

Resignation or Removal of the Trustee

The Trustee may resign at any time by giving written notice thereof to the Issuer, the University, and the Owners as prescribed in the Indenture. If a successor has not been appointed within 45 days after the Trustee gives notice of resignation, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

The Trustee may be removed at any time by the Owners of a majority in principal amount of the Bonds then Outstanding and, if there is no default under the Indenture, with the consent of the University.

No resignation or removal of the Trustee becomes effective until the acceptance of appointment by a successor in such capacity under the Indenture.

If the Trustee resigns, is removed, or becomes incapable of acting, or if a vacancy occurs in the office of Trustee for any cause, the Issuer is required promptly to appoint a successor Trustee acceptable to the University. The owners of the majority principal of the principal amount of Bonds then Outstanding may appoint a successor Trustee by filing with the Issuer and the University a written instrument appointing a new Trustee, and copies of such instrument are required to be delivered to the predecessor Trustee and the Trustee so appointed.

Each Trustee is required at all times to be a bank or trust company duly organized under the laws of the United States or any state or territory thereof authorized by law to perform all the duties imposed upon it by the Indenture, having a combined capital stock, surplus and undivided profits of at least $50,000,000, and permitted under the laws of the State to perform the duties of the Trustee.

Concerning the Trustee

The Trustee is not liable for any action taken or omitted to be taken by it in good faith in accordance with the permitted direction of the Owners of 25% in principal amount of the Bonds Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or concerning any benefit or power conferred upon the Trustee, under the Indenture. No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture, or in the exercise of any of its rights or powers, if it has grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it. In the absence of bad faith on its part, and except during the continuance of an Event of Default under the Indenture, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. If an Event of Default under the Indenture has occurred and is continuing, the Trustee is required to exercise the rights and powers vested in it by the Indenture, and to use the same degree of care and skill in such exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Trustee is not deemed to have notice of any default, or Event of Default, except a payment default unless the Trustee is notified in writing by the Issuer or the Owners of at least 25% in principal amount of the Bonds then Outstanding. When so notified the Trustee is required to give written notice of such default or Event of Default by first class mail to each Owner of Bonds Outstanding.

Defeasance

Satisfaction and Discharge of Indenture. If the University has paid or caused to be paid the principal of (and premium, if any) and interest on all the Bonds Outstanding under the Indenture, as and when the same become due and payable, and if the University has also paid or provided for the payment of all other sums payable under the Indenture by the University and has paid all of the Trustee's fees and expenses, then the Indenture ceases to be of further effect (except as to (i) rights of registration of transfer and exchange of Bonds, (ii) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Bonds, (iii) rights of Owners to receive payments of principal thereof (and premium, if any) and interest thereon, (iv) the rights, remaining obligations, if any, and immunities of the Trustee under the Indenture and (v) the rights of the Owners as beneficiaries of the Indenture with respect to the property so deposited with the Trustee payable to all or any of them) and the Trustee, on University Request accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent to the satisfaction and discharge of the Indenture have been fulfilled and at the cost and expense of the University, is required to execute proper instruments acknowledging satisfaction of and discharging the Indenture.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the University to the Trustee for payment of its fees and expenses and, if funds have been deposited with the Trustee pursuant to the following paragraph, the obligations of the Trustee for Defeasance Obligations and Bonds not presented for payment for which money has been deposited into a separate escrow account will survive.

Bonds Deemed Paid. Any Bonds of any series will be deemed to have been paid if (1) in case said Bonds are to be redeemed on any date prior to their Stated Maturity, the University by University Request has given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said redemption date, (2) there has been deposited with the Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as established by an Officer's Certificate delivered to the Trustee accompanied by a report of an Independent certified public accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any) and interest due and to become due on said Bonds on and prior to the Maturity thereof, and (3) in the event said Bonds are not by their terms subject to redemption within the next 45 days, the University by University Request has given the Trustee in form satisfactory to it irrevocable instructions to give a notice to the Owners of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this section and stating such Maturity date upon which moneys are to be available for the payment of the principal of (and premium, if any) and interest on said Bonds.

Application of Trust Money. The Defeasance Obligations and money deposited with the Trustee pursuant to the foregoing and principal or interest payments on any such Defeasance Obligations are required to be held in trust, not be sold or reinvested, and applied by it, in accordance with the provisions of the Bonds and the Indenture, to the payment, either directly or through any paying agent as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Trustee of an Officer's Certificate (accompanied by the report of an Independent certified public accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in clause (2) of the previous paragraph, any money received from principal or interest payments on Defeasance Obligations deposited with the Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon University Request be reinvested in other Defeasance Obligations or disposed of as requested by the University. For purposes of any calculation required by this Defeasance section, any Defeasance Obligation which is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, will be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation will be assumed to be received at its stated maturity.

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THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture that are not discussed in the Official Statement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Master Indenture.

General

The University has duly granted a security interest to the Master Trustee in (i) all rents, issues, profits, income, revenues, receipts and rights to the payment of money and receivables derived by the University from any and all sources, including, without limitation, all accounts, contract rights and general intangibles, now owned or hereafter acquired, and all proceeds thereof whether cash or noncash; excluding, however, gifts, grants, bequests, donations and contributions to the University heretofore or hereafter made, and the proceeds thereof, which are specifically restricted by the donor, testator or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture; (ii) all moneys and securities, if any, at any time held by the Master Trustee in any fund or account under the terms of the Master Indenture; and (iii) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as additional security under the Master Indenture by the University or by anyone on its behalf to the Master Trustee (herein called the "Trust Estate under the Master Indenture"). The grant of the security interest described in (i) above is subject and subordinate to any and all mortgages, liens, charges, encumbrances, pledges, and security interests granted, created, assumed, incurred, or existing in accordance with the provisions of the Master Indenture as to the property covered thereby as described under "Limitation on Liens" and all revenue, accounts receivable, and receipts derived from such property.

The Master Trustee is required to hold all such property in trust for the equal and proportionate benefit and security of the Holders from time to time of all Outstanding Securities without any priority of any such Securities over any other such Securities except as otherwise expressly provided in the Master Indenture.

If the University pays or causes to be paid all amounts due or to become due on the Previously Issued Securities or the obligations required thereby, the grant of the security interest described in clause (i) of the first paragraph above will cease, determine and be void.

Covenants of the University

Payment on Debt Service. The University will duly and punctually pay the principal of (and premium, if any) and interest on the Securities in accordance with the terms of the Securities and the Master Indenture.

Money for Security Payments to be Held in Trust; Appointment of Paying Agents. If the University at any time acts as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any), interest on, or fees or other amounts with respect to any of the Securities, segregate and hold in trust for the benefit of the Holders of such Securities a sum sufficient to pay the principal (and premium, if any), interest, fees or other amounts so becoming due until such sums are paid to such Holders or otherwise disposed of as provided in the Master Indenture or the Security, and will promptly notify the Master Trustee of its action or failure so to act.

Whenever the University has one or more paying agents, it will deposit in immediately available funds with a paying agent, on or prior to the date payment is due, the amount required to pay principal of (and premium, if any), interest on, or fees or other amounts with respect to any Securities. Each paying agent other than the Master Trustee will execute an agreement agreeing to (1) hold all sums for the payment of principal of (and premium, if any) and interest on or fees or other amounts with respect to Securities in trust for the benefit of the Persons entitled thereto, until such sums are paid to such Persons or otherwise disposed of as provided in the Master Indenture; (2) give the Master Trustee notice of any default by the University (or any other obligor) in making payment of principal of (and premium, if any), interest, fees or other amounts on the Securities and (3) at any time during the continuance of any default, upon the written request of the Master Trustee, pay to the Master Trustee all amounts held in trust by such paying agent. The University may at any time direct any paying agent to pay all sums held in trust to the Master Trustee.

Any money deposited with the Master Trustee or any paying agent for the payment of principal or (and premium, if any) and interest on any Security and remaining unclaimed for two years, as provided in the Master Indenture, will be paid to the University on University Request and the Holder of such Security will thereafter be deemed to be an unsecured general creditor and may look only to the University for payment thereof.

Payment of Taxes and Other Claims. The University is required to pay on a timely basis, (1) all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon it or upon its income, profits or property, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon its property; provided, however, that no such Person will be required to pay any such tax, assessment, governmental charge or claim to the extent that the amount, applicability or validity is being contested in good faith and adequate reserves are made for payment.

Statement as to Compliance. The University will deliver to the Master Trustee within 150 days after the end of each Fiscal Year a written statement signed by certain officers stating that (1) a review of the activities of the University during such year and of its performance under the Master Indenture has been made under the signer's supervision, and (2) to the best of the signer's knowledge, based on such review, the University has fulfilled all its obligations under the Master Indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each default known and the nature and status thereof.

The University is required to give written notice to the Master Trustee of the discovery of any default under the Master Indenture and the nature thereof which has not been cured or waived.

Corporate Existence. Subject to certain sections of the Master Indenture regarding merger and consolidation, the University is required to do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; provided, however that no Person is required to preserve such rights and franchises if its Governing Body determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Securities.

To Keep Books; Financial Reports and Inspection by Master Trustee. The University is required to at all times keep books or records and accounts, in accordance with generally accepted accounting principles. The University is required to furnish to the Master Trustee as soon as available, and in any event within 150 days after the end of each Fiscal Year, combined or consolidated financial statements of the University, as of the end of such Fiscal Year or for such Fiscal Year then ended, as applicable, shown in each case in comparative form with the preceding Fiscal Year, together with the report of an Independent Accountant selected by the University who has examined such statements in accordance with generally accepted auditing standards as to the fairness of presentation of such statements. The Master Trustee has no duty with regard to such books, records or financial statement filed with it except to make them available to Holders upon request.

The University upon request of a Holder of $1,000,000 or more in principal amount of Securities will permit such Holder, by its agents and attorneys to inspect the property of the University, or any of its consolidated subsidiaries and to examine all the books of account, records, reports and other financial papers of such Persons and to take copies and extracts therefrom. The University is required to furnish the Holders and the Master Trustee any and all information as the Holders or the Master Trustee may reasonably request with respect to the performance or observance by such Persons of their covenants in the Master Indenture.

Limitation on Liens. The University is not permitted to grant, create, assume or incur or suffer to be granted, created, assumed or incurred or to exist as security for any Debt, any mortgage, lien, charge or encumbrance of any kind upon, or pledge of or security interest in, any property of the University whether owned at the date of execution and delivery of the Master Indenture or thereafter acquired except the following:

1. *Permitted* Encumbrances; or

2. *Purchase and Construction Money*: Purchase or construction money mortgages, liens, charges, encumbrances, pledges or security interests (which term for purposes of this clause (2) includes

conditional sale agreements or other title retention agreements and leases in the nature of title retention agreements) upon or in property acquired or improved after the date of the Master Indenture, or renewals of any such mortgages, liens, charges, encumbrances, pledges or security interests in connection with the replacement, extension or renewal (without increase in principal amount) of the Debt secured thereby, provided that no such mortgage, lien, charge, encumbrance, pledge or security interest extends or will extend to or cover any property of the University other than the property then being acquired or constructed or on which improvements are being so constructed, and fixed improvements then or thereafter erected thereon and related insurance coverage and proceeds; or

3. *Pari Passu*: Any mortgage, lien, charge, encumbrance, pledge or other security interest of any kind upon any property of any character of the University or any conditional sale agreement or similar title retention agreement with respect to any such property, if the University makes effective provision, and the University covenants that in any such case it will make or cause to be made effective provision, whereby all the Outstanding Securities will be directly secured by such mortgage, lien, charge, encumbrance, pledge or other security agreement equally and ratably upon the same property, or upon other property with a current value at least equal to the current value of property to be mortgaged, with any and all other obligations and indebtedness thereby secured for so long as such obligations or indebtedness are so secured; or

4. *Existing Liens*: Any mortgage, lien, charge, encumbrance, pledge or other security interest that is existing on any property of the University on the date of the Master Indenture or any mortgage, lien, charge, encumbrance, pledge or other security interest that is existing on any real or personal property on the date of acquisition thereof, provided that no lien so described or the Debt secured thereby may be extended or renewed or may be modified to spread to any property of the University not subject to such lien on such date, except to the extent that such lien, as so extended, renewed or modified could have been granted or created under any provision of the Master Indenture; or

5. *Basket*: Any mortgage, lien, charge, encumbrance, pledge or other security interest of any kind if the book value (or, at the option of the University, current value) of all property of the University subjected to mortgages, liens, charges, encumbrances, pledges or other security interests pursuant to this clause (5) does not exceed 25% of the book value (or, if the University chooses to use the current value of the property so subjected, 25% of the current value) of all property of the University; or

6. *Noncampus Property:* Any mortgage, lien, charge, encumbrance, pledge or other security interest of any kind other than the real property, improvements and fixtures owned by the University bounded by Daniel Street, Hillcrest, Mockingbird Lane, Airline Street, Airline Extension, Dublin Street and Central Expressway, in the Town of University Park, Texas.

An oil or gas royalty, overriding royalty or production payment will not be deemed to be a charge or encumbrance upon the related working interest.

However, all of the matters discussed under the caption *Limitations on Liens* above have been eliminated pursuant to a First Supplement to Master Indenture (the "*First Supplement*"). The provisions of the First Supplement will be effective upon its approval by the holders of a majority of the principal amount of Funded Debt outstanding. The purchasers of the Series 2016 Bonds are deemed by the purchase thereof to have given such approval.

Limitations on Debt. The University will not incur, assume, guarantee, or otherwise become liable in respect of any Funded Debt other than:

1. *Pledge Anticipation.* Debt the principal of which is fully secured by a security interest in pledges, confirmed in writing, to make a donation, gift, or other charitable contribution on or before the Maturity of such Debt and is not secured by any other property of the University;

2. *Credit Enhancement.* Debt consisting of an obligation to reimburse payments made under a letter of credit, surety bond, policy of insurance, bond purchase agreement or similar credit or liquidity support obtained to secure payment of other Debt incurred pursuant to this Section and to pay interest thereon until paid;

3. *Completion Debt.* Debt for the purpose of financing the completion of constructing, renovating, or equipping facilities for which Funded Debt has theretofore been incurred in accordance with the provisions of the Master Indenture, if an Officers' Certificate is delivered to the Master Trustee stating that the amount of such Debt does not exceed the amount (including reserve funds and capitalized interest) necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such other Debt was originally incurred and that such other Debt was estimated when incurred to be sufficient to provide such a completed and equipped facility;

4. *Subordinated Debt.* Debt subordinate in right of payment to the payment of the Securities upon liquidation or reorganization and upon the occurrence and continuance of an Event of Default;

5. *Refunding Debt.* Funded Debt incurred to refund or defease any Debt if the maximum annual debt service requirements in respect of such Debt for the fiscal year in which such Debt is to be incurred or any future fiscal year does not exceed 115% of the maximum annual debt service requirements during such period in respect of the Debt being refunded or defeased; or

6. *Funded Debt.* Funded Debt if after giving effect to the issuance of such Funded Debt and the application of the proceeds thereof, (i) the quotient obtained by dividing the total amount of Funded Debt of the University by the sum of the net unrestricted assets of the University plus the temporarily restricted net assets of the University is not greater than 2.0, and (ii) the quotient obtained by dividing the total amount of Funded Debt bearing interest at a rate that is not fixed to the Stated Maturity of the Funded Debt in question by the sum of the net unrestricted assets of the University plus the temporarily restricted net assets of the University is not greater than 0.5, all as demonstrated by an Officer's Certificate setting forth such calculations.

7. *Counterparties to Hedge Agreements.* The University will not permit or suffer to continue any Hedge Agreement having a notional amount equal to or greater than $15,000,000 if the counter party to such Hedge Agreement has an unenhanced long term debt rating lower than A-3 or A-from a Rating Service unless such Hedge Agreement is secured by collateral or the performance by the counterparty of its obligations under the Hedge Agreement is guaranteed by a Person having an unenhanced long term debt rating of A-3 or A- from at least one Rating Service. For the purposes of this section, "Hedge Agreement" means an interest rate swap, collar, floor, forward or other hedging agreement, arrangement or security, however denominated, with respect to a series of Securities designated as such by University Order.

However, all of the matters discussed under *Limitations on Debt* have been eliminated pursuant to a First Supplement to Master Indenture (the "*First Supplement*"). The provisions of the First Supplement will be effective upon its approval by the holders of a majority of the principal amount of Funded Debt outstanding. The purchasers of the Series 2016 Bonds are deemed by the purchase thereof to have given such approval.

Filing of Continuation Statements. The University will cause all financing statements and continuation statements covering security interests in the Trust Estate to be promptly filed, and at all times to be kept filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the rights of the Security Holders and the Master Trustee under the Master Indenture to all property comprising the Trust Estate under the Master Indenture. The University will furnish to the Trustee:

(a) promptly after the execution and delivery of the Master Indenture and of each Supplemental Master Indenture or University Order creating a series of Securities, an Opinion of Counsel stating that, in the opinion of such counsel, all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of the Security Holders and the Master Trustee under the Master Indenture, or stating that, in the opinion of such counsel, no such action is necessary to make such lien effective; and

(b) within 30 days after December 1 in each fifth year beginning with the year 2003, an Opinion of Counsel, dated as of such date, either stating that, in the opinion of such counsel, such action has been taken with respect to the filing and re-filing of all financing statements, continuation statements or other instruments of further assurances as is necessary to maintain the lien of the Master Indenture and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of the Security Holders and the Master Trustee under the Master Indenture, or stating that, in the opinion of such counsel, no such action is necessary to maintain such lien.

Waiver of Certain Covenants. The University is not obligated to comply with certain covenants or conditions set forth in the Master Indenture if before or after the time for such compliance the Holders of the same percentage in principal amount of all Securities then Outstanding the consent of which would be required to amend the provisions of the Master Indenture to permit such noncompliance either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver will extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver becomes effective, the obligations of the University and the duties of the Master Trustee in respect of any such covenant or condition will remain in full force and effect.

Consolidation, Merger, Conveyance and Transfer

Consolidation, Merger, Conveyance or Transfer Only on Certain Terms. The University may not consolidate with or merge into any corporation or convey or transfer its properties substantially as an entirety to any Person, unless all of the following conditions exist:

1. the Person formed by such consolidation or into which the University merges or the Person which acquires substantially all of the properties of the University as an entirety is required to be a Person organized and existing under the laws of the United States of America or any state or the District of Columbia and expressly assumes by Supplemental Master Indenture supplemental to the Master Indenture executed and delivered to the Master Trustee, in form satisfactory to the Master Trustee, the due and punctual payment of the principal of (and premium, if any), interest on, fees and other amounts payable on the Securities and the performance and observance of every covenant and condition on the part of the University to be performed or observed;

2. immediately after giving effect to such transaction, no default under the Master Indenture has occurred and is and continuing; and

3. the University has delivered to the Master Trustee an Officer's Certificate and an Opinion of Counsel, each of which state that such consolidation, merger, conveyance or transfer and such Supplemental Master Indenture comply with the Master Indenture and will not affect the status of interest on any indebtedness secured by Outstanding Securities under the Code, that such actions as may be necessary to continue the perfection of the liens with respect to the Trust Estate under the Master Indenture have been complied with, and that all conditions precedent to such transaction have been complied with.

Successor Corporation Substituted. Upon any consolidation or merger or any conveyance or transfer of the properties and assets of the University substantially as an entirety in accordance with the Master Indenture, the successor Person formed by such consolidation or into which the University is merged or to which such conveyance or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the University with the same effect as if such successor Person had been named as the University therein; provided, however that under the Master Indenture no such conveyance or transfer will have the effect of releasing any other Person which previously became the University in the manner described in the Master Indenture from its liability as obligor and maker or guarantor on any of the Securities.

Defaults and Remedies Under the Master Indenture

Events of Default under the Master Indenture. "Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

1. default in the payment of the principal of, the premium, if any, or interest or any other amount due on any Security when due; or

2. default in the performance, or breach, of any covenant or agreement on the part of the University contained in the Master Indenture (other than a covenant or agreement whose performance or observance is waived pursuant to the terms of the Master Indenture or whose performance or observance is otherwise specifically dealt with) and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the University by the Master Trustee, or to the University and the Master Trustee by the Holders of at least 25% in principal amount of Securities then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Master Indenture; provided that if such default can be cured by the University but cannot be cured within the 60-day curative period described above, it will not constitute an Event of Default if corrective action is instituted by the University within such 60-day period and diligently pursued until the default is corrected; or

3. a decree or order by a court having jurisdiction in the premises has been entered adjudging the University a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the University under the Federal Bankruptcy Code or any other similar applicable federal or state law, and such decree or order has continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the University or of the University's property, or for the winding up or liquidation of the University's affairs, has been entered, and such decree or order has remained in force undischarged and unstayed for a period of 90 days; or

4. the University has instituted proceedings to be adjudicated a voluntary bankrupt, or has consented to the institution of a bankruptcy proceeding against it, or has filed a petition or answer or consent seeking reorganization or arrangement under the Federal Bankruptcy Code or any other similar applicable federal or state law, or has consented to the filing of any such petition, or has consented to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or has made an assignment for the benefit of creditors, or has admitted in writing its inability to pay its debts generally as they become due, or corporate action has been taken by the University in furtherance of any of the aforesaid purposes; or

5. an event of default, as therein defined, under any Security or any instrument under which any Security may be created or secured, or under which Debt issued by or on behalf of a state or a political subdivision secured by a pledge of a series of Securities is incurred or secured, occurs and is continuing beyond the applicable period of grace, if any.

Acceleration of Maturity In Certain Cases; Rescission and Annulment. If an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and at the direction of the Holders (or, in the case of any Securities that are subject to a Credit Facility, or that are pledged to secure the repayment of other indebtedness that is subject to a Credit Facility, the Credit Enhancer with respect to such Securities unless the Credit Enhancer is in default in performance of its obligations with respect to such Credit Facility) of not less than *25%* in principal amount of the Securities Outstanding is required to declare the principal of all of the Securities to be due and payable immediately, by a notice in writing to the University (and to the Master Trustee if given by the Security Holders), and upon any such declaration such principal will become immediately due and payable. Acceleration by the Master Trustee of any Security is subject to any provision in the Security or a related document requiring the consent of a third party as a condition precedent to acceleration.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Master Trustee as provided in the Master Indenture, the Holders of a majority in principal amount of the Securities Outstanding, by written notice to the University and the Master Trustee, may rescind and annul such declaration and its consequences if (1) the University has caused to be paid or deposited with the Master Trustee a sum sufficient to pay (A) all overdue installments of interest on all Securities, (B) the principal of (and premium, if any, on) any Securities which have become due other than by such declaration of acceleration and interest thereon at the rate borne by the Securities; and (C) all sums paid or advanced by the Master Trustee under the Master Indenture and the reasonable compensation expenses, disbursements and advances of the Master Trustee, its agents and counsel; (2) all Events of Default, other than the nonpayment of the principal of Securities which have become due solely by such acceleration, have been cured or waived as provided in the Master Indenture, and (3) each Credit Enhancer with respect to any series of Securities the maturity of which has been accelerated has expressly reconfirmed its obligations with respect to the Credit Facility issued by it and consented to the annulment of such acceleration. No such rescission will affect any subsequent default or impair any right consequent thereon.

Collection of Indebtedness and Suits for Enforcement by Master Trustee. The University covenants that if (1) default is made in the payment of any installment of interest on any Security when such interest becomes due and payable, (2) default is made in the payment of the principal of (or premium, if any, on) any Security when such principal becomes due and payable, or (3) default is made in the payment of any other amount when such amount is due and payable, the University will, upon demand of the Master Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest and any other amount, with interest upon the overdue principal (and premium, if any) or other amount, not including interest; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel.

If the University fails to pay any of the foregoing amounts forthwith upon demand, the Master Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the University or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the University or any other obligor upon the Securities, wherever situated and the Master Trustee may also exercise any rights of a secured party under the Uniform Commercial Code with respect to the Trust Estate under the Master Indenture.

If an Event of Default occurs and is continuing, the Master Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Master Trustee deems most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Master Indenture or in aid of the exercise of any power granted therein, or to enforce any other proper remedy.

Application of Money Collected. Any money collected by the Master Trustee during the continuance of any Event of Default described in clause (1) under the caption, "THE MASTER INDENTURE—Default and Remedies Under the Master Indenture—*Events of Default under the Master Indenture*," will be applied in the following order, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Master Trustee under the Master Indenture including reimbursement of fees and expenses incurred in the collection of the moneys to be distributed;

Second: To the payment of the amounts then due and unpaid upon the Securities for principal (and premium, if any) and interest or any other amount, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest or such other amounts, respectively; and

Third: To the University, any remaining amounts of money so collected.

Limitation on Suits. No Holder of any Security has any right to institute any proceeding, judicial or otherwise, with respect to the Master Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Master Indenture, unless (1) such Holder has previously given written notice to the Master Trustee of a continuing Event of Default; (2) the Holders of not less than *25%* in principal amount of the Outstanding Securities have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee under the Master Indenture; (3) such Holder or Holders have offered to the Master Trustee indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Master Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (5) no direction inconsistent with such written request has been given to the Master Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders of Securities has any right in any manner whatever by virtue of, or by availing of, any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other Holders, or to enforce any right under the Master Indenture, except in the manner provided therein and for the equal and ratable benefit of all the Holders of Securities.

Unconditional Right of Holders of Securities to Receive Principal, Premium and Interest. Notwithstanding any other provision in the Master Indenture, the Holder of any Security has the right which is absolute and unconditional to receive payment of the principal of (and premium, if any), interest on, and fees and other amounts payable with respect to such Security, but solely from the sources provided in the Master Indenture, or any separate collateral security provided for such Security, on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights will not be impaired without the consent of such Holder.

Control by Holders of Securities. The Holders of a majority in principal amount of the Outstanding Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee or exercising any trust or power conferred on the Master Trustee, provided that (1) such direction is not in conflict with any rule of law or with the Master Indenture, (2) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction, and (3) the Master Trustee shall have the right to required indemnification and security satisfactory to it for any fees, expenses or liability that it may incur as a result of actions taken pursuant to such direction.

Concerning the Master Trustee

Duties and Liabilities of Master Trustee. The Master Indenture contains various limitations on the liability of the Master Trustee. Except during the continuance of an Event of Default, (i) the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture and no implied covenants or obligations shall be read into the Master Indenture against the Master Trustee; and (ii) in the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Master Trustee and conforming to the requirements of the Master Indenture. In case any Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill in their exercise, as a reasonably prudent man would exercise or use under the circumstances in the conduct of its own affairs.

Master Trustee May Own Securities. The Master Trustee or other agent of the University, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the University with the same rights it would have if it were not Master Trustee or such other agent.

Moneys to Be Held in Trust. All moneys received by the Master Trustee are required to be, until used or applied as in the Master Indenture provided (including payment of monies to the University under certain provisions of the Master Indenture), held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Master Trustee is under no liability for interest on any moneys received by it under the Master Indenture other than such interest as it expressly agrees to pay.

Corporate Trustee Required; Eligibility. There is required to be at all times be a Master Trustee which must be an entity organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $100,000,000, subject to supervision or examination by federal or state authority. If at any time the Master Trustee ceases to be eligible under the Master Indenture, it is required to resign immediately in accordance with the Master Indenture.

Resignation and Removal; Appointment of Successor. No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee may become effective until the acceptance of appointment by the successor Master Trustee in accordance with the Master Indenture. The Master Trustee may resign at any time upon written notice to the University. The Master Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Securities, or, so long as no Event of Default has occurred and is continuing, by the University, subject to revocation of removal by the Holders of a majority in outstanding principal amount of Securities not held by the Master Trustee, as described in the Master Indenture. If the Master Trustee becomes ineligible or incapable of serving it may be removed in accordance with the procedures described in the Master Indenture.

Merger or Consolidation. Any entity into which the Master Trustee may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Master Trustee is a party, or any entity succeeding to all or substantially all of the corporate trust business of the Master Trustee, will be the successor Master Trustee, provided such entity is otherwise qualified and eligible under the Master Indenture.

Supplements

Supplemental Master Indentures Without Consent of Holders of Securities. Without the consent of the Holders of any Securities, the University, when authorized by a Board Resolution, and the Master Trustee at any time may enter into or consent to one or more Supplemental Master Indentures, subject to the Master Indenture, for any of the following purposes:

1. to authorize a series of additional Securities, issued in compliance with the Master Indenture;

2. to evidence the succession of another Person to the University, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the University as permitted by the Master Indenture;

3. to add to the covenants of the University for the benefit of the Holders of Securities or any Credit Enhancer, or to surrender any right or power in the Master Indenture or in such Securities conferred upon the University;

4. to cure any ambiguity or to correct or supplement any provision in the Master Indenture or in the Supplemental Master Indenture which may be inconsistent with any other provision in the Master Indenture or in the Supplemental Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture which are not inconsistent with the Master Indenture, provided such action does not, in the opinion of the Master Trustee, adversely affect the interests of the Holders of Securities;

5. to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal or state statute or regulation; including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions under the Master Indenture and the University

undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture; provided, however, that nothing in the Master Indenture will be deemed to authorize inclusion in the Master Indenture or in any Supplemental Master Indenture, provisions referred to in Section 31 6(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute subsequently effect;

6. to make any amendment to any provision of the Master Indenture to preserve the tax-exempt status of any tax-exempt obligations secured by Securities; and

7. to make any amendment to any provision of the Master Indenture which is only applicable to Securities issued thereafter or which will not apply so long as any Security then Outstanding remains Outstanding.

Supplemental Master Indentures With Consent of Holders of Securities. With the consent of the Holders (or, in the case of any Securities that are subject to a Credit Facility, or that are pledged to secure the repayment of other indebtedness that is subject to a Credit Facility, the Credit Enhancer with respect to such Securities unless the Credit Enhancer is in default in performance of its payment obligations with respect to such Credit Facility) of not less than a majority in principal amount of the Outstanding Securities, by act of said Holders (and such Credit Enhancer) delivered to the University and the Master Trustee, the University, when authorized by a Board Resolution, and the Master Trustee may enter into or consent to a Supplemental Master Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of modifying in any manner the rights of the Holders of the Securities under the Master Indenture; provided, however, that no such Supplemental Master Indenture will, without the consent of the Holder of each Outstanding Security affected thereby,

1. change the Stated Maturity of the principal of, or any installment of interest on, any Securities or any date for mandatory redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Securities or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date), or

2. reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such Supplemental Master Indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Master Indenture or certain defaults thereunder and their consequences) provided for in the Master Indenture, or

3. modify any of the provisions of this subheading or certain other provisions described in the Master Indenture, except to increase any such percentage or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby, or

4. permit the preference or priority of any Security or Securities over any other Securities then Outstanding, or

5. modify the right of the Holders of not less than 25% of the aggregate principal amount of the Securities Outstanding to declare the principal amount of all Securities Outstanding to be due and payable as provided in the Master Indenture.

It is not necessary for any act of Holders (or Credit Enhancer) of Securities under this section to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient if such act of Holders (or Credit Enhancer) of Securities approves the substance thereof.

Satisfaction and Discharge of Master Indenture

If at any time the University has paid or caused to be paid the principal of (and premium, if any) and interest on all the Securities Outstanding under the Master Indenture, as and when the same has become due and payable, and if the University also pays or provides for the payment of all other sums payable by the University and has paid all of the Master Trustee's fees and expenses pursuant to the Master Indenture, then the Master Indenture will cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced or apparently destroyed, lost or stolen Securities, (iii) rights of Holders to receive payments of principal thereof (and premium, if any) and interest thereon and remaining obligations of the University to make mandatory sinking fund payments, (iv) the rights, remaining obligations, if any, and immunities of the Master Trustee under the Master Indenture, and (v) the rights of the Holders as beneficiaries of the Master Indenture with respect to the property so deposited with the Master Trustee payable to all or any of them) and the Master Trustee, on the University Request accompanied by an Officer's Certificate and an Opinion of Counsel to the effect that the conditions precedent to the satisfaction and discharge of the Master Indenture have been fulfilled and at the cost and expense of the University, will execute proper instruments acknowledging satisfaction of and discharging the Master Indenture.

Notwithstanding the satisfaction and discharge of the Master Indenture, certain provisions of the Master Indenture will survive.

Securities Deemed Paid. Any Securities of any series will be deemed to have been paid if (1) in case said Securities are to be redeemed on any date prior to their Stated Maturity, the University by University Request has given to the Master Trustee irrevocable instructions to give notice of redemption of such Securities on said redemption date, (2) there have been deposited with the Master Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as established by an Officer's Certificate delivered to the Master Trustee accompanied by a report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any) and interest due and to become due on said Securities on and prior to the Maturity thereof, and (3) in the event said Securities are not by their terms subject to redemption within the next 45 days, the University by University Request will give the Master Trustee irrevocable instructions to give a notice to the Holders of such Securities that the deposit required by (2) above has been made with the Master Trustee and that said Securities are deemed to have been paid in accordance with this provision and stating such Maturity date upon which moneys are to be available for the payment of the principal of (and premium, if any) and interest on said Securities.

Application of Trust Money. The Defeasance Obligations and money deposited with the Master Trustee pursuant to the Master Indenture and principal or interest payments on any such Defeasance Obligations are required to be held in trust, may not be sold or reinvested, and will be applied by it, in accordance with the provisions of the Securities and the Master Indenture, to the payment, either directly or through any paying agent as the Master Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Master Trustee of an Officer's Certificate (accompanied by the report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in the Master Indenture, any money received from principal or interest payments on Defeasance Obligations deposited with the Master Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, will, upon University Request be reinvested in other Defeasance Obligations or disposed of as requested by the University. For purposes of any calculation required by this section, any Defeasance Obligation which is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation shall be assumed to be received at its stated maturity.

Compliance Certificates and Reports

Whenever the amount or date of any of the following is a condition to the taking of any action permitted under the Master Indenture, (1) any of: (A) the amount of net unrestricted assets and temporarily restricted net assets of any Persons, (B) principal of any Debt or the maximum annual debt service with respect to any Debt, and (C) book value of any assets, are required to be established by an Officer's Certificate of the University stating the amount of such item and that such amounts have been derived or calculated from the most recent financial statements of the University delivered to the Master Trustee, or from the books and records of the University and that such books and records have been maintained in compliance with certain sections of the Master Indenture; and (2) the current value of any properties of any Person will be established by an Officer's Certificate which states: (A) the appraised value of the properties of such Person for which an appraisal is attached to such Officer's Certificate, (B) the aggregate book value of all other properties of such Person, and (C) that such aggregate book value does not exceed by more than 5% the aggregate current value of all such other unappraised properties and which is accompanied by one or more written appraisals made by Independent Persons experienced in appraising the value of similar properties stating such Person's opinion of the value of such appraised property as of a date not more than two years preceding the date such Officer's Certificate is delivered to the Master Trustee.

All calculations required to be made under the Master Indenture with respect to any Person are required to be made after elimination of intercompany items on a combined basis. The character or amount of any asset, liability or item of income or expense required to be determined or any consolidation, combination or other accounting computation required to be made for the purposes of the Master Indenture, is required to be determined or made in accordance with generally accepted accounting principles at the time in effect, and except where such principles are inconsistent with the requirements of the Master Indenture. The Trustee has no duty to verify such calculations or information set forth in any such Officer's Certificate.

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APPENDIX D

PROPOSED FORMS OF OPINION OF BOND COUNSEL

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[Closing Date]

Southwest Higher Education Authority, Inc.
3800 University Boulevard
P.O. Box 8005
Dallas, Texas 75205-0005

The Bank of New York Mellon Trust Company,
National Association, as Trustee
601 Travis Street, 16th Floor
Houston, Texas 77002

Ladies and Gentlemen:

We have represented the Southwest Higher Education Authority, Inc. (the "Issuer") as its bond counsel in connection with the issuance by the Issuer of its Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2016A (the "Series 2016A Bonds"). The Series 2016A Bonds are issued pursuant to a Trust Indenture dated as of January 1, 1999 as supplemented by a First Supplemental Indenture dated as of January 1, 1999, a Second Supplemental Indenture dated as of July 1, 2002, a Third Supplemental Indenture dated as of December 1, 2003, a Fourth Supplemental Indenture dated as of February 1, 2007, a Fifth Supplemental Indenture dated as of September 15, 2009, a Sixth Supplemental Indenture dated as of October 15, 2010, a Seventh Supplemental Indenture dated as of March 1, 2013, and an Eighth Supplemental Indenture dated May 1, 2016 (collectively, the "Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), as Trustee (the "Trustee"). The proceeds of the Series 2016A Bonds will be loaned by the Issuer to Southern Methodist University (the "University"), a Texas non-profit corporation, pursuant to a Loan Agreement dated as of January 1, 1999 as amended by an Amendment Number 1 to Loan Agreement dated as of January 1, 1999, an Amendment Number 2 to Loan Agreement dated as of July 1, 2002, an Amendment Number 3 to Loan Agreement dated as of December 1, 2003, an Amendment No. 4 to Loan Agreement dated as of February 1, 2007, an Amendment No. 5 to Loan Agreement dated as of September 15, 2009, an Amendment No. 6 to Loan Agreement dated as of October 15, 2010, an Amendment No. 7 to Loan Agreement dated as of March 1, 2013, and an Amendment No. 8 to Loan Agreement dated as of May 1, 2016 (collectively, the "Loan Agreement"), between the Issuer and the University. Under the Loan Agreement, the University has agreed to make payments to or for the account of the Issuer in amounts necessary to pay when due the principal of and premium (if any) and interest on the Series 2016A Bonds. Such payments and other revenues under the Loan Agreement and the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, reimbursements and administrative fees) are pledged and assigned by the Issuer under the Indenture to the Trustee as security for the Series 2016A Bonds. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture and Loan Agreement. The Series 2016A Bonds are payable solely from the Trust Estate. The Loan Agreement is issued and authenticated as a "Security" under a Master Trust Indenture dated as of January 1, 1999 (the "Master Indenture"), between the University and The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), as master trustee.

Reference is made to an opinion of even date herewith of Paul J. Ward, General Counsel to the University, with respect to, among other matters, the corporate status, good standing and qualification to do business of the University, the corporate power of the University to enter into and perform its obligations under the Loan Agreement and its authorization, execution, delivery, binding effect and enforceability.

We have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2016A Bonds or the University and we express no opinion relating thereto (except to the extent stated in the Official Statement and in a supplemental opinion of even date herewith addressed to the Issuer, the Trustee and Master Trustee and the Underwriters).

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the University contained in the Loan Agreement, certified proceedings furnished to us by or on behalf of the Issuer and the University and certain public officials, and such certificates from officers and representatives of the Issuer and the University, and from public officials, as we have deemed necessary, without undertaking to verify the same by independent investigation. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

Based upon the foregoing and subject to the assumptions, qualifications and limitations set forth herein, we are of the opinion that, under existing law:

1. The Issuer is validly existing as a nonprofit corporation created pursuant to Chapter 53, Texas Education Code, as amended effective on September 1, 2005 and recodified as Chapters 53, 53A and 53B, particularly Section 53A.35(b) thereof, and has the corporate power to enter into and perform the obligations under the Indenture and the Loan Agreement and to issue the Series 2016A Bonds.

2. The Indenture and the Loan Agreement have each been duly authorized, executed and delivered by the Issuer, each is a valid and binding obligation of the Issuer, and, subject to the qualifications stated below, each is enforceable upon the Issuer. The Indenture creates a valid security interest in the Trust Estate including the rights of the Issuer in and to the Loan Agreement (except certain rights to indemnification, reimbursements and administrative fees) on a parity with other bonds issued or to be issued under the Indenture.

3. The Series 2016A Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable, together with other bonds issued or to be issued under the Indenture, solely from the Trust Estate.

4. Interest on the Series 2016A Bonds is excludable from gross income for federal income tax purposes under existing law.

5. The Series 2016A Bonds are "qualified 501(c)(3) bonds" within the meaning of section 145 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2016A Bonds is not (i) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (ii) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax.

In rendering the opinions expressed in paragraphs 4 and 5 above, we have relied on, among other things, the opinion of Paul J. Ward, General Counsel to the University, as to the status of the University as an organization described in Section 501(c)(3) of the Code, and certificates signed by officers of the Issuer, the University, the Underwriters and First Southwest Company (the "Financial Advisor") with respect to certain material facts, estimates and expectations that are solely within the knowledge of the Issuer, the University, the Underwriters and the Financial Advisor, which we have not independently verified. In addition, in rendering the opinions set forth in paragraphs 4 and 5, we have assumed continuing compliance with the covenants in the Loan Agreement and the Indenture pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Series 2016A Bonds for federal income tax purposes. Bond Counsel will further rely on the Report (the "Report") of KPMG, Certified Public Accountants regarding the mathematical accuracy of certain computations. If such representations, certificates or the Report are determined to be inaccurate or incomplete or the University or the Issuer fail to comply with such covenants, interest on the Series 2016A Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Series 2016A Bonds.

Owners of the Series 2016A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States of America may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2016A Bonds).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Series 2016A Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer.

We express no opinion as to the creation, priority or perfection of the security interest granted by the University in the "Trust Estate" (as defined in the Master Indenture). We call your attention, however, to the facts that: (1) the security interest granted by the University in the "Trust Estate" (as defined in the Master Indenture) to the Master Trustee named in the Master Indenture to secure payment of the Loan Agreement as a "Security" (as defined in the Master Indenture) also secures on a parity basis all other Securities issued and currently outstanding thereunder and all future Securities that may hereafter be issued; (2) the Master Indenture allows the University to grant a security interest in the "Trust Estate" (as defined in the Master Indenture) that may under certain circumstances as provided in the Master Indenture be superior to the security interest in such Trust Estate securing payment of the Securities; (3) subject to certain limitations, the Master Indenture allows additional Securities to be issued by the University from time to time pursuant to the provisions of the Master Indenture; (4) the security interest granted by the University pursuant to granting clause First of the Master Indenture, for the benefit of all Securities issued under the Master Indenture, will terminate by its terms at such time as the "Previously Issued Securities" (as defined in the Master Indenture) are paid or their payment provided for pursuant to the terms of the Master Indenture.

It is to be understood that the rights of the holders of the Series 2016A Bonds under the Indenture and the Loan Agreement and the enforceability of the Series 2016A Bonds, the Indenture and the Loan Agreement are subject to bankruptcy (including the equitable discretion of bankruptcy courts), insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, that their enforcement may be limited by general principles of equity (regardless of whether considered in proceedings, in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance and that the security interest created by the Indenture may be limited by federal laws that pre-empt the application of Section 1208 of the Texas Government Code.

This opinion speaks only as of its date and only in connection with the Series 2016A Bonds and may not be applied to any other transaction. Further, this opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, to the laws of the United States of America.

Very truly yours,

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[Closing Date]

Southwest Higher Education Authority, Inc.
3800 University Boulevard
P.O. Box 8005
Dallas, Texas 75205-0005

The Bank of New York Mellon Trust Company,
National Association, as Trustee
601 Travis Street, 16th Floor
Houston, Texas 77002

Ladies and Gentlemen:

We have represented the Southwest Higher Education Authority, Inc. (the "Issuer") as its bond counsel in connection with the issuance by the Issuer of its Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2016B (the "Series 2016B Bonds"). The Series 2016B Bonds are issued pursuant to a Trust Indenture dated as of January 1, 1999 as supplemented by a First Supplemental Indenture dated as of January 1, 1999, a Second Supplemental Indenture dated as of July 1, 2002, a Third Supplemental Indenture dated as of December 1, 2003, a Fourth Supplemental Indenture dated as of February 1, 2007, a Fifth Supplemental Indenture dated as of September 15, 2009, a Sixth Supplemental Indenture dated as of October 15, 2010, a Seventh Supplemental Indenture dated as of March 1, 2013, and an Eighth Supplemental Indenture dated May 1, 2016 (collectively, the "Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), as Trustee (the "Trustee"). The proceeds of the Series 2016B Bonds will be loaned by the Issuer to Southern Methodist University (the "University"), a Texas non-profit corporation, pursuant to a Loan Agreement dated as of January 1, 1999 as amended by an Amendment Number 1 to Loan Agreement dated as of January 1, 1999, an Amendment Number 2 to Loan Agreement dated as of July 1, 2002, an Amendment Number 3 to Loan Agreement dated as of December 1, 2003, an Amendment No. 4 to Loan Agreement dated as of February 1, 2007, an Amendment No. 5 to Loan Agreement dated as of September 15, 2009, an Amendment No. 6 to Loan Agreement dated as of October 15, 2010, an Amendment No. 7 to Loan Agreement dated as of March 1, 2013, and an Amendment No. 8 to Loan Agreement dated as of May 1, 2016 (collectively, the "Loan Agreement"), between the Issuer and the University. Under the Loan Agreement, the University has agreed to make payments to or for the account of the Issuer in amounts necessary to pay when due the principal of and premium (if any) and interest on the Series 2016B Bonds. Such payments and other revenues under the Loan Agreement and the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, reimbursements and administrative fees) are pledged and assigned by the Issuer under the Indenture to the Trustee as security for the Series 2016B Bonds. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture and Loan Agreement. The Series 2016B Bonds are payable solely from the Trust Estate. The Loan Agreement is issued and authenticated as a "Security" under a Master Trust Indenture dated as of January 1, 1999 (the "Master Indenture"), between the University and The Bank of New York Mellon Trust Company, National Association (successor in trust to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), as master trustee.

Reference is made to an opinion of even date herewith of Paul J. Ward, General Counsel to the University, with respect to, among other matters, the corporate status, good standing and qualification to do business of the University, the corporate power of the University to enter into and perform its obligations under the Loan Agreement and its authorization, execution, delivery, binding effect and enforceability.

We have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2016B Bonds or the University and we express no opinion relating thereto (except to the extent stated in the Official Statement and in a supplemental opinion of even date herewith addressed to the Issuer, the Trustee and Master Trustee and the Underwriters).

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the University contained in the Loan Agreement, certified proceedings furnished to us by or on behalf of the Issuer and the University and certain public officials, and such certificates from officers and representatives of the Issuer and the University, and from public officials, as we have deemed necessary, without undertaking to verify the same by independent investigation. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

Based upon the foregoing and subject to the assumptions, qualifications and limitations set forth herein, we are of the opinion that, under existing law:

1. The Issuer is validly existing as a nonprofit corporation created pursuant to Chapter 53, Texas Education Code, as amended effective on September 1, 2005 and recodified as Chapters 53, 53A and 53B, particularly Section 53A.35(b) thereof, and has the corporate power to enter into and perform the obligations under the Indenture and the Loan Agreement and to issue the Series 2016B Bonds.

2. The Indenture and the Loan Agreement have each been duly authorized, executed and delivered by the Issuer, each is a valid and binding obligation of the Issuer, and, subject to the qualifications stated below, each is enforceable upon the Issuer. The Indenture creates a valid security interest in the Trust Estate including the rights of the Issuer in and to the Loan Agreement (except certain rights to indemnification, reimbursements and administrative fees) on a parity with other bonds issued or to be issued under the Indenture.

3. The Series 2016B Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable, together with other bonds issued or to be issued under the Indenture, solely from the Trust Estate.

WE OBSERVE THAT interest on the Series 2016B Bonds is generally includable in gross income for federal income tax purposes under existing law. We express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2016B Bonds. Prospective purchasers should consult their tax advisors with respect to such matters.

We express no opinion as to the creation, priority or perfection of the security interest granted by the University in the "Trust Estate" (as defined in the Master Indenture). We call your attention, however, to the facts that: (1) the security interest granted by the University in the "Trust Estate" (as defined in the Master Indenture) to the Master Trustee named in the Master Indenture to secure payment of the Loan Agreement as a "Security" (as defined in the Master Indenture) also secures on a parity basis all other Securities issued and currently outstanding thereunder and all future Securities that may hereafter be issued; (2) the Master Indenture allows the University to grant a security interest in the "Trust Estate" (as defined in the Master Indenture) that may under certain circumstances as provided in the Master Indenture be superior to the security interest in such Trust Estate securing payment of the Securities; (3) subject to certain limitations, the Master Indenture allows additional Securities to be issued by the University from time to time pursuant to the provisions of the Master Indenture; (4) the security interest granted by the University pursuant to granting clause First of the Master Indenture, for the benefit of all Securities issued under the Master Indenture, will terminate by its terms at such time as the "Previously Issued Securities" (as defined in the Master Indenture) are paid or their payment provided for pursuant to the terms of the Master Indenture.

It is to be understood that the rights of the holders of the Series 2016B Bonds under the Indenture and the Loan Agreement and the enforceability of the Series 2016B Bonds, the Indenture and the Loan Agreement are subject to bankruptcy (including the equitable discretion of bankruptcy courts), insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, that their enforcement may be limited by general principles of equity (regardless of whether considered in proceedings, in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance and that the security interest created by the Indenture may be limited by federal laws that pre-empt the application of Section 1208 of the Texas Government Code.

This opinion speaks only as of its date and only in connection with the Series 2016B Bonds and may not be applied to any other transaction. Further, this opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, to the laws of the United States of America.

Very truly yours,

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APPENDIX E

BOOK ENTRY SYSTEM

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BOOK ENTRY SYSTEM

AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE "HOLDERS," THE "BONDHOLDERS," OR THE "OWNERS OF THE SERIES 2016 BONDS" SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNER OF THE SERIES 2016 BONDS. WHEN REFERENCE IS MADE TO ANY ACTION WHICH IS REQUIRED OR PERMITTED TO BE TAKEN BY SUCH BENEFICIAL OWNER, SUCH REFERENCE ONLY RELATES TO ACTION BY SUCH BENEFICIAL OWNER OR THOSE PERMITTED TO ACT (BY STATUTE, REGULATION, OR OTHERWISE) ON BEHALF OF SUCH BENEFICIAL OWNER FOR SUCH PURPOSES.

The Issuer, the University, the Trustee and the Underwriters cannot and do not give any assurances that DTC will distribute to its Participants or that Direct Participants or Indirect Participants will distribute to Beneficial Owners of the Series 2016 Bonds (i) payments of the principal of, or interest or premium, if any, on the Series 2016 Bonds, or (ii) confirmation of ownership interests in the Series 2016 Bonds, or (iii) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "procedures" of DTC to be followed in dealing with its Participants are on file with DTC.

THE ISSUER, THE UNIVERSITY, THE TRUSTEE, AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE SERIES 2016 BONDS; (C) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; (D) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

General Provisions

The following information concerning DTC and its book entry system has been furnished for use in this Official Statement by DTC. The Issuer, the University, the Underwriters and the Trustee take no responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2016 Bonds (the "*Series 2016 Bonds*"). The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's rating AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 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 Series 2016 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 Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 Series 2016 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 Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds payments on the Series 2016 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 Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the University, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, 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 Series 2016 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2016 Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2016 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 sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

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