

SECOND SUPPLEMENTAL INDENTURE

between

SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.

As Issuer

and

JPMORGAN CHASE BANK

As Trustee

authorizing

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

Dated as of

July 1, 2002

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SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of July 1, 2002, is between SOUTHWEST HIGHER EDUCATION AUTHORITY, INC. (the "Issuer"), a nonprofit corporation organized pursuant to the Higher Education Authority Act, and the provisions of Chapter 53 of the Texas Education Code, particularly Section 53.35(b) thereof, and the Texas Non-Profit Corporation Act, as amended, as made applicable thereby (the "Act"), as a duly constituted authority to act on behalf of the City of University Park, Texas (the "Unit"), and JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), a New York state banking corporation authorized to do business in the State of Texas, as trustee (the "Trustee"), and supplements the Trust Indenture dated as of January 1, 1999, between the Issuer and the Trustee (as supplemented by the First Supplemental Indenture, dated as of January 1, 1999, between the Issuer and the Trustee, by this Second Supplemental Indenture, and as further supplemented from time to time, the "Indenture").

WITNESSETH:

WHEREAS, pursuant to and in accordance with the provisions of the Constitution of the State of Texas and the Act, by appropriate action duly taken by the Issuer, and in furtherance of the purposes of the Act, the Issuer is authorized to issue and sell revenue bonds for the purpose of aiding Southern Methodist University, a Texas nonprofit corporation, which is an "institution of higher education," within the meaning of the Act (the "University") in providing educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith; and

WHEREAS, the Issuer previously issued its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1992 (the "Series 1992 Bonds") in two series, its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1992A (the "Series 1992A Bonds") and its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1992B (the "Series 1992B Bonds"); and

WHEREAS, the proceeds of the Series 1992 Bonds were loaned to the University, for the purposes of financing or refinancing certain educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, namely, the acquisition and installation of a new telecommunications system for the University and the construction and equipping of a student center, north and south wings for the Edwin L. Cox School of Business and an engineering building and the purchase of capital equipment to be used in instruction, research and administration (the "1992 Project"); and

WHEREAS, the Issuer previously issued its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1995 (the "Series 1995 Bonds"); and

WHEREAS, the proceeds of the Series 1995 Bonds were loaned to the University, for the purposes of financing or refinancing certain educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, namely, the acquisition and installation of new information technology for

the University, the renovation of dormitory facilities, and the extension of the central electric system of the University (the "1995 Project"); and

WHEREAS, the University previously issued its Law Library and Classroom Building Bonds of 1967 (the "Series 1967 Bonds") for the purposes of financing or refinancing certain educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, namely, the renovation of an existing building for law school classrooms and the construction of a new law library and classroom building and related improvements (the "1967 Project" and, together with the 1992 Project and the 1995 Project, the "Prior Projects"); and

WHEREAS, the Issuer has previously issued its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1999 A (the "Series 1999 A Bonds") pursuant to the terms of the Indenture; the proceeds of which were loaned to the University, for the purposes of financing certain educational facilities and housing facilities, within the meaning of the Act and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, upon the terms and conditions set forth in a certain Loan Agreement dated as of January 1, 1999, between the Issuer and the University (as amended from time to time, the "Agreement"); and

WHEREAS, the Issuer has previously issued and delivered its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1999 D (the "Series 1999 D Bonds") for the purpose of refunding a portion of the Series 1992B Bonds; and

WHEREAS, the Issuer proposes hereby to issue and sell the Bonds described herein (the "Series 2002 Bonds") and to lend the proceeds of the Series 2002 Bonds to the University upon the terms and conditions set forth in the Agreement for the purpose of (i) financing the cost of certain educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith (the "Series 2002 Project") and (ii) refinancing the 1992 Project by refunding the Series 1992 Bonds that remain outstanding, refinancing a portion of the cost of the 1995 Project by refunding the Series 1995 Bonds that mature October 1, 2002 and refinancing a portion of the cost of the 1967 Project by refunding the Series 1967 Bonds that mature October 1, 2002; and

WHEREAS, the Issuer has determined, based upon representations of the University, that the Series 2002 Project, as more specifically described in Exhibit A attached to Amendment No. 2 to the Loan Agreement, constitutes educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, and that the issuance of the Series 2002 Bonds to finance the Series 2002 Project and to refinance the Prior Projects will be in furtherance of the public purposes of the Act; and

WHEREAS, all Bonds issued under the Indenture are secured by a pledge and assignment to the Trustee of certain rights of the Issuer under the Agreement, which are entitled to the benefit and security of the Master Indenture (as defined in the Indenture); and

WHEREAS, the Indenture authorizes the Issuer, when authorized by a Board Resolution, and the Trustee, upon receipt of a University Consent, to enter into supplemental indentures

without the consent of the Owners of Bonds Outstanding under the Indenture in order, among other things, to create any series of additional Bonds and to make provisions therefor as provided in Section 2.06 of the Indenture, and the Issuer and the University desire to supplement the Indenture to authorize the issuance of the Issuer's Series 2002 Bonds and to make provision for the administration of the proceeds thereof; and

WHEREAS, the Opinion of Bond Counsel required by the Indenture in order to amend the Agreement and to supplement the Indenture has been received; and

WHEREAS, the issuance, sale and delivery of the Series 2002 Bonds and the execution and delivery of this Supplemental Indenture have been in all respects duly and validly authorized in accordance with the Act by a resolution duly adopted by the governing body of the Issuer; and

WHEREAS, all conditions, acts and things necessary and required by the Constitution or statutes of the State of Texas or otherwise, to exist, to have happened, or to have been performed precedent to and in the execution and delivery of the Agreement and in the issuance of the Series 2002 Bonds herein authorized, do exist, have happened and have been performed in regular form, time and manner;

NOW, THEREFORE, the Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts created in the Indenture, as supplemented hereby, of the purchase and acceptance of the Series 2002 Bonds by the purchasers thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby confirm and agree that the grant in the Indenture to the Trustee for the benefit of the Owners of the Bonds of the Trust Estate (as defined in the Indenture) shall constitute a lien on and security interest in such Trust Estate for the benefit of the Owners of the Series 2002 Bonds on an equal and ratable basis with the Owners of the Series 1999 A Bonds and the Series 1999 D Bonds and of any additional Bonds issued under the Indenture, and in addition to the foregoing, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 101. Definitions. (a) For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) "This Supplemental Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions of the Indenture.

(2) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(3) All terms used in this Supplemental Indenture which are defined in the Indenture or the Agreement have the same meanings in this Supplemental Indenture (except in Exhibit A hereto) which are assigned to such terms in the Indenture or the Agreement. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa. Reference to any document means that document as amended or supplemented from time to time. Reference to any party to a document means that party and its successors and assigns.

(b) The following terms have the meanings assigned to them below whenever they are used in or with respect to this Supplemental Indenture (except in Exhibit A hereto):

“Authorized Denomination” means, with respect to the Series 2002 Bonds, \$5,000 or integral multiples thereof.

“Interest Payment Date” means, with respect to the Series 2002 Bonds, October 1, 2002 and each April 1 and October 1 thereafter.

“Purchase Contract” means, with respect to the Series 2002 Bonds, the Contract of Purchase, dated June 7, 2002, between the Issuer and the Underwriters.

“Record Date” means, with respect to the Series 2002 Bonds, the fifteenth day of the calendar month preceding each Interest Payment Date.

“Series 2002 Bonds” means the Issuer’s Higher Education Revenue Bonds (Southern Methodist University Project) Series 2002, authorized pursuant to this Supplemental Indenture and any Series 2002 Bonds thereafter authenticated and delivered in exchange for or replacement of any Series 2002 Bonds previously issued.

“Underwriters” means Lehman Brothers Inc., as representative of the underwriting syndicate composed of Lehman Brothers Inc., Bear, Stearns & Co. Inc, RBC Dain Rauscher Inc. and First Southwest Company.

(c) The address contained in the definition of “Payment Office” appearing in Section 1.01 of the Indenture shall be changed to 2001 Bryan, 9th Floor, Dallas, Texas 75202.

Section 102. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 103. Indenture to Remain in Force. Except as amended by this Supplemental Indenture, the Indenture shall remain in full force and effect as to the matters covered therein.

Section 104. Authority. This Supplemental Indenture is executed and delivered pursuant to the Act and the Indenture.

Section 105. Notices, etc., to Parties. Any request, demand, authorization, direction, notice, consent, waiver or Act of Owners of Series 2002 Bonds or other document provided or permitted by the Indenture to be made upon, given or furnished to, or filed with any party hereto shall be given in the manner prescribed in the Indenture.

Section 106. Successors and Assigns. All covenants and agreements in this Supplemental Indenture by the Issuer and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 107. Separability Clause. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 108. Benefits of Supplemental Indenture. Nothing in this Supplemental Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, the University and their successors hereunder and the Owners of Bonds, any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

Section 109. Governing Law. This Supplemental Indenture shall be construed in accordance with and governed by the laws of the State of Texas.

Section 110. Security Interest. The Issuer represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the Issuer is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The Issuer covenants that, if Chapter 1208.002 is amended at any time while the Series 2002 Bonds are outstanding and unpaid, the Issuer shall take all actions required in order to preserve for the Owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to the Indenture.

ARTICLE II

AUTHORIZATION AND TERMS OF SERIES 2002 BONDS

Section 201. Authorization of Series 2002 Bonds. (a) Pursuant to the provisions of Section 2.01 of the Indenture, a series of Bonds entitled to the benefit and security of the Indenture is hereby authorized in the aggregate principal amount of \$69,670,000, to be issued for the purpose of providing funds for the Issuer to lend to the University (i) to finance and refinance the cost of certain educational facilities and housing facilities, within the meaning of the Act, and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, (ii) to pay capitalized interest on the Series 2002 Bonds subject to the limits prescribed by the Act, and (iii) to pay costs of issuance of the Series 2002 Bonds. The Series 2002 Bonds shall be designated "Southwest Higher Education Authority, Inc. Higher Education Revenue Bonds (Southern Methodist University Project) Series 2002." The Series 2002 Bonds shall be issued in the form attached to this Supplemental Indenture as Exhibit A and shall be numbered separately

from R-1 upward. The Series 2002 Bonds shall be issued only in fully registered form in Authorized Denominations.

(b) The Comptroller of Public Accounts of the State of Texas, or a deputy designated in writing to act for the Comptroller (the "Comptroller"), shall manually sign the Certificate of Registration of the Comptroller prescribed in Exhibit A hereto and attached to the Initial Bond for the Series 2002 Bonds. The Initial Bond shall not be valid or obligatory for any purpose, unless there is attached to such Initial Bond the executed Certificate of Registration of the Comptroller. Series 2002 Bonds issued in exchange for the Initial Bond and all Series 2002 Bonds thereafter shall be registered and authenticated by the Trustee as set forth in Section 2.04 and Section 2.09 of the Indenture and shall be valid and obligatory for all purposes.

Section 202. Terms of Series 2002 Bonds. The Series 2002 Bonds shall be dated as of July 1, 2002 and shall bear interest at the per annum rates (computed on the basis of a 360-day year of twelve 30-day months) from their dated date or from the most recent Interest Payment Date to which interest has been duly paid or provided for, until payment of the principal or redemption price thereof shall have been made or duly provided for, at the rates set forth below, and shall mature on the Stated Maturity Dates set forth below:

(a) The Series 2002 Bonds maturing on each Stated Maturity Date shall bear interest from their dated date or from the most recent Interest Payment Date to which interest has been duly paid or provided for, until payment of the principal or redemption price thereof shall have been made or duly provided for, at the respective rates set forth below, and the Series 2002 Bonds shall mature on October 1 in each of the years and in the principal amounts set forth below:

<u>Stated Maturity</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	2003	\$ 200,000	3.000%
	2004	1,410,000	4.000%
	2005	1,465,000	4.000%
	2006	1,520,000	4.000%
	2007	1,595,000	5.000%
	2008	1,675,000	5.000%
	2009	2,485,000	5.250%
	2010	2,600,000	5.250%
	2011	2,750,000	5.250%
	2012	2,905,000	5.500%
	2013	3,065,000	5.500%
	2014	3,245,000	5.500%
	2015	3,420,000	5.500%
	2016	3,620,000	5.500%
	2017	3,825,000	5.500%
	2018	4,045,000	5.500%
	2019	1,770,000	5.500%
	2020	1,575,000	5.000%
	2021	1,650,000	5.000%

2022	1,740,000	5.000%
2030	16,515,000	5.000%
2032	6,595,000	5.125%

Section 203. Application of Proceeds. Simultaneously with the delivery of the Series 2002 Bonds, the Trustee shall apply the proceeds derived from the sale thereof in the manner set forth in the Issuer's Order presented to the Trustee at the time of issuance of the Series 2002 Bonds.

ARTICLE III

REDEMPTION OF BONDS

Section 301. Redemption of Bonds. (a) Subject to the provisions of Section 301(c), the Series 2002 Bonds maturing October 1, 2030 shall be subject to mandatory sinking fund redemption on October 1 in the years specified below in the respective aggregate principal amounts set forth opposite such year, at a redemption price equal to 100% of the principal amount thereof, plus unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date:

<u>Year</u>	<u>Principal Amount</u>
2023	\$1,825,000
2024	1,915,000
2025	2,015,000
2026	2,125,000
2027	2,235,000
2028	2,345,000
2029	2,460,000
2030*	1,595,000

* Stated Maturity Date.

(b) Subject to the provisions of Section 301(c), the Series 2002 Bonds maturing October 1, 2032 shall be subject to mandatory sinking fund redemption on October 1 in the years specified below in the respective aggregate principal amounts set forth opposite such year, at a redemption price equal to 100% of the principal amount thereof, plus unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date:

<u>Year</u>	<u>Principal Amount</u>
2030	\$1,000,000
2031	2,725,000
2032*	2,870,000

* Stated Maturity Date.

(c) The principal amount of Series 2002 Bonds maturing October 1, 2030 and October 1, 2032 to be redeemed pursuant to Sections 301(a) and 301(b) shall be reduced by an amount equal to the principal amount of Series 2002 Bonds of the same Stated Maturity Date (i) surrendered uncanceled and in proper form for transfer by the University to the Trustee not less than 30 days prior to such Redemption Date or (ii) selected not less than 30 days prior to such Redemption Date for redemption in or prior to such year pursuant to Section 302, if in any such case such Series 2002 Bonds shall not have previously served as the basis for any such reduction.

Section 302. Optional Redemption. (a) The Series 2002 Bonds maturing on October 1 in each of the years 2013 through 2022 and in the year 2030 shall be subject to redemption by the Issuer, upon the request of the University, prior to their Stated Maturity Date on any date, in any order, on or after October 1, 2012, in whole or in part, in Authorized Denominations, at a redemption price equal to the principal amount to be redeemed, together with unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date.

(b) The Series 2002 Bonds maturing on October 1, 2032 shall be subject to redemption by the Issuer, upon the request of the University, prior to their Stated Maturity Date on any date, in any order, on or after October 1, 2007, in whole or in part, in Authorized Denominations, at a redemption price equal to the principal amount to be redeemed, together with unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date.

ARTICLE IV INSURANCE PROVISIONS

Section 401. Applicability. The terms and provisions of this Article IV shall apply so long as the Insured Bonds are insured by Ambac Assurance Corporation.

Section 402. Definitions. (a) "Bond Insurer" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

(b) "Insured Bonds" shall mean the Series 2002 Bonds insured by the Bond Insurer, namely, the Series 2002 Bonds maturing on October 1 of each of the years 2006 through 2022, both inclusive, and 2030 and 2032.

(c) "Policy" shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Insured Bonds as provided therein.

Section 403. Bond Insurer Deemed Owner of Insured Bonds. Anything in the Indenture to the contrary notwithstanding, subject to Section 404, the Bond Insurer shall be deemed to be the Owner of all Insured Bonds (i) at all times for the purpose of the execution and delivery of a supplemental indenture or any amendment, change or modification of the Agreement or the initiation by the Owners of any Bonds of any action to be undertaken by the Trustee at such Owner's request or any removal of the Trustee which may be initiated by the Owners, which under the Indenture (or under the Agreement) requires the written approval or

consent of or can be initiated by the Owners of a specified percentage in aggregate principal amount of the Bonds at the time Outstanding, and (ii) following an Event of Default for all other purposes for which Owner consent, direction or approval is required or permitted. Notwithstanding the foregoing, nothing in this Section permits any supplement or amendment that would have the effect set forth in subsections (i) and (ii) of Section 11.03(a) of the Indenture without obtaining the consent of the Owner (determined without regard to the preceding sentence) of each Outstanding Bond affected thereby.

Section 404. Term of Rights of Bond Insurer. (a) For so long as (i) the Insured Bonds are Outstanding hereunder, (ii) no default by the Bond Insurer in payment of the Policy has occurred and is continuing, (iii) the Policy remains in effect, (iv) the Bond Insurer has not asserted that the Policy is not in effect, (v) the Bond Insurer shall not have become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies that insure bonds as such claims are made, shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar laws now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, shall not have made a general assignment for the benefit of creditors, shall not have failed generally to pay its debts or claims as they become due, shall not have taken any corporate action in furtherance of any of the foregoing, or (vi) the Bond Insurer shall not have delivered to the Trustee a written waiver of its rights hereunder, the Bond Insurer shall have the rights granted to the Bond Insurer hereunder.

(b) Any provision hereof expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

Section 405. Rights of Bond Insurer and Owners of Insured Bonds Following Acceleration of Insured Bonds. In the event that the principal of the Insured Bonds is declared to be immediately due and payable pursuant to Section 9.02 of the Indenture, and such acceleration is not thereafter waived as provided in the Indenture, the Trustee shall establish a trust fund for the payment of the Insured Bonds and shall deposit therein the amount otherwise to be distributed with respect to the Insured Bonds pursuant to Section 9.09(b) of the Indenture. Notwithstanding acceleration of the Bonds and anything in the Indenture or in the Insured Bonds to the contrary, Owners of the Insured Bonds shall be entitled to payment of the Insured Bonds in accordance with their stated maturities and not pursuant to the terms of Section 9.09(b) of the Indenture and the Trustee shall reimburse the Bond Insurer for amounts paid by the Bond Insurer to Owners of Insured Bonds as and when the Bond Insurer makes those payments, but such reimbursement shall be made solely from (and limited to) the trust funds held by the Trustee pursuant to this Section.

Section 406. Information to Be Furnished. (a) While the Policy is in effect, the Trustee shall furnish to the Bond Insurer (to the attention of the Surveillance Department):

- (1) a copy of any notice to be given to the Owners of the Series 2002 Bonds, including, without limitation, notice of any redemption of or defeasance

of Series 2002 Bonds, and any certificate pursuant to the Indenture relating to the security for the Series 2002 Bonds;

(2) such additional information it may reasonably request.

(b) The Trustee shall promptly notify the Bond Insurer (to the attention of the General Counsel's office) if at any time the University fails to provide notice or certificates required under this Article.

(c) Notwithstanding any other provision of hereof, the Trustee shall promptly notify the Bond Insurer (to the attention of the General Counsel's office) if at any time there are insufficient moneys to make any payments of principal and/or interest as required and promptly upon the occurrence of any Event of Default under the Indenture.

Section 407. Defeasance. In the event that the principal and/or interest due on the Insured Bonds shall be paid by the Bond Insurer pursuant to the Policy, the Insured Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the University, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Owners of the Insured Bonds shall continue to exist for the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners to the extent of the payments made by the Bond Insurer with respect to the Insured Bonds of such Owners; provided that the lien of the Indenture shall be released with respect to the Outstanding Insured Bonds when all amounts owed by the University to the Bond Insurer with respect to the Insured Bonds pursuant to the Indenture and the Agreement have been paid or such payment has been provided for.

Section 408. Payment Procedures. As long as the Policy shall be in full force and effect, the University and the Trustee agree to comply with the following provisions:

(a) At least one day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient funds in the Bond Fund to pay the principal of or interest on the Insured Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in the Bond Fund, the Trustee shall so notify the Bond Insurer and the University. Such notice shall specify the amount of the anticipated deficiency, the Insured Bonds to which such deficiency is applicable and whether such Insured Bonds will be deficient as to principal or interest or both. If the Trustee has so notified the Bond Insurer at least one day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Insured Bonds on that Interest Payment Date. If the Trustee has not so notified the Bond Insurer at least one day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Insured Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after the giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York in New York, as insurance trustee for the Bond Insurer or any successor (the

"Insurance Trustee"), the registration books of the Issuer maintained by the Trustee, if any, and all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of Owners of Insured Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Insured Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Insured Bonds surrendered to the Insurance Trustee by the Owners of Insured Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee, shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify Owners of Insured Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Insured Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Insured Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Insured Bonds for payment thereon first to the Trustee who shall note on such Insured Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on an Insured Bond which has become Due for Payment, as defined in the Policy, and which is made to a Owner of an Insured Bond by or on behalf of the University has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall at any time the Bond Insurer is notified pursuant to (a) above, notify all Owners that in the event that payment to any Owner of an Insured Bond is so recovered, such Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Insured Bonds which have been made by the Trustee and subsequently recovered from Owners of Insured Bonds and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer hereunder, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Owners of the Insured Bonds, and (ii) in the case of subrogation as to claims for

past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon surrender of the Insured Bonds by the Owners thereof together with proof of the payment of principal thereof.

Section 409. The Trustee. The Bond Insurer shall receive prior written notice of any Trustee resignation.

Section 410. Third Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim by reason of the Indenture, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

This written Supplemental Indenture represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.

There are no unwritten oral agreements between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be executed on their behalf by their duly authorized officers all as of the day and year first above written.

SOUTHWEST HIGHER EDUCATION
AUTHORITY, INC.

By: *Jayson W. Ross-Jones*
Authorized Officer

ATTEST:

By: *Harold Cooney*
Authorized Officer

JPMORGAN CHASE BANK, as Trustee

By: Rebecca A. Newman
Title: REBECCA A. NEWMAN
VICE PRESIDENT & TRUST OFFICER

Signature Page to Second Supplemental Indenture

Pursuant to the requirements of the Indenture, the University hereby acknowledges and consents to the execution and delivery of this Supplemental Indenture as of the date hereof.

SOUTHERN METHODIST UNIVERSITY

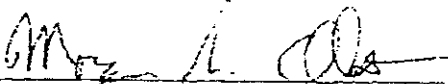
By: 
Authorized Officer

EXHIBIT A

FORM OF SERIES 2002 BONDS

The following two bracketed paragraphs are to be deleted in the Bonds if the Bonds are not Book-Entry Only Form:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (together with any successor security depository appointed pursuant to the Trust Indenture referred to herein, "DTC") to the Trustee named herein or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

As provided in the Trust Indenture, until the termination of the system of book-entry only transfers through DTC, and notwithstanding any other provision of the Trust Indenture to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.]

Registered UNITED STATES OF AMERICA Registered
No. R- _____ STATE OF TEXAS \$ _____

SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.
HIGHER EDUCATION REVENUE BONDS
(SOUTHERN METHODIST UNIVERSITY PROJECT)
SERIES 2002

Interest Rate: ____% Maturity Date: October 1, ____

Dated Date: July 1, 2002 CUSIP No.: _____

Registered Owner:

Principal Amount: Dollars

The Southwest Higher Education Authority, Inc. (the "Issuer," which term includes any successor corporation under the Indenture hereinafter referred to), a nonprofit corporation created and existing under the Constitution and laws of the State of Texas (the "State"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, but solely from the sources and in the manner herein provided, on the Maturity Date set forth above the Principal Amount set forth above. The Issuer also promises to pay interest thereon from the same sources, from the Dated Date set forth above, or from the Interest Payment Date to which interest has been paid or duly provided for, semiannually on April 1 and October 1,

commencing October 1, 2002, in each year at the per annum Interest Rate set forth above, until the principal hereof is paid or made available for payment, calculated on the basis of a 360-day year of twelve 30-day months.

NEITHER THE STATE OF TEXAS NOR A POLITICAL SUBDIVISION OR AGENCY OF THE STATE, INCLUDING THE CITY OF UNIVERSITY PARK, TEXAS, IS OBLIGATED TO PAY THE BONDS OR INTEREST OR ANY REDEMPTION PREMIUM ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY OF UNIVERSITY PARK, TEXAS, OR OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR ANY REDEMPTION PREMIUM ON THE BONDS.

1. Description of Series. This Bond and the series of Bonds of which this Bond is a part (the "Series 2002 Bonds") is one of a duly authorized issue of Bonds (the "Bonds") of the Issuer designated as its Higher Education Revenue Bonds (Southern Methodist University Project) of which the Series 2002 Bonds are limited in aggregate principal amount to \$69,670,000 issued or to be issued under a Trust Indenture dated as of January 1, 1999 (as supplemented from time to time, the "Indenture"), between the Issuer and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank, successor by merger to Chase Bank of Texas, National Association), as Trustee, to which Indenture and all indentures supplemental thereto reference is made for a statement of the respective rights thereunder of the Issuer, the University (hereinafter referred to), the Trustee and the Registered Owners of the Bonds, and the terms upon which the Bonds are, and are to be, authenticated and delivered. The Series 2002 Bonds are issued in order to provide funds for the Issuer to lend to Southern Methodist University, a Texas nonprofit corporation (together with any successor, the "University"), pursuant to a Loan Agreement dated as of January 1, 1999 (as amended from time to time, the "Agreement"), to finance and refinance the cost of certain "educational facilities" and "housing facilities" as defined in Chapter 53, Texas Education Code, as amended (the "Act"), and facilities incidental, subordinate, or related thereto or appropriate in connection therewith, to pay capitalized interest on the Series 2002 Bonds and to pay costs of issuance of the Series 2002 Bonds.

The Issuer has heretofore issued its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1999 A (the "Series 1999 A Bonds") and its Higher Education Revenue Bonds (Southern Methodist University Project) Series 1999 D (the "Series 1999 D Bonds") under the Indenture. Subject to the limitations set forth in the Indenture, the Issuer may from time to time issue additional series of Bonds for the purposes and upon the conditions set forth in the Indenture. Such additional Bonds may be issued in one or more series in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary. The Series 1999 A Bonds, the Series 1999 D Bonds, the Series 2002 Bonds and any additional Bonds will rank equally and on a parity with each other and will be equally and ratably secured by the pledge and covenants contained in the Indenture.

The Bonds are limited obligations of the Issuer, payable by the Issuer solely out of the revenues derived from or in connection with the Agreement and the Indenture, including all sums deposited from time to time pursuant to the Agreement and the Indenture in the funds established under the Indenture, and in certain events out of amounts secured through the

exercise of the remedies provided in the Agreement and the Indenture upon occurrence of an Event of Default under the Agreement or the Indenture.

2. Payment. Interest on this Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Bond (or one or more predecessor Bonds) is registered at the close of business on the Record Date for such interest which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Owner on such Record Date, and shall be paid to the person in whose name this Bond (or one or more predecessor Bonds) is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Registered Owners not less than 10 days prior to such special record date.

Interest on this Bond shall be paid by check or draft mailed to the Registered Owner of this Bond at its address as it appears on the registration books of the Trustee or by wire transfer of same day funds upon receipt by the Trustee prior to the Record Date of a written request by a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds or in such other manner as may be mutually acceptable to the Trustee and the Registered Owner of this Bond.

Principal and the redemption price of this Bond shall be payable to the Registered Owner of this Bond at the principal payment office of the Trustee located in Dallas, Texas (the "Place of Payment") upon the surrender for cancellation of this Bond. The redemption price of this Bond shall also be payable by wire transfer of same day funds upon receipt by the Trustee prior to the Record Date of a written request by a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds or in such other manner as may be mutually acceptable to the Trustee and the Registered Owner of this Bond.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or the equivalent for banking institutions generally (other than legal moratorium) at the place where payment thereof is to be made, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Redemption. The Series 2002 Bonds are subject to redemption as follows:

(a) Subject to the provisions of clause (c), the Series 2002 Bonds maturing on October 1, 2030, shall be subject to mandatory sinking fund redemption on October 1 in the years specified below in the respective aggregate principal amounts set forth opposite such year, at a redemption price equal to 100% of the principal amount thereof, plus unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date:

<u>Year</u>	<u>Principal Amount</u>
2023	\$1,825,000
2024	1,915,000
2025	2,015,000
2026	2,125,000
2027	2,235,000
2028	2,345,000
2029	2,460,000
2030*	1,595,000

* Stated Maturity Date

(b) Subject to the provisions of clause (c), the Series 2002 Bonds maturing on October 1, 2032, shall be subject to mandatory sinking fund redemption on October 1 in the years specified below in the respective aggregate principal amounts set forth opposite such year, at a redemption price equal to 100% of the principal amount thereof, plus unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date:

<u>Year</u>	<u>Principal Amount</u>
2030	\$1,000,000
2031	2,725,000
2032*	2,870,000

* Stated Maturity Date.

(c) The principal amount of Series 2002 Bonds maturing on October 1, 2030 and October 1, 2032 to be redeemed pursuant to clauses (a) and (b) shall be reduced by an amount equal to the principal amount of Series 2002 Bonds of the same Stated Maturity Date (a) surrendered uncanceled and in proper form for transfer by the University to the Trustee not less than 30 days prior to such Redemption Date or (b) selected not less than 30 days prior to such Redemption Date for redemption in or prior to such year pursuant to the optional redemption provisions hereof, if in any such case such Bonds shall not have previously served as the basis for any such reduction.

(d) The Series 2002 Bonds maturing on October 1 in each of the years 2013 through 2022 and in the year 2030 shall be subject to redemption by the Issuer upon the request of the University, prior to their Stated Maturity Dates on any date, in any order, on or after October 1, 2012, in whole or in part, in Authorized Denominations, at a redemption price equal to the principal amount to be redeemed together with unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date.

(e) The Series 2002 Bonds maturing on October 1, 2032 shall be subject to redemption by the Issuer upon the request of the University, prior to their Stated Maturity Date on any date, in any order, on or after October 1, 2007, in whole or in part, in Authorized Denominations, at a redemption price equal to the principal amount to be redeemed together with unpaid interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid, or provided for, to the Redemption Date.

4. Certain Rights of Registered Owners. If an Event of Default, as defined in the Indenture, shall occur, the principal of all the Bonds may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment of the Indenture or the Agreement and the modification of the rights and obligations of the Issuer and of the University and the rights of the Registered Owners of the Bonds under the Indenture and the Agreement at any time by the Issuer with the consent of the Registered Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting the Registered Owners of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Indenture, on behalf of the Registered Owners of all the Bonds, to waive compliance by the Issuer with certain provisions of the Indenture and by the University with certain provisions of the Agreement and certain past defaults under the Indenture and the Agreement and their consequences. Any such consent or waiver by the Registered Owner of this Bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of this Bond and of any Bond issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Bond.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of this Bond at the times, place and rate, and in the coin or currency, herein prescribed from the sources herein described.

5. Transfer and Exchange. As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Issuer's books for the registration and transfer of Bonds kept by the Trustee, upon surrender of this Bond for transfer at the office or agency of the Issuer in the Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Registered Owner hereof or his attorney duly authorized in writing and thereupon one or more new Bonds, of authorized denominations and for the same series, maturity, interest rate and aggregate principal amount, will be issued to the designated transferee or transferees.

The Series 2002 Bonds are issuable only as registered Bonds without coupons in denominations of \$5,000 or integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds are exchangeable for a like series, maturity, interest rate and aggregate principal amount of Bonds of a different authorized denomination, as requested by the Registered Owner surrendering the same.

No service charge will be made for any such transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the person in whose name this Bond is registered as the Registered Owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Bond shall be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

6. No Recourse. No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture or the Agreement, to or against any incorporator, director, officer, official, agent or employee, past, present or future, as such, of the University or the Issuer or of the City of University Park, Texas, or of any predecessor or successor corporation, either directly or through the University or the Issuer, the City of University Park, Texas, or any such predecessor or successor corporation, under and by virtue of any constitution or statute or rule of law or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, directors, officers, officials, agents and employees, as such, being waived and released by the Registered Owner and holders hereof by the acceptance of this Bond; all as more fully provided in the Indenture.

[UNLESS the certificate of authentication hereon has been executed by the Trustee by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.]*

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond and the Bonds is duly authorized by law; that all acts, conditions and things required to exist and necessary to be done or performed precedent to and in the issuance of this Bond and the Bonds to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the Issuer or to have happened precedent to and in the execution and delivery of the Indenture and the Agreement have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of, premium, if any, and interest on this Bond and the Bonds by irrevocably pledging the described revenues as provided in the Indenture; that payment in full for the Bonds has been received; and that the issuance of the Bonds does not contravene or violate any constitutional or statutory limitation.

* To be omitted from Initial Bond.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed under its corporate seal.

SOUTHWEST HIGHER EDUCATION
AUTHORITY, INC.

By: _____
President

ATTEST:

Secretary

(SEAL)

(Form of Certificate of Authentication to
appear on each Bond)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture and the Initial Bond of the series of Bonds of which this Bond is a part was approved by the Attorney General of Texas and initially registered by the Comptroller of Public Accounts of the State of Texas.

Date of Authentication:

JPMORGAN CHASE BANK, as Trustee

By: _____
Authorized Signature

(FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE)
(To be attached to Initial Bond only)

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

(Form of Assignment to appear on each Bond)

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (Print or typewrite name, address, and zip code of transferee) _____

_____ (Social Security or other tax identifying number: _____) the within Bond and does hereby irrevocably constitute and appoint _____, as attorney, to transfer the within Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____

Signature guaranteed by: _____

NOTICE: The signature(s) on this assignment must correspond with the name(s) of the Registered Owner(s) appearing on the face of the within Bond in every particular.

NOTICE: Signatures must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

The following abbreviations, when used in the assignment above or on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)
under Uniform Gifts to Minors Act
.....
(State)

Additional abbreviations may also be used though not in the list above.

Initial Bond Insertions.

(1) The Initial Bond shall be in the form set forth in this Exhibit A, except that:

A. immediately under the name of the Bond, the headings "INTEREST" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and "CUSIP NO.: _____ deleted;

B. in the first paragraph:

the words "on the Maturity Date set forth above" shall be deleted and the following will be inserted:
"on October 1 in the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
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(Information to be inserted from Section 202(a) hereof); and

C. the Initial Bond shall be numbered T-1.