

OFFICIAL STATEMENT DATED OCTOBER 11, 2023

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS
S&P: “AA-”
Moody’s: “Aa3”
(See “RATINGS” herein)

In the opinion of Locke Lord LLP, Bond Counsel to the Issuer, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Series 2023 Bonds will not be included in computing the alternative minimum taxable income of individuals. For tax years beginning after December 31, 2022, however, interest on the Series 2023 Bonds will be included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2023 Bonds. See “TAX MATTERS” herein.

\$55,985,000

SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.

Higher Education Revenue Refunding Bonds

(Southern Methodist University Project)

Series 2023



Dated: Date of Delivery

Due: October 1, as shown below

The Southwest Higher Education Authority, Inc. (the “*Issuer*”) is offering \$55,985,000 of its Higher Education Revenue Refunding Bonds (Southern Methodist University Project) Series 2023 (the “*Series 2023 Bonds*”). Interest on the Series 2023 Bonds accrues from the date of delivery and is payable on April 1, 2024, and semiannually on each October 1 and April 1 thereafter. The Series 2023 Bonds are 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 Series 2023 Bonds. So long as the book-entry system is in effect, purchases of beneficial ownership interests in the Series 2023 Bonds will be made in book-entry form only, and purchasers will not receive certificates representing their interests in the Series 2023 Bonds purchased. Principal of, redemption premium, if any, and interest on the Series 2023 Bonds will be payable by The Bank of New York Mellon Trust Company, National Association (the “*Trustee*”) to the registered owners of the Series 2023 Bonds, initially DTC, which in turn is to remit such payments to its participants for subsequent disbursement to beneficial owners.

The Series 2023 Bonds are subject to optional redemption prior to stated maturity, as described herein. See “**THE SERIES 2023 BONDS—REDEMPTION**” herein.

The payment of the principal of, redemption premium, if any, and interest on the Series 2023 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 Trust Indenture, described herein, which further secures the University’s obligations under the Loan Agreement.

MATURITY SCHEDULE
(See Inside Front Cover)

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 2023 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 2023 BONDS. THE ISSUER HAS NO TAXING POWER.

*The Series 2023 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 Locke Lord 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. The Yuba Group LLC is serving as financial advisor (the “*Financial Advisor*”) to the University in connection with the issuance of the Series 2023 Bonds. It is expected that the Series 2023 Bonds will be delivered through the facilities of DTC on or about October 31, 2023.*

BofA Securities

Jefferies

J.P. Morgan

MATURITY SCHEDULE

\$55,985,000

**SOUTHWEST HIGHER EDUCATION AUTHORITY, INC.
Higher Education Revenue Refunding Bonds
(Southern Methodist University Project)
Series 2023**

| <u>Due Oct. 1</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP⁽¹⁾</u> |
|------------------------------|----------------------|-----------------------------|---------------------|------------------------|-----------------------------------|
| 2029 | \$5,010,000 | 5.000% | 3.700% | 106.848 | 845040MF8 |
| 2031 | \$5,450,000 | 5.000% | 3.760% | 108.419 | 845040MG6 |
| 2032 | \$5,730,000 | 5.000% | 3.790% | 109.079 | 845040MH4 |
| 2034 | \$6,350,000 | 5.000% | 3.900% | 108.971 ^(c) | 845040MJ0 |
| 2035 | \$6,680,000 | 5.000% | 3.990% | 108.201 ^(c) | 845040MK7 |
| 2036 | \$7,020,000 | 5.000% | 4.080% | 107.438 ^(c) | 845040ML5 |
| 2037 | \$7,385,000 | 5.000% | 4.180% | 106.597 ^(c) | 845040MM3 |
| 2038 | \$7,760,000 | 5.000% | 4.280% | 105.765 ^(c) | 845040MN1 |
| 2039 | \$1,070,000 | 5.000% | 4.370% | 105.022 ^(c) | 845040MP6 |
| 2040 | \$1,120,000 | 5.000% | 4.420% | 104.612 ^(c) | 845040MQ4 |
| 2041 | \$1,175,000 | 5.000% | 4.470% | 104.204 ^(c) | 845040MR2 |
| 2042 | \$1,235,000 | 5.000% | 4.520% | 103.798 ^(c) | 845040MS0 |

^(c) Priced to the first optional call date of October 1, 2033.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Series 2023 Bonds by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This information is included solely for the convenience of the registered owners of the Series 2023 Bonds, is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Issuer, the University, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

No dealer, salesperson or any 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 in this Official Statement and the Appendices hereto in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell the Series 2023 Bonds or a solicitation of an offer to buy, nor shall there be any sale of the Series 2023 Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein under the caption “THE ISSUER” has been furnished by the Issuer. All other information contained in this Official Statement has been obtained from the University and other sources believed to be reliable. Such other information is not guaranteed as to accuracy or completeness by, and is not to be relied upon or construed as a promise or representation by, the Issuer. The Bank of New York Mellon Trust Company, National Association, in each of its capacities, including but not limited to Trustee, Master Trustee, bond registrar and paying agent, has not participated in the preparation of this Official Statement and assumes no responsibility of any kind for its content.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be used, in whole or in part, for any other purpose. The information and expressions of opinion set forth 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 Issuer, the University or any other person since the date of the information set forth herein. This Official Statement does not constitute a contract among or between the Issuer, the University or the Underwriters and any purchaser of the Series 2023 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors, under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

The Series 2023 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended. No registration, qualification or exemption of the Series 2023 Bonds in accordance with the applicable securities laws of any jurisdiction should be regarded as a recommendation thereof. No jurisdiction or agency has guaranteed or passed upon the safety of the Series 2023 Bonds as an investment, upon the probability of any earnings thereon or upon the accuracy or adequacy of this Official Statement.

There are risks associated with the purchase of the Series 2023 Bonds. For a discussion of certain of these risks, see “BONDHOLDERS’ RISKS” herein.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains “forward-looking statements,” which generally can be identified with words or phrases such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “foresees,” “may,” “plan,” “predict,” “should,” “will” or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made by the University in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under “BONDHOLDERS’ RISKS” in this Official Statement as well as additional factors beyond the University’s and the Issuer’s control. The important risk factors and assumptions described under that caption and elsewhere herein

could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the University's business or operations. All subsequent forward-looking statements attributable to the University or the Issuer or persons acting on their behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statement. No person has any obligation to prepare or release any updates or revisions to any forward-looking statement.

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APPENDIX A – Information Concerning Southern Methodist University

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APPENDIX E – Book-Entry System

OFFICIAL STATEMENT

\$55,985,000
Southwest Higher Education Authority, Inc.
Higher Education Revenue Refunding Bonds
(Southern Methodist University Project)
Series 2023

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 2023 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 Trust 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. You may inspect copies of the documents described herein 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 \$55,985,000 aggregate principal amount of Higher Education Revenue Refunding Bonds (Southern Methodist University Project) Series 2023 (the “*Series 2023 Bonds*”), issued 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 2023 Bonds

The Series 2023 Bonds bear interest at the fixed rates set forth on the inside cover page hereto and are payable semiannually on April 1 and October 1, beginning April 1, 2024 (each an “Interest Payment Date”). The Series 2023 Bonds are subject to optional redemption. See “**THE SERIES 2023 BONDS—Redemption**” herein.

Use of Proceeds

The proceeds of the sale of the Series 2023 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) refunding a portion of the Issuer’s Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2013A (the “*Refunded Bonds*”), and (ii) paying certain costs of issuance of the Series 2023 Bonds. See **SCHEDULE I-SCHEDULE OF REFUNDED BONDS**. See “**PLAN OF FINANCE**” 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 Town of Highland Park, is surrounded by the City of Dallas, Texas. For Fall 2023, the University has a total headcount enrollment of 11,854 (7,127 undergraduate students and 4,727 graduate students) and a full-time faculty of nearly 750. For additional information regarding the University, see **APPENDIX A, “INFORMATION CONCERNING SOUTHERN METHODIST UNIVERSITY.”**

OUTSTANDING OBLIGATIONS OF THE UNIVERSITY

Obligations of Issuer on Behalf of the University

| | AMOUNT ORIGINALLY ISSUED | AMOUNT OUTSTANDING AS OF OCTOBER 2, 2023 |
|---|--------------------------------|--|
| Higher Education Revenue Bonds (Southern Methodist University Project) Series 2007 (the “Series 2007 Bonds”) | \$ 95,580,000 | \$ 19,610,000 ⁽¹⁾ |
| Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2013A (the “Series 2013A Bonds”) | 99,195,000 | 99,195,000 ⁽²⁾ |
| Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2013B (the “Series 2013B Bonds”) | 90,090,000 | 39,960,000 |
| Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2016A (the “Series 2016A Bonds”) | 118,545,000 | 87,900,000 |
| Higher Education Revenue Bonds (Southern Methodist University Project) Taxable Series 2016B (the “Series 2016B Bonds”) | 25,250,000 | 24,500,000 |
| Promissory Note to Kansas City Financial Corporation (the “2015 Issuer Note”) ⁽³⁾ | 48,860,000 | 17,730,000 |
| Higher Education Revenue Refunding Bonds (Southern Methodist University Project) Series 2017 (the “Series 2017 Bonds”) | <u>95,735,000</u> | <u>87,160,000</u> |
| TOTAL: | <u>\$573,255,000</u> | <u>\$ 376,055,000</u> |

⁽¹⁾ Does not include \$1,630,000 in principal amount of the Series 2007 Bonds that have been economically defeased.

⁽²⁾ A portion of the Series 2013A Bonds in the aggregate principal amount of \$59,340,000 are being refunded by the Series 2023 Bonds. See SCHEDULE I – Schedule of Refunded Bonds.

⁽³⁾ The University, the Issuer and UMB Bank, N.A. (“UMB Bank”) entered into a Loan Agreement dated as of October 1, 2015 (the “UMB Bank Loan Agreement”) under which the University issued a promissory note to the Issuer in the principal amount of \$48,860,000 (the “2015 University Note” and, together with the 2015 Issuer Note, the “2015 Notes”), the Issuer issued the 2015 Issuer Note to Kansas City Financial Corporation, a wholly owned subsidiary of UMB Bank, and UMB Bank funded the 2015 Notes on February 14, 2017. Principal under the 2015 Notes amortizes semi-annually on each April 1 and October 1, with a final payment due on October 2, 2032.

Other Obligations of the University

Series 2017 Taxable Notes. The University entered into a Note Purchase Agreement (the “Note Purchase Agreement”), dated December 15, 2017, with New York Life Insurance Company and related affiliates with respect to taxable notes (the “Series 2017 Taxable Notes”) of the University, which are outstanding in the principal amount of \$87,515,000 as of the date hereof. Principal of the Series 2017 Taxable Notes amortizes annually and has a final maturity in 2047. The Series 2017 Taxable Notes are general, unsecured obligations of the University. The Series 2017 Taxable Notes are not Securities under the Master Trust Indenture, but constitute “Funded Debt” thereunder. Pursuant to the Note Purchase Agreement, holders of the Series 2017 Taxable Notes have certain rights, including the right of acceleration upon the occurrence of an “Event of Default” under the Note Purchase Agreement. An “Event of Default” under the Note Purchase Agreement is not an “Event of Default” under the Master Trust Indenture. **As a consequence, even though the Series 2023 Bonds and the Series 2017 Taxable Notes are both unsecured, general obligations of the University, upon an “Event of Default” under the Note Purchase Agreement, payment of the Series 2017 Taxable Notes may be accelerated while the Series 2023 Bonds remain outstanding.** (See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Enforceability of Remedies.”)

University Guaranties of Certain Debt. The University has entered into loan guaranties (the “Guaranties”) 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 guaranteed the payment of the loans. The Guaranties are not Securities under the Master Trust

Indenture, but constitute “Funded Debt” thereunder. The amount of outstanding Sorority Guarantees as of the date hereof is approximately \$8.9 million.

Revolving Credit Agreement. The University currently has a revolving credit facility in the amount of \$100,000,000 with JPMorgan Chase Bank, N.A. (“*JPMorgan Chase*”) under an Amended and Restated Revolving Credit Agreement dated March 27, 2023 (the “*Revolving Credit Agreement*”). The Revolving Credit Agreement matures on March 27, 2026. The Revolving Credit Agreement is a Security under the Master Trust Indenture. As of the date hereof, no funds have been drawn under the Revolving Credit Agreement. The Revolving Credit Agreement is a Security under the Master Trust Indenture. Under the Revolving Credit Agreement, JPMorgan Chase has certain rights, including the right of acceleration upon the occurrence of an “Event of Default” under the Revolving Credit Agreement. An “Event of Default” under the Revolving Credit Agreement is also an “Event of Default” under the Master Trust Indenture. (See “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Enforceability of Remedies.**”)

Loan Agreement. The University entered into a Loan Agreement dated March 31, 2023 (the “*BofA Loan Agreement*”) with Bank of America, N.A. (“*BofA*”) under which the University issued a promissory note to BofA in the principal amount of \$150,000,000 (the “*2023 BofA Note*”). Principal under the 2023 BofA Note amortizes annually on each October 1, commencing October 1, 2024, with a final balloon payment due on March 31, 2030. As of the date hereof, principal in the amount of \$150,000,000 is outstanding under the 2023 BofA Note. The 2023 BofA Note is a Security under the Master Trust Indenture. Under the BofA Loan Agreement, BofA has certain rights, including the right of acceleration upon the occurrence of an “Event of Default” under the BofA Loan Agreement. An “Event of Default” under the BofA Loan Agreement is also an “Event of Default” under the Master Trust Indenture. (See “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Enforceability of Remedies.**”)

THE SERIES 2023 BONDS

General

The Series 2023 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 inside cover page of this Official Statement. Interest on the Series 2023 Bonds will accrue from the Date of Delivery at the rates per annum and will be payable on the dates set forth on the inside cover page of this Official Statement. Interest on the Series 2023 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2023 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 2023 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 2023 Bond will be payable to the Owners upon surrender of such Series 2023 Bonds at the principal payment office of the Trustee located in Houston, Texas. Interest on each Series 2023 Bond paid on each Interest Payment Date will be paid to the person in whose name such Series 2023 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 2023 Bonds, all payments on the Series 2023 Bonds will be made directly to DTC.

Any interest on the Series 2023 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 Series 2023 Bonds. The Series 2023 Bonds maturing on and after October 1, 2034 are subject to redemption upon the 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, 2033 at a redemption price of 100% of the principal amount of the Series 2023 Bonds to be redeemed, plus accrued interest to the applicable redemption date.

Notice of Redemption. The Trustee shall give notice of any redemption of the Series 2023 Bonds by first class mail, postage prepaid, mailed at least 30 days prior to the redemption date, to holders of Series 2023 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 2023 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 2023 Bonds to be redeemed, and if less than all outstanding Series 2023 Bonds are to be redeemed, the identification by CUSIP number and Stated Maturity Date of the Series 2023 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 2023 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 2023 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 2023 Bonds or the Indenture.

Selection of Series 2023 Bonds to be Redeemed. Series 2023 Bonds may be redeemed only in \$5,000 principal amounts or integral multiples thereof. If less than all of the Series 2023 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 Series 2023 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 Series 2023 Bonds to be redeemed within each such stated maturity of such Series 2023 Bonds; **provided that, for so long as the only owner of the Series 2023 Bonds is DTC, the selection of Series 2023 Bonds within a stated maturity will be made by DTC.**

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Series 2023 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 (defined below), 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 of and interest on the Bonds (including the Series 2023 Bonds) when due and the Issuer’s rights as a holder of a Security under the Master Trust Indenture. See, “**The Indenture and the Loan Agreement**” and “**Master Trust Indenture**” below 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 2023 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 2023 BONDS. THE ISSUER HAS NO TAXING POWER.

The Indenture and the Loan Agreement

The Series 2023 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 previously supplemented and as further supplemented by the Fourth

Supplemental Indenture (the “*Fourth Supplemental Indenture*”) dated as of February 1, 2007, the Seventh Supplemental Indenture (the “*Seventh Supplemental Indenture*”), dated as of March 1, 2013, the Eighth Supplemental Indenture (the “*Eighth Supplemental Indenture*”) dated as of May 1, 2016, the Ninth Supplemental Indenture dated as of December 1, 2017 (“*Ninth Supplemental Indenture*”), and the Tenth Supplemental Indenture dated as of October 1, 2023 (the “*Tenth Supplemental Indenture*”) (collectively, with any amendments or supplements thereto, the “*Indenture*”). The Series 2007 Bonds were issued under the Fourth Supplemental Indenture, the Series 2013A Bonds and Series 2013B Bonds were issued under the Seventh Supplemental Indenture, the Series 2016A Bonds and the Series 2016B Bonds were issued under the Eighth Supplemental Indenture, the Series 2017 Bonds were issued under the Ninth Supplemental Indenture and the Series 2023 Bonds are being issued under the Tenth Supplemental Indenture. The Indenture secures the Series 2023 Bonds on a parity with (i) the “*Prior Bonds*” consisting of the Series 2007 Bonds, the Series 2013A Bonds, the Series 2013B Bonds, the Series 2016A Bonds, the Series 2016B Bonds and the Series 2017 Bonds, and (ii) any other future bonds (“*Additional Bonds*”) which may be issued from time to time under the Indenture. The Prior Bonds, the Series 2023 Bonds and any Additional Bonds are referred to herein collectively as the “*Bonds*.”

The proceeds of the Series 2023 Bonds will be loaned to the University pursuant to the Loan Agreement dated as of January 1, 1999 (the “*Original Loan Agreement*”), as previously amended and as further amended by an Amendment Number 4 to Loan Agreement (“*Amendment No. 4*”) dated as of February 1, 2007, an Amendment Number 7 to the Loan Agreement (“*Amendment No. 7*”) dated as of March 1, 2013, an Amendment Number 8 to Loan Agreement (“*Amendment No. 8*”) dated as of May 1, 2016, an Amendment Number 9 to Loan Agreement (“*Amendment No. 9*”) dated as of December 1, 2017, and an Amendment Number 10 to Loan Agreement (“*Amendment No. 10*”) dated as of October 1, 2023 (collectively, with any amendments or supplements thereto, the “*Loan Agreement*”), each between the Issuer and the University. The obligation of the University to make loan payments with respect to the Series 2023 Bonds is established by Amendment No. 10. 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 2023 Bonds).

Under the Indenture, the Issuer has assigned and pledged to the Trustee as security for the payment of the Bonds, including the Series 2023 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 Trust 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 2023 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, the Series 2017 Taxable Note, the Guarantees, the Revolving Credit Agreement and the 2023 BofA Note constitute general obligations of the University. The source of payment for the loan payments is not limited to any particular revenue stream. See “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security Interest, - Enforceability of Remedies.**”

Master Trust Indenture

In 1999, the University reorganized the structure of its obligations with respect to certain outstanding bonded indebtedness by entering into a Master Trust Indenture dated as of January 1, 1999, between the University and The Bank of New York Mellon Trust Company, National Association, as successor trustee (the “*Master Trustee*”), as amended by the First Supplement to Master Trust Indenture dated as of May 1, 2016 and effective January 8, 2018 (as amended, the “*Master Trust Indenture*”), which provides a coherent security structure related to the “*Prior Bonds*” and any other future indebtedness or obligations of the University that are designated as a Security under the Master Trust Indenture (“*Additional Securities*”). The Original Loan Agreement, as amended by Amendment No. 4, Amendment No. 7, Amendment No. 8, Amendment No. 9, Amendment No. 10, the UMB Bank Loan Agreement, the Revolving Credit Agreement and the 2023 BofA Note are on a parity as “*Additional Securities*” under the Master Trust Indenture together with future obligations designated as a Security under the Master Trust Indenture.

The University has made certain covenants under the Master Trust Indenture, as further described in **APPENDIX C, “SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER TRUST INDENTURE—Covenants of the University.”** Pursuant to the provisions of the Master Trust Indenture, a breach of any of the covenants the University made or that may be made under (i) the various agreements relating to the Bonds, (ii) the UMB Bank Loan Agreement, (iii) the Revolving Credit Agreement, (iv) the BofA Loan Agreement, and (v) any agreements entered into in connection with any Additional Securities, will constitute a default under the Master Trust Indenture so long as the obligation or indebtedness to which the covenant relates remains outstanding. However, the University may incur debt that is not a “Security” under the Master Trust Indenture. Any event of default with respect to such debt, including, without limitation, the Series 2017 Taxable Notes and the Guaranties, would not be an “Event of Default” under the Master Trust Indenture and could result in such debt being accelerated while “Securities” under the Master Trust Indenture remain outstanding. See **“OUTSTANDING OBLIGATIONS OF THE UNIVERSITY – Other Obligations of the University – Series 2017 Taxable Notes”** and **“– University Guaranties of Certain Debt”** and **“EVENTS OF DEFAULT.”** See **“SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security Interest, -Enforceability of Remedies,”** and **APPENDIX C, “SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER TRUST 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 Trust 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 Trust Indenture. See **“OUTSTANDING OBLIGATIONS OF THE UNIVERSITY”** above. Any Additional Bonds issued under the Indenture will be secured by the collateral pledged under the Master Trust Indenture on a parity with the Series 2007 Bonds, the Series 2013A Bonds, the Series 2013B Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2017 Bonds, the Series 2023 Bonds, the 2015 Issuer Note, the Revolving Credit Agreement, the 2023 BofA Note and any other obligations designated as Securities under the Master Trust Indenture.

Amendments to Indenture, Loan Agreement and Master Trust Indenture

The Indenture, the Master Trust 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 TRUST INDENTURE—Supplements.”**

Merger, Consolidation, Etc. of University

Under the Loan Agreement and the Master Trust Indenture, unless such action would adversely affect the tax-exempt status of the Series 2023 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 Trust Indenture.

Events of Default

Events of Default under the Master Trust 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 TRUST INDENTURE—DEFAULTS AND REMEDIES UNDER THE MASTER TRUST 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 Trust Indenture. See **“SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security Interest, -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 Trust Indenture. See **“SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security Interest, -Enforceability of Remedies,”** and **APPENDIX C, “SUMMARY OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT—DEFAULTS AND REMEDIES UNDER THE LOAN AGREEMENT.”**

Security Interest

The Series 2023 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 Trust Indenture, the Loan Agreement, the UMB Bank Loan Agreement, the Revolving Credit Agreement and the 2023 BofA Note have been authenticated as Securities under the Master Trust Indenture and the University’s obligation to make payments under the Loan Agreement, the UMB Bank Loan Agreement, the Revolving Credit Agreement and the 2023 BofA Note is secured by the “Trust Estate” as defined in the Master Trust Indenture. See, **“-Enforceability of Remedies,”** below and **APPENDIX C, “SUMMARY OF PRINCIPAL DOCUMENTS—THE MASTER TRUST INDENTURE—General.”**

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 Trust 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, the BofA Loan Agreement and the Master Trust 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 Trust 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 2023 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, the University can incur debt (outside of the Master Trust Indenture), that could provide the holder of such debt, the right to immediately accelerate such debt, regardless of whether the Trustee has accelerated the Series 2023 Bonds under the Indenture.** (See **“OUTSTANDING OBLIGATIONS OF THE UNIVERSITY-Series 2017 Taxable Notes”** and **“- University Guaranties of Certain Debt.”**)

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 2023 Bonds are issued under the terms of a bond resolution adopted by the Issuer on September 21, 2023 (the “*Bond Resolution*”), authorizing the issuance and sale of the Series 2023 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 in “**OUTSTANDING OBLIGATIONS OF THE UNIVERSITY – Obligations of Issuer on Behalf of the University**” herein. The City provides a staff member as needed to assist the Issuer.

The Series 2023 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 2023 Bonds except from the revenues derived from the Loan Agreement. The Issuer has no taxing power.

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.

PLAN OF FINANCE

The proceeds of the Series 2023 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 refunding a portion of the Issuer’s Higher Education Revenue Bonds (Southern Methodist University Project) Tax-Exempt Series 2013A (the “*Refunded Bonds*”); and (ii) by paying the costs of issuance of the Series 2023 Bonds. See **SCHEDULE I-SCHEDULE OF REFUNDED BONDS**.

The University will deposit with The Bank of New York Mellon Trust Company, National Association, as trustee for the Refunded 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 of November 30, 2023. 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 2023 Bonds. Causey Demgen & Moore P.C., certified public accountant (the “*Verification Agent*”) will verify at the time of delivery of the Series 2023 Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts that, 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 the Refunded 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 Refunded 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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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 2023 Bonds.

Sources of Funds:

| | |
|---------------------------------------|--------------------------------|
| Principal Amount of Series 2023 Bonds | \$ 55,985,000.00 |
| Bond Premium | <u>4,098,024.45</u> |
| Total Sources of Funds | <u><u>\$ 60,083,024.45</u></u> |

Uses of Funds:

| | |
|------------------------|--------------------------------|
| Deposit to Escrow Fund | \$ 59,553,882.59 |
| Underwriters' Discount | 190,510.32 |
| Costs of Issuance | <u>338,631.54</u> |
| Total Uses of Funds | <u><u>\$ 60,083,024.45</u></u> |

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SCHEDULED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year, beginning with the fiscal year ending May 31, 2024, the amount required for the payment of principal, mandatory sinking fund redemptions, and interest on the Series 2023 Bonds, the Prior Bonds, the 2015 Issuer Note, the Series 2017 Taxable Notes and the 2023 BofA Note. See **APPENDIX B, Note 9** of the University's Consolidated Financial Statements.

| Fiscal Year Ending 5/31 | Series 2023 Debt Service | | | | Funded Debt Debt Service ⁽³⁾ | Total Parity and Funded Debt Debt Service |
|-------------------------------|---|--|----------------------|----------------------|--|---|
| | Prior Parity Debt Service ⁽¹⁾ | Less Refunded Bonds Debt Service ⁽²⁾ | Principal | Interest | | |
| 2024 | \$ 45,131,540 | \$ (1,483,500) | \$ - | \$ 1,174,130 | \$ 5,417,075 | \$ 50,239,245 |
| 2025 | 47,403,201 | (2,967,000) | - | 2,799,250 | 5,419,981 | 52,655,432 |
| 2026 | 47,011,884 | (2,967,000) | - | 2,799,250 | 5,419,870 | 52,264,004 |
| 2027 | 46,515,075 | (2,967,000) | - | 2,799,250 | 5,416,741 | 51,764,066 |
| 2028 | 43,758,137 | (2,967,000) | - | 2,799,250 | 5,415,506 | 49,005,893 |
| 2029 | 44,617,653 | (2,967,000) | - | 2,799,250 | 5,415,988 | 49,865,890 |
| 2030 | 177,883,393 | (8,056,500) | 5,010,000 | 2,674,000 | 5,418,008 | 182,928,901 |
| 2031 | 27,823,104 | (2,706,000) | - | 2,548,750 | 5,416,478 | 33,082,332 |
| 2032 | 27,815,109 | (8,234,250) | 5,450,000 | 2,412,500 | 5,416,309 | 32,859,667 |
| 2033 | 27,756,934 | (8,233,500) | 5,730,000 | 2,133,000 | 5,417,324 | 32,803,757 |
| 2034 | 25,106,308 | (2,124,500) | - | 1,989,750 | 5,419,345 | 30,390,903 |
| 2035 | 23,354,699 | (8,554,625) | 6,350,000 | 1,831,000 | 5,417,284 | 28,398,358 |
| 2036 | 23,320,347 | (8,556,375) | 6,680,000 | 1,505,250 | 5,416,051 | 28,365,273 |
| 2037 | 23,277,547 | (8,555,750) | 7,020,000 | 1,162,750 | 5,415,470 | 28,320,017 |
| 2038 | 19,990,550 | (8,556,875) | 7,385,000 | 802,625 | 5,420,274 | 25,041,574 |
| 2039 | 19,985,352 | (8,553,875) | 7,760,000 | 424,000 | 5,415,374 | 25,030,851 |
| 2040 | 19,995,152 | (1,643,000) | 1,070,000 | 203,250 | 5,415,681 | 25,041,083 |
| 2041 | 19,993,625 | (1,642,250) | 1,120,000 | 148,500 | 5,415,930 | 25,035,805 |
| 2042 | 19,990,472 | (1,638,000) | 1,175,000 | 91,125 | 5,415,943 | 25,034,540 |
| 2043 | 12,925,096 | (1,640,000) | 1,235,000 | 30,875 | 5,415,541 | 17,966,512 |
| 2044 | 3,167,622 | - | - | - | 5,419,460 | 8,587,082 |
| 2045 | 3,163,698 | - | - | - | 5,417,521 | 8,581,220 |
| 2046 | 3,163,902 | - | - | - | 5,419,548 | 8,583,450 |
| 2047 | - | - | - | - | 5,420,273 | 5,420,273 |
| 2048 | - | - | - | - | 5,419,519 | 5,419,519 |
| | \$ 753,150,399 | \$ (95,014,000) | \$ 55,985,000 | \$ 33,127,755 | \$ 135,436,491 | \$ 882,685,645 |

Note: Totals may not add due to rounding.

- (1) Includes debt service on all of the outstanding Prior Bonds and Additional Securities under the Master Trust Indenture (Additional Securities includes the 2015 Issuer Note and 2023 BofA Note). The 2015 Issuer Note debt service assumes a 2.5253% interest rate per year through final maturity. See **"BONDHOLDERS' RISKS – LIBOR Phase Out – 2015 Issuer Note."** Does not include \$1,630,000 in principal amount of the Series 2007 Bonds that have been economically defeased.
- (2) A portion of the Series 2013A Bonds in the aggregate principal amount of \$59,340,000 are being refunded by the Series 2023 Bonds. See **SCHEDULE I – SCHEDULE OF REFUNDED BONDS**. Debt service excludes an interest payment made with respect to the Series 2013A Bonds on October 1, 2023.
- (3) Funded Debt comprises the Series 2017 Taxable Notes.

FUTURE DEBT

The University does not currently anticipate incurring any additional long-term debt in the next 24 months.

BONDHOLDERS' 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 2023 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 2023 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 Series 2023 Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2023 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 "Service"). 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 Series 2023 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 Service, the Service 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 Service has increased significantly under the TE/GE Division.

The University has not sought to obtain a private letter ruling from the Service with respect to the Series 2023 Bonds, and the opinion of Bond Counsel is not binding on the Service. There is no assurance that any Service examination of the Series 2023 Bonds will not adversely affect the market value of the Series 2023 Bonds. See “**TAX MATTERS.**”

Tax-Exempt Status of the University

The tax-exempt status of the Series 2023 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 Service. One primary penalty available to the Service 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 Service 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 Series 2023 Bonds and defaults in covenants regarding the Series 2023 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 Service 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 Service 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 Service. 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 Service, as mentioned above.

The University may be audited by the Service. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a Service audit could result in additional taxes, interest and penalties. A Service 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 Series 2023 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 Service 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 Service 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 Series 2023 Bonds.

Enforceability

The remedies granted to the Trustee or the owners of the Series 2023 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.

LIBOR Phase Out – 2015 Issuer Note

Pursuant to the provisions of the UMB Bank Loan Agreement, the 2015 Issuer Note bears interest at a fixed interest rate until September 31, 2030. From October 1, 2030 to October 1, 2032, the UMB Bank Loan Agreement provides that the 2015 Issuer Note will bear interest at a rate to be determined using a London Interbank Offered Rate (“*LIBOR*”) index. The U.K. Financial Conduct Authority (the “*UK FCA*”), the body that regulated and supervised the publication of *LIBOR*, announced that *LIBOR* ceased to be published on a representative basis on and after June 30, 2023. The University is unable to predict whether and to what extent the phase out of *LIBOR* and the uncertainty as to the benchmark rate or mechanism that may succeed *LIBOR* may affect the costs and availability of financing, including the 2015 Issuer Note, or otherwise materially affect the University depending on the market levels of any such replacement rate or mechanism. See **“OUTSTANDING OBLIGATIONS OF THE UNIVERSITY – Obligations of Issuer on Behalf of the University.”**

Cybersecurity

Computer networks and data transmission and collection are vital to the efficient operation of the University. Despite the implementation of network security measures by the University, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware or computer viruses, or may otherwise be breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost or stolen. Although the University does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated entities, any such disruption, access, disclosure or other loss of information could result in reputational damage to the University and have an adverse effect on the University’s operations and financial condition. Further, as cybersecurity threats continue to evolve, the University may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. See **“CYBERSECURITY”** in **APPENDIX A.**

COVID-19 and Future Pandemics

The global outbreak and spread of COVID-19 and actions taken by federal, State, and local governments in response thereto, materially adversely affected certain operations of the University. The outbreak of any future pandemic or epidemic and the actions taken in response thereto could have material impacts on global, regional, and local economic conditions as well as on the higher education landscape in general, and could materially adversely affect the financial conditions and operations of the University.

TAX MATTERS

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Issuer (“*Bond Counsel*”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “*Code*”). Bond Counsel is of the further opinion that interest on the Series 2023 Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. For tax years beginning after December 31, 2022, however, interest on the Series 2023 Bonds will be included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2023 Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2023 Bonds. Failure to comply with these requirements may result in interest on the Series 2023 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2023 Bonds. The Issuer and the University have covenanted to comply with such requirements to ensure that interest on the Series 2023 Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel has not opined as to the taxability of the Series 2023 Bonds or the income therefrom under the laws of any state. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D.

To the extent the issue price of any maturity of the Series 2023 Bonds is less than the amount to be paid at maturity of such Series 2023 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2023 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2023 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2023 Bonds is the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Series 2023 Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Series 2023 Bonds accrues daily over the term to maturity of such Series 2023 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2023 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2023 Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series 2023 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2023 Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Series 2023 Bonds is sold to the public.

Series 2023 Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2023 Bonds, or, in some cases, at the earlier redemption date of such Series 2023 Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Indenture, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2023 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2023 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2023 Bonds.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2023 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2023 Bonds will not have an adverse effect on the tax status of interest on the Series 2023 Bonds or the market value or marketability of the Series 2023 Bonds. These adverse effects could result, for example, from changes to federal income tax rates, changes in the structure of federal income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2023 Bonds from gross income for federal income tax purposes for all or certain taxpayers. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2023 Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2023 Bonds may be affected and the ability of Bondholders to sell their Series 2023 Bonds in the secondary market may be reduced. The Series 2023 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2023 Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2023 Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2023 Bonds may otherwise affect a Bondholder's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

CONTINUING DISCLOSURE INFORMATION

The University has made certain agreements with respect to continuing disclosure for the benefit of the holders and beneficial owners of the Series 2023 Bonds as further described below. The University is required to observe such agreements with respect to the Series 2023 Bonds for so long as it remains obligated to advance funds to pay the Series 2023 Bonds. Under the Loan 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,**" "**Student Full-Time Equivalent Enrollment,**" "**Student Financial Aid,**" "**Changes in Financial Position,**" "**Annual Operating Results,**" "**Undergraduate Student Charges,**" "**Endowment Fund Growth,**" "**Endowment Fund Assets**" and "**Total Contributions.**" 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, 2024.

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 "*Rule*"). 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 2023 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the University;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, 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;
- (xiv) Appointment of a successor Trustee or Paying Agent/Registrar or change in the name of the Trustee or Paying Agent/Registrar, if material;
- (xv) incurrence of a financial obligation of the University, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the University, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the University, any of which reflect financial difficulties.

As used in clause (xii) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or if jurisdiction has been assumed by leaving the University and official or officers of the University in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University. As used in clauses (xv) and (xvi) above, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment

for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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 2023 Bonds free of charge 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 2023 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 2023 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 2023 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 2023 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 2023 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

During the past five years, the University has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule.

RATINGS

The following ratings are not recommendations to buy, sell or hold the Series 2023 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. S&P Global Ratings, a division of S&P Global, Inc. (“*S&P*”), and Moody’s Investors Service, Inc. (“*Moody’s*”) have assigned their municipal bond ratings of “AA-” and “Aa3” respectively, to the Series 2023 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 S&P or Moody’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 2023 Bonds subsequent to delivery thereof any proposed revision or withdrawal of the ratings of the Series 2023 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 the Rule. 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 2023 Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements of the University as of May 31, 2023 and 2022, 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**.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the University was verified by Causey Demgen & Moore P.C., certified public accountants (the "Accountants"). Such computations were based solely on assumptions and information supplied by the University's Financial Advisor on behalf of the University. The Accountants have restricted their procedures to verifying the arithmetical accuracy of certain computations and have not made any study or evaluation of the assumptions and information on which the computations are based, and accordingly, have not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The Accountants will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Series 2023 Bonds of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the Federal Securities and cash deposits listed in the schedules provided by the Financial Advisor, to be held in the Escrow Fund, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds, and (ii) the computations of yield on both the Federal Securities and the Series 2023 Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Series 2023 Bonds is excludable from the gross income of the holders thereof and the effective defeasance of the Refunded Bonds.

UNDERWRITING

Series 2023 Bonds

The Series 2023 Bonds are being purchased by the Underwriters, for which BofA Securities, Inc. is acting as representative, at an underwriters' discount of \$190,510.32 from the initial public offering price of the Series 2023 Bonds. The Contract of Purchase provides that the Underwriters will purchase all of the Series 2023 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 Series 2023 Bonds to certain dealers, including dealer banks, dealers depositing the Series 2023 Bonds into investment trusts, and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement.

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

BofA Securities, Inc., one of the Underwriters of the Series 2023 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("*MLPF&S*"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2023 Bonds.

J.P. Morgan Securities LLC ("*JPMS*"), one of the Underwriters of the Series 2023 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 Series

2023 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2023 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

The Yuba Group LLC is serving as the financial advisor to the University (the “*Financial Advisor*”) with respect to the sale of the Series 2023 Bonds. The Financial Advisor is not obligated to make, and has not undertaken, an independent verification of any of the financial information contained in this Official Statement and the Appendices thereof and makes no guarantee as to the accuracy, completeness or fairness of such information. The Financial Advisor is an independent advisory and consulting firm and is not engaged in the underwriting or trading of municipal securities or other negotiable instruments. A portion of the fee received by the Financial Advisor for services rendered with respect to the sale of the Series 2023 Bonds is contingent upon the issuance and delivery of the Series 2023 Bonds.

LEGAL MATTERS

Certain legal matters relating to the Series 2023 Bonds will be passed upon by Locke Lord LLP, Bond Counsel, whose opinion will be delivered with the initial delivery of the Series 2023 Bonds. Such opinion is expected to be in substantially the form included as **APPENDIX D** hereto. The Series 2023 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.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Series 2023 Bonds are contingent on the sale and delivery of the Series 2023 Bonds. The legal opinion of Bond Counsel will accompany the Series 2023 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 2023 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., as counsel for the Underwriters, in connection with the Underwriters' purchase of the Series 2023 Bonds are contingent on the sale and delivery of the Series 2023 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 2023 Bonds, or in any way contesting or affecting the validity of the Series 2023 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 2023 Bonds, or the existence or powers of the Issuer relating to the issuance of the Series 2023 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 adverse effect on the University's financial position. See "LITIGATION" in APPENDIX A for a summary of certain pending lawsuits against the University.

MISCELLANEOUS

The descriptions of the provisions of the Loan Agreement, the Indenture and the Master Trust Indenture set forth above and in APPENDIX C hereto, 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 2023 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 2023 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 2023 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 2023 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 2023 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.

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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/ Jim Johnston
Name: Jim Johnston
Title: President

SOUTHERN METHODIST UNIVERSITY

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

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

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

| <u>Maturity</u> | <u>Interest Rate</u> | <u>Par Amount (\$)</u> |
|-----------------|----------------------|------------------------|
| 10/1/2029 | 5.00% | \$5,220,000 |
| 10/1/2031 | 5.00% | \$5,670,000 |
| 10/1/2032 | 5.00% | \$5,960,000 |
| 10/1/2038 | 5.00% | \$36,540,000 |
| 10/1/2042 | 5.00% | \$5,950,000 |

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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 a campus 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, a 35-member faculty, and two permanent buildings which included the campus’ historic centerpiece, Dallas Hall. As of Fall 2023, the University has a total headcount enrollment of 11,854 (7,127 undergraduate students and 4,727 graduate students) and 1,194 faculty (including adjuncts).

With eight schools, the University offers a strong foundation in the humanities and sciences, as well as undergraduate and graduate degree programs. 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 expand opportunities for student development through an engaging and 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, and will begin offering degrees through the Moody School of Graduate and Advanced Studies in Fall 2024. The University currently offers 101 baccalaureate degrees, 109 master’s degrees, 35 doctoral-research degrees, one doctoral-professional degree, and one specialist degree.

SMU Global Online and Continuing Education in the Moody School of Graduate and Advanced Studies provides diverse programs that include online programs leading to master’s degrees and/or graduate certificates, as well as noncredit continuing education and professional education programs.

SMU-in-Taos is the University's 426-acre campus located in Northern New Mexico on property which was once the site of a pre-Civil War U.S. army installation, Fort Burgwin, and a 13th-century Native American pueblo. SMU Taos offers undergraduate for-credit programming during the January, May, and August intersessions. Courses offered represent all four undergraduate schools and Dedman College, including natural and social sciences, humanities, arts, business, engineering, and education. Courses offered in Taos often offer experiential enhancements capitalizing on the region's distinctive mix of cultures, environmental setting, and rich natural resources. The Taos Cultural Institute held each July provides a summer weekend of informal classes for adults taught by SMU faculty. Taos facilities are available for conferences and retreats.

SMU Abroad serves the SMU undergraduate community by developing and coordinating international programs. Students at SMU can participate in a wide range of January, Summer, and semester abroad programs, including academic programs to increase intercultural and build global experience through study, internships, and research abroad. Programs include faculty-led, SMU approved affiliated programs, and hybrid abroad programs.

SMU Intersessions offers undergraduate programming during the January, May, and August intersessions on the Dallas campus. Courses offered represent all four undergraduate schools and Dedman College. More than 400 courses in natural and social sciences, humanities, arts, business, engineering, and education provide students with opportunities for additional study and timely degree completion. Courses are offered in both two-week and month-long formats, in-person and online.

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, May, and August intersessions. The education programs of the University reside in its seven academic schools and a college, which are as follows:

The Dedman College of Humanities and Sciences. The Dedman College of Humanities and Sciences is SMU's largest and most academically diverse degree-offering unit. Spanning the humanities, the social sciences, and the mathematical and natural sciences, the College's 16 departments offer roughly 90 undergraduate majors and minors and 30 post-graduate degrees, including 14 Doctor of Philosophy (Ph.D.) programs. Every undergraduate student at SMU takes at least some of their courses in Dedman College, and the College provides over 75% of the instruction in the University's Common Curriculum, its general education curriculum. Distinctive undergraduate degrees include Health and Society; Markets and Culture; Economics with Financial Applications; Biophysical Sciences; and one of the nation's very few bachelor's degrees in Human Rights. The more than 50 undergraduate minors include Asian Studies; Digital Humanities; Environmental Earth Sciences; Ethics; International Film Studies; Law and Legal Reasoning; and Women's and Gender Studies. Noteworthy graduate programs include master's degrees in Molecular and Cellular Biology; Organizational Psychology; Data Science (online); and Computational and Applied Mathematics, and Ph.D. programs include Theoretical and Computational Chemistry; Geophysics; and Biostatistics offered in collaboration with the University of Texas Southwestern Medical Center.

The College also harbors interdisciplinary research through 14 programs, centers, and institutes, including the John Goodwin Tower Center for Public Policy and International Affairs; the Center for Drug Discovery, Design, and Delivery; the Center for Presidential History; the Mission Foods Texas-Mexico Center; and the Dedman College Interdisciplinary Institute. In addition, Dedman College faculty are highly successful researchers whose work is funded by federal and state agencies such as the National Institutes of Health, the National Science Foundation, the Department of Energy, the Department of Defense, the National Endowment for the Humanities, the Cancer Prevention and Research Institute of Texas, and many others.

Among Dedman College's most noteworthy faculty research are projects to use satellite remote sensing to understand natural and human-induced geohazards; to understand the genes and mechanisms underlying epilepsy and sudden unexpected death in epilepsy; to discern differences between natural explosions such as a mining accident and a nuclear test (vital to support the Comprehensive Nuclear Test Ban Treaty); to inform and improve clinical practice to prevent interpersonal violence and help survivors of such violence; to deduce the development of Mongolian civilization from its earliest beginnings until today; to develop electronic

components for use in experiments at the European Organization for Nuclear Research in Geneva, Switzerland; to understand the relationships among regional and urban economics, international trade, long-run economic growth, and the political economy of diversity; and more.

Both a powerful research unit and the heart of the University's liberal arts, Dedman College, offers a broad and deep array of study of the natural world, the people who populate it, and their past and present creations.

The Annette Caldwell Simmons School of Education and Human Development. The Annette Caldwell Simmons School of Education and Human Development comprises research clusters, undergraduate and graduate programs, and community service centers in the areas of teacher preparation, school leadership, higher education, dispute resolution, counseling, applied physiology, sport management, and graduate liberal studies. 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 educational studies. The school offers three doctoral degrees, ten Master's degrees and a number of graduate certification programs through five academic departments, which include Teaching and Learning, Education Policy and Leadership, Counseling, Applied Physiology and Sport Management, and Lifelong Learning.

The Department of Teaching and Learning provides opportunities that 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, technology-enhanced immersive learning, literacy and language acquisition, teacher preparation, mathematics, 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 through grade 12 programs. The department's faculty performs research on reading and writing disabilities, the use of technology in learning, language acquisition, and teaching and learning in mathematics.

The Department of Education Policy and Leadership is dedicated to the preparation and continued development of education policy and administrative leaders and to the promotion of research, research analysis, and the translation of research into policy and practice at the local, state, national, and international levels. Coursework and systematic applications of knowledge ensure that graduates are able to implement and sustain effective organizational practices. In service to this mission, the department offers a Master of Education (M.Ed.) and a Doctorate of Education (Ed.D.) in higher education leadership, an M.Ed. and Ed.D. in PK-12 school leadership, and an M.Ed. in urban school leadership.

The Department of Counseling offers a Master of Science (M.S.) in counseling that includes specialties in Clinical Mental Health Counseling; Marriage, Couple, and Family Counseling; and School Counseling—all of which prepare students for professional licensure and certification. Concentrations are available in addiction counseling, child and adolescent counseling, expressive arts therapies, and LGBTQ+ affirmative therapy. Additionally, the department operates the SMU Center for Family Counseling, which serves as a hands-on training clinic for graduate students and provides low-cost counseling services to the surrounding communities.

The Department of Lifelong Learning promotes personal enrichment and achievement of potential through interdisciplinary skills-based master's, doctoral, and certificate programs, including the Doctor of Liberal Studies, Master of Liberal Studies, Master of Arts in Dispute Resolution, Graduate Certificate in Dispute Resolution, Executive Leadership Coaching curriculum, and Certificate of Advanced Graduate Liberal Studies 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 are the Master of Liberal Studies and the Doctor of Liberal Studies.

The Department of Applied Physiology and Sport Management offers undergraduate and graduate degrees. The undergraduate Bachelor of Science (B.S.) in applied physiology and sport management offers concentrations/specializations in applied physiology and health management, sport management, and sport performance leadership. Graduate programs include a Doctor of Philosophy (Ph.D.) in education with an emphasis in applied physiology as well as an M.S. in sport management and an M.S. in health promotion management, both of which are offered in collaboration with SMU's Cox School of Business. Students in all undergraduate and graduate programs have access to the department's Applied Physiology Laboratory and the Integrative Physiology Laboratory.

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 21st century. Specific educational needs of designated industries or specialized topics are also addressed by centers or institutes within the school: the Bridwell Institute for Economic Freedom, the Brierley Center for Customer Engagement, the Career Management Center for all undergraduate and graduate programs, Caruth Institute for Entrepreneurship, the Edwin L. Cox Business Leadership Institute and the Edwin L. Cox Business Leadership Center, the EnCap Investments & LCM Group Alternative Asset Management Center, the Margaret and Robert Folsom Institute for Real Estate, the Don Jackson Center for Financial Studies, the JCPenney Center for Retail Excellence, the Kitt Investing and Trading Center, the Maguire Energy Institute, the Albert W. Niemi Center for Economic Growth and Leadership Development, and the William S. Spears Institute for Entrepreneurial Leadership (2024). Additionally, SMU Cox offers a variety of executive professional development programs and certificate programs through the Cox Executive Education Department: the Latino Leadership Initiative (LLI), the Asian American Pacific Islander Leadership Development Program (ALDP), the Southwestern Graduate School of Banking, and the Human Resources Round Table, as well as Custom Solutions and Open Enrollment Short Courses: Leadership, Strategy, Finance and Multidimensional Diversity.

Undergraduate majors in the SMU Cox are offered in Accounting, Business Analytics and Supply Chain Management, Finance, General Business, Marketing, Management, and Real Estate.

The school offers the Bachelor of Business Administration degree (B.B.A.); two Full-Time Master of Business Administration degrees (M.B.A.) one-year and two-year programs); the Professional Master of Business Administration Degree (P.M.B.A.); the Executive Master of Business Administration (E.M.B.A.); and two Online Master of Business Administration Degrees (O.M.B.A. and O.M.B. Direct), and Master of Science degrees in Accounting, Business Analytics, Finance, Management, and Real Estate (Fall 2024). SMU Cox also offers a dual degree in Arts Management (M.A./M.B.A.) with SMU's Meadows School of the Arts, an M.S. in Engineering (M.S.E/M.B.A.) degree with the Lyle School of Engineering 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*, *Fortune*, *Poets & Quants*, and *U.S. News & World Report*.

Bobby B. Lyle School of Engineering. The Bobby B. Lyle School of Engineering, established in 1925, provides bachelor's, master's, and doctoral-level programs via its five departments: Civil and Environmental

Engineering, Computer Science, Electrical and Computer Engineering, Mechanical Engineering, and Operations Research and Engineering Management. The school has been fostering outstanding engineers who exhibit strong leadership and act as catalysts for global transformation. With a low student-to-faculty ratio and robust scholarship opportunities, the Lyle School of Engineering is dedicated to ensuring each student develops as a confident leader. Through personalized leadership evaluations, dedicated mentorship, immersive entrepreneurial experiences, and a commitment to inclusive excellence, the school offers every student a distinctive chance to cultivate essential leadership skills. For more than a decade, the Lyle School of Engineering has maintained one of the highest percentages of female undergraduate engineering students nationwide, nearly twice the national average.

The school addresses crucial global challenges through pioneering research conducted within its five departments and distinctive centers and institutes. These include the Darwin Deason Institute for Cyber Security, Hart Center for Engineering Leadership, Caruth Institute for Engineering Education, Hunt Institute for Engineering and Humanity, Hart Institute for Technology Innovation and Entrepreneurship, and the recently founded Center for Digital and Human-Augmented Manufacturing. The unique Deason Innovation Gym functions as a maker space furnished with expertise and tools for design projects and competitions, promoting leadership growth and innovation for all SMU students. The school's undergraduate programs are accredited by the Accreditation Board for Engineering and Technology (ABET). The school provides a variety of executive master's degrees, interdisciplinary degrees, and dual programs in conjunction with the Cox MBA and Meadows Design Innovation, among others. All graduate courses within Lyle are accessible through the Lyle Anywhere™ initiative, utilizing technology-enhanced Smart Classrooms. This approach grants students the flexibility to learn in-person or remotely, synchronously or asynchronously, accommodating diverse learning preferences and situations. Beyond traditional classrooms, students have the opportunity to participate in impactful research endeavors, often in collaboration with industry, gaining hands-on exposure to cutting-edge technologies.

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, Corporate Communication and Public Affairs, 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.

Moody School of Graduate and Advanced Studies. On November 12, 2019, SMU announced a landmark \$100 million commitment from the Moody Foundation to fund the University's eighth degree-granting school, and SMU's Board of Trustees approved the creation of the Moody School of Graduate and Advanced Studies (Moody School) at their December 6, 2019 general meeting. In creating the Moody School Studies, the Moody Foundation and SMU were guided by the shared aspirations of (1) enhancing SMU graduate programs following recommendations outlined in the December 18, 2018, Report of the Graduate School Task Force, (2) positioning the University to recruit outstanding graduate students, (3) retain and hire distinguished and innovative faculty and researchers, and (4) expand research. The creation of the Moody School was also intended to allow SMU to deepen and forge new partnerships with companies and organizations in the Dallas-Fort Worth area, across Texas and throughout the country and to provide SMU alumni of graduate programs with invaluable experiences and support as they take up positions in companies and institutions in their community and around the globe. Devoted to these goals, the Moody School began formal operations in 2020.

The mission of the Moody School of Graduate and Advanced Studies is to partner with other SMU schools and colleges to advance graduate education and research, to advocate on behalf of graduate students and postdoctoral scholars and to enhance the University's stature through the promotion of a culture of excellence and the support of SMU faculty, students, and visiting scholars engaged in innovative, interdisciplinary, and impactful studies. The Moody School jointly administers and awards Ph.D. degrees offered through the Dedman College of Humanities and Sciences, the Bobby B. Lyle School of Engineering, the Meadows School of the Arts, and the Annette Caldwell Simmons School of Education and Human Development, and jointly administers and awards M.F.A. degrees offered through the Meadows School of the Arts. Eventually, all graduate degrees granted from Dedman College, the Lyle School, the Meadows School and the Simmons School will be administered jointly through the Moody School. In addition, the Moody School houses the Office of Global, Online, and Continuing Education, which partners with academic units across the University to support the development and delivery of online graduate programs for adult learners and offers a wide range of non-credit programs to help students advance in their careers or transition successfully to new ones. In the future, the Moody School will also grant online graduate degrees offered through the Office of Global, Online, and Continuing Education.

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.

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 nine credit hour, nine-month-long supervised internship in a setting similar to that in which the student hopes to serve his or her ministry.

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 Master of Sacred Music (M.S.M.) degree is a 48 credit hour degree, offered in conjunction with the Meadows School of the Arts and 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. Students may also earn this degree while fulfilling preparations for Ph.D. studies.

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 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.

Perkins School of Theology 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.

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 talented group of men and women who hold strong 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. 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, public interest, and other pursuits. The course of study requires training in legal analysis, legal research and writing, legal judgment, drafting legal documents, knowledge of the law and lawyering, and effective advocacy of positions in both oral and written form. The program is also designed to help students develop essential legal skills such as client-centered counseling, negotiation and dispute resolution, creative problem solving, client relationship building, and organizational management.

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 Accreditation Board for Engineering Technology (ABET). 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. According to The Princeton Review, in 2023 The Guildhall ranked #3 in the world for video game design among all graduate programs.

FACILITIES

The combined University Park, Dallas, and Highland Park campus includes approximately 107 major buildings for academic purposes, student housing, and 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 3,200 students. In addition to the buildings that house the libraries, museums and research facilities described below, the main campus also includes the newly renovated 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 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 2021 numbered over 3.5 million books (comprising print and electronic), as well as over 2.9 million titles in journals, media, and other non-book formats. 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 houses 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.

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.

Other Facilities. The University has undertaken a variety of major construction, renovation, and expansion projects over the last ten years. In 2014, SMU completed its largest capital project which included five new residence halls to house a total of 1,250 students, a 30,000 square foot 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 opened in the fall of 2016 and received LEED Silver for Health Care certification. A 40,000 square foot building for the Simmons School of Education, Harold Clark Simmons Hall, opened in 2016 and received LEED Gold certification. The Robson & Lindley Aquatics Center opened in October 2017 and features an indoor Olympic-sized pool configured for eight 50-meter competition lanes or twenty-two 25-yard lanes. Its diving area boasts a 10-meter diving tower with four springboards and received LEED Silver Certification. In October of 2017, the University dedicated the new Payne Stewart SMU Golf Training Center at Trinity Forest Golf Club in Dallas. The 6,700-square foot facility features team locker rooms, coaches' offices, a conference room, a workout center, and kitchen. The center also houses a hitting bay featuring premier equipment, including the Swing Catalyst, which tracks weight shift throughout the swing as well as four video motion-capture cameras and monitors to show swings. A TrackMan system uses dual radar technology to track both club movement and the ball at the moment of impact. This equipment provides a strong foundation for analysis, enabling the Mustang golfers to use real-time data to improve their games.

In 2019, SMU added a Child Care Center, and the Armstrong Fieldhouse, a 90,000 square foot indoor practice and performance center, which both received LEED Silver Certification. In 2020, the Gerald J. Ford Hall for Research and Innovation was completed. This 50,400 square foot, high tech, interdisciplinary building was designed for collaboration and received LEED Silver Certification. Thomas House, a residence for upper-division students, was completed in 2020. In 2021, the Hughes-Trigg Student Center renovation was completed. The student center houses

student organizations, including the Student Senate and Greek chapters, and offers multiple dining options and a convenience store. In 2022, the Washburne Soccer and Track Stadium opened, and the Meadows School of the Arts’ Owen Arts Center renovation and expansion was completed. The Frances Anne Moody Hall opened in the summer of 2023 and is the home for the newly established Moody School of Graduate and Advanced Studies.

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

GOVERNANCE

Southern Methodist University is a non-member nonprofit corporation established pursuant to the Texas Business Organization Code. SMU is exempt from federal income taxation under the Internal Revenue Code Section 501(c)(3). 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.

The Board of Trustees is to consist of no more than 42 members (individually, a “Trustee” and collectively, the “Trustees”), comprised as follows:

- (1) Thirty-one of the Trustees will be regular members of the Board of Trustees (collectively, the “Regular Trustees”).
- (2) Seven of the Trustees, at the time of their election, will at all times be members of the United Methodist Church (the “UMC”), or of another denomination of the Methodist heritage of which one will also be a Bishop of the UMC.
- (3) Four of the Trustees will, at the time of their election, be *Ex Officio* Trustees (collectively, the “*Ex Officio* Trustees”). The *Ex Officio* Trustees will be: (1) the President (as defined in the Bylaws), (2) a representative of the University Faculty Senate, (3) a representative of the University Students' Association, and (4) a representative of the University Alumni Association. The term “*Ex Officio*” means that each Trustee, under this section, will hold their respective trusteeship by virtue of their position at the University.
- (4) Of the Regular Trustees, it is desirable, but not required, that at the time of his or her election: (1) one of the Trustees will not be a resident of the United States, and (2) one of the Trustees will be a professional educator who is not a member of the University community.

Notwithstanding the foregoing required composition of the Board of Trustees, no action of the Board of Trustees will be invalid should the number of Trustees in any of the categories set forth above at any time be less than the number so designated above. There are currently 41 individuals serving on SMU’s Board of Trustees. The full list of members follows:

| <u>Name</u> | <u>Residence</u> | <u>Principal Occupation</u> |
|----------------------|------------------|--|
| Gerald B. Alley | Arlington, Texas | President & CEO Con-Real, LP |
| Jennifer B. Altabef | Dallas, Texas | Civic and Philanthropic Leader |
| William D. Armstrong | Dallas, Texas | President/Owner Armstrong Oil and Gas, Inc. |

| <u>Name</u> | <u>Residence</u> | <u>Principal Occupation</u> |
|--|-------------------------|---|
| Michael M. Boone | Dallas, Texas | Co-Founder Haynes and Boone, LLP |
| Tucker S. Bridwell | Abilene, Texas | President Mansefeldt Investment Corporation |
| Bradley Brookshire | Tyler, Texas | CEO and Chairman of the Board Brookshire Grocery Company |
| Christa J. Brown-Sanford | Dallas, Texas | Partner and Chair of the Intellectual Property Department Baker Botts LLP |
| Thomas G. Burish | Granger, Indiana | Provost Emeritus, University of Notre Dame |
| Laura W. Bush | Dallas, Texas | Former First Lady of the United States |
| Pastor Richie L. Butler | Richardson, Texas | Senior Pastor St. Luke “Community” United Methodist Church |
| Kelly H. Compton Secretary | Dallas, Texas | Executive Director The Hogleund Foundation |
| Jeanne T. Cox | Dallas, Texas | Civic and Philanthropic Leader |
| Katherine R. Crow | Dallas, Texas | Civic and Philanthropic Leader |
| Gary T. Crum | Houston, Texas | President CFP Foundation |
| Robert H. Dedman, Jr. | Dallas, Texas, | President & CEO DFI Management, Ltd. |
| Martin L. Flanagan | Atlanta, Georgia | Chairman Emeritus Invesco Ltd. |
| Gerald J. Ford | Dallas, Texas | Chairman of the Board Hilltop Holdings, Inc. |
| The Honorable Antonio O. Garza, Jr. | San Antonio, Texas | Counsel White & Case/Mexico |

| <u>Name</u> | <u>Residence</u> | <u>Principal Occupation</u> |
|-------------------------------------|-------------------------|--|
| David C. Haley | Ft. Worth, Texas | President Emeritus HBK Capital Management |
| Michael S. Harris* | Dallas, Texas | Professor and President of the Faculty Senate Southern Methodist University |
| Frederick B. Hegi, Jr. | Dallas, Texas | Founding Partner Wingate Partners |
| Abigail N. Herrera* | Dallas, Texas | Student Trustee Southern Methodist University |
| Clark K. Hunt | Dallas, Texas | Chairman & CEO Kansas City Chiefs and FC Dallas |
| Ray L. Hunt | Dallas, Texas | Chairman Emeritus Hunt Consolidated, Inc. |
| David S. Huntley | Dallas, Texas | Senior Executive Vice President and Chief Compliance Officer (retired) AT&T |
| Paul B. Loyd, Jr. | Houston, Texas | PBL Investments |
| Bobby B. Lyle | Dallas, Texas | Founder, Chairman & CEO Lyco Holdings Incorporated |
| Scott J. McLean | Houston, Texas | President and Chief Operating Officer Zions Bancorporation |
| David B. Miller Chair | Dallas, Texas | Miller Family Office |
| Frances A. Moody-Dahlberg | Dallas, Texas | Chairman and Executive Director The Moody Foundation |
| Connie B. O'Neill | Dallas, Texas | Civic and Philanthropic Leader |
| Sarah F. Perot | Dallas, Texas | President Sarah and Ross Perot, Jr. Foundation |
| The Honorable Jeanne L. Phillips | Dallas, Texas | Sr. Vice President of Corporate Engagement & International Relations Hunt Consolidated, Inc. |
| Caren H. Prothro | Dallas, Texas | Community Volunteer |
| Paul L. Rasmussen | Dallas, Texas | Senior Minister Highland Park United Methodist Church |

| <u>Name</u> | <u>Residence</u> | <u>Principal Occupation</u> |
|------------------------------------|------------------|---|
| Bruce Robson | Dallas, Texas | Robvest Partners |
| Carl Sewell | Dallas, Texas | Chairman Sewell Automotive Companies |
| Richard K. Templeton Vice Chair | Plano, Texas | Chairman, President, & CEO Texas Instruments |
| Dr. R. Gerald Turner* | Dallas, Texas | President Southern Methodist University |
| Richard Ware | Amarillo, Texas | Chairman Amarillo National Bank |
| Philip Wise* | Dallas, Texas | Chair, Alumni Board |

* 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 2023-2024, and their titles and dates of employment at the University:

| <u>Name</u> | <u>Title</u> | <u>Year of Employment</u> |
|----------------------|--|---------------------------|
| Dr. R. Gerald Turner | President | 1995 |
| Elizabeth G. Lobo | Provost and Vice President, Academic Affairs | 2019 |
| Harold W. Stanley | Vice President, Executive Affairs | 2003 |
| Paul J. Ward | Vice President for Legal Affairs, General Counsel, and Secretary to the Board of Trustees | 2009 |
| Kenechukwu Mmeje | Vice President, Student Affairs | 2017 |
| Christine Regis | Vice President, Business and Finance and Treasurer | 2007 |
| Brad E. Cheves | Vice President, Development and External Affairs | 2004 |
| Rakesh Dahiya | Chief Investment Officer | 2016 |
| Rick Hart | Director of Athletics | 2012 |
| Jason P. Nance | Dean, Dedman School of Law | 2022 |
| Robin Poston | Dean, Moody School of Graduate and Advanced Studies | 2022 |
| Samuel S. Holland | Dean, Meadows School of the Arts | 1991 |
| Bishop Michael McKee | Dean of the Perkins School of Theology | 2023 |
| Thomas DiPiero | Dean, Dedman College of Humanities and Sciences | 2014 |

| <u>Name</u> | <u>Title</u> | <u>Year of Employment</u> |
|---------------------|--|---------------------------|
| Matthew B. Myers | Dean, Edwin L. Cox School of Business | 2017 |
| Stephanie L. Knight | Dean, Annette Caldwell Simmons School of Education and Human Development | 2017 |
| Nader Jalili | Dean, Bobby B. Lyle School of Engineering | 2023 |
| Holly Jeffcoat | Dean, SMU Libraries | 2018 |
| Sukumaran Nair | Vice Provost for Research and Chief Innovation Officer | 1990 |

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 has led an era of unprecedented progress.

Under his leadership, SMU's third comprehensive campaign, SMU Ignited: Boldly Shaping Tomorrow, publicly launched in September 2021, with a goal of \$1.5 billion. The campaign is slated to conclude in December of 2028. The Second Century Campaign, launched in September 2008, sought resources for a dramatic increase in academic quality and impact. Concluding in February 2016, it raised \$1.15 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.

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, President 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.

Elizabeth G. Lobo, Vice President for Academic Affairs, Ph.D. Dr. Lobo has served as SMU's Provost and Vice President for Academic Affairs since July 6, 2020. Dr. Lobo brings a distinguished academic record and broad university leadership experience to her role. At SMU, she is challenging community members to establish academic priorities for the next three to five years that will allow SMU to reach its full potential as a premier research and teaching university with global impact. As a trained biomedical engineer and established researcher, Dr. Lobo understands the importance of data to inform decisions and has spent considerable time establishing the data and reporting structures that will best shape and define the University's academic strategy. She has a deep commitment to transparency and has opened up multiple avenues for consistent and open communication across the University. As the University's chief academic officer, she is responsible for the overall quality of teaching, scholarship and research and all aspects of academic life, ranging from admissions and faculty development to supervision of SMU's library system, international programs, and degree granting schools.

Prior to SMU, Dr. Loba was the 11th dean of the University of Missouri's College of Engineering since October 2015 and Ketcham Professor of the College of Engineering. Since 2018, and concurrent with her deanship, she served as vice chancellor for strategic partnerships. She was the first woman to serve as the College of Engineering's dean. During her decanal administration, she oversaw more than 140 faculty members and approximately 3,500 undergraduate and graduate students. Dr. Loba previously served as associate chair and professor of the Joint Department of Biomedical Engineering at the University of North Carolina-Chapel Hill and North Carolina State University, and as a professor of materials science and engineering at North Carolina State University.

She received both her Ph.D. in mechanical engineering and her master's degree in biomechanical engineering from Stanford University, and earned her bachelor's degree in mechanical engineering from UC Davis.

Dr. Loba has been recognized for her work as an engineer, inventor, researcher, and academic administrator. She is a fellow in the American Association for the Advancement of Science (AAAS), the American Society of Mechanical Engineers, the National Academy of Inventors, the Biomedical Engineering Society, and the American Institute for Medical and Biological Engineering. She has earned the Insight into Diversity Giving Back Award, the Sigma Xi Faculty Research Award, the Ralph E. Powe Junior Faculty Award, and the UK-US Stem Cell Collaboration Development Award. Loba also is the recipient of the University of California Davis Distinguished Engineering Alumni Medal as well as the Stanford University Distinguished Alumni Scholar Award.

Dr. Loba serves on the advisory board of the AAAS Education Counsel Societies Consortium on Sexual Harassment in STEM. She is a member of the board of directors of Applied Optoelectronics, Inc. (AOI). She currently serves on the nominations committee for the American Institute for Medical and Biological Engineering. Loba is a past member of the executive council of the Tissue Engineering and Regenerative Medicine International Society, Inc. Until becoming provost, Dr. Loba served as a director for the Engineering Deans Council for the American Society for Engineering Education and on the Association of American University's Strategy for Sexual Harassment and Gender Discrimination Advisory Board.

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 Master's 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, Vice President for Legal Affairs, General Counsel, 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.

Kenechukwu K.C. Mmeje, Vice President for Student Affairs, B.A., M.Ed., Ed.D. Dr. Mmeje oversees the Office of the Dean of Student Life; Residence Life; women's, LGBT, multicultural, volunteer, and leadership programs; student activities; student conduct; the Hegi Family Career Development Center; campus ministries; health and wellness programs, including the Dr. Bob Smith Health Center; the Hughes-Trigg Student Center; and the Dedman Center for Lifetime Sports.

As assistant vice president and dean of students at Loyola University Chicago, Dr. Mmeje was responsible for several functional areas that support Loyola's academic mission and promote a vibrant campus life, including the Office of the Dean of Students, Off-Campus Student Life, Office of Student Conduct & Conflict Resolution, Student Activities & Greek Affairs, Leadership Development and Second Year Experience, Student Diversity & Multicultural Affairs, and the Student Government of Loyola Chicago (SGLC). He has almost 15 years of progressively responsible student affairs experience in judicial affairs, crisis management, retention and academic support services, and student advocacy and support.

Dr. Mmeje received his B.A. degree in sociology and Black studies from the University of California-Santa Barbara. He earned a Master of Education degree in higher education student affairs administration from the University of Vermont and his Ed.D. in educational leadership from USC. In addition, he holds a Certificate in Management and Leadership in Education from Harvard University's Graduate School of Education.

Christine Regis, Vice President for Business and Finance and Treasurer B.S., M.B.A., CPA. Ms. Regis serves as the University's chief business and financial officer and Treasurer 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 Facilities Planning and Management, and the Office of Police and Risk Management.

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 includes 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.

This is Mr. Cheves' second appointment at SMU. From 1998 to 2001, Mr. Cheves was SMU's Associate Vice President for Development. From 2001 to 2004, Mr. Cheves was Vice President for Advancement and Public Affairs and an assistant professor of public policy at Pepperdine University. He previously served Pepperdine University 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, Mr. 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. Mr. 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.

Rakesh Dahiya, Chief Investment Officer B.B.A, M.B.A. As the University’s chief investment officer, Rakesh Dahiya is responsible for oversight of the nearly \$2 billion endowment, mineral interests and planned giving assets. He works with the Investment Committee of the Board of Trustees, setting agendas, developing policies, formulating investment strategies, as well as recommending specific investment managers and vehicles for carrying out the investment program.

As a senior officer at SMU, Mr. Dahiya serves on the President’s Executive Council and works with leadership on matters related to endowment spending and the communication of endowment strategy and performance. He oversees investment research and analysis, implementation, risk management, accounting, performance measurement and reporting associated with the investment process, and with the management of real estate and mineral interests.

Mr. Dahiya joined SMU in September 2016 after five years as Director of Marketable Strategies from the University of Florida Investment Corporation (UFICO). Prior to UFICO, he spent nine years at Washington University in St. Louis, and six years at Ralston Purina. Mr. Dahiya graduated from Iowa State University (B.B.A., Finance, 1994) and the University of Illinois (M.B.A., 1996).

STUDENT ENROLLMENT

The University has a robust recruitment and admission program that attracts students from across the United States and around the world. Representatives of the University visit about 500 secondary schools and over 200 college fairs each year and use advanced marketing techniques to support recruiting efforts including predictive analytics and enrollment optimization models. Although almost half of the undergraduate student body is from Texas (45% in Fall 2023); all states as well as 99 foreign countries have representation across the entire student body. Leading behind Texas are California, Florida, New York, Illinois, and Connecticut. Following the United States are China, Mexico, Canada, Vietnam, India, United Kingdom, and Australia.

TABLE ONE
First-Year Undergraduate Admission and Enrollment Information

| | Academic Year Beginning Fall of | | | | |
|----------------------------------|---------------------------------|--------|--------|--------|--------|
| | 2019 | 2020* | 2021 | 2022 | 2023^ |
| Number of Applications Completed | 13,959 | 14,010 | 15,685 | 16,150 | 15,082 |
| Number Admitted | 6,601 | 7,379 | 8,333 | 8,439 | 9,239 |
| (% of Applicants) | 47% | 53% | 53% | 52% | 61% |
| Number Enrolled | 1,544 | 1,531 | 1,572 | 1,639 | 1,592 |
| (% of Admitted) | 23% | 21% | 19% | 19% | 17% |
| Average SAT | 1377 | 1343 | 1415 | 1436 | 1398 |

* Beginning AY 2020 SMU remains test optional for first-year undergraduate applicants.

^Integrated Postsecondary Education Data System (IPEDS) issued new guidance this past year about how institutions should count applications. SMU adopted this new counting methodology for Fall 2023. If SMU had not adopted the new IPEDS guidance, Fall 2023 completed applications would be in line with Fall 2022 completed application numbers.

SMU is traditionally a residential campus. Currently, 98% of first-time/first-year students and 47% of undergraduates live in residence halls on campus, in University-owned apartments, or nearby fraternity and sorority houses. The preponderance of those living off-campus reside in apartments or houses close by in the neighborhoods around SMU. The average age of the undergraduate population is 20 and the average age of graduate and professional students is 30.

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, however. In Fall 2023, transfer students accounted for 17% of all new undergraduates. The largest number originate from two-year schools (47%), four-year schools (46%), followed by international and other sources (7%).

SMU has started several graduate recruiting and digital marketing programs to help improve graduate enrollment. New international recruitment partnerships were started in the Fall of 2022 for the Lyle School of Engineering. New, expanded digital marketing activities were rolled out in Spring 2023 for Dedman College and Simmons School of Education and Human Development. On September 1, 2023, SMU launched a new lead generation marketing campaign to generate new graduate student prospects University-wide. The Provost's Office announced new funding initiatives in the Fall of 2023 to support more humanities and social science Ph.D. students.

TABLE TWO
Student Full-Time Equivalent Enrollment

| | Academic year Beginning Fall of | | | | |
|---|---------------------------------|---------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021* | 2022 | 2023 |
| <i>Undergraduate</i> | | | | | |
| Meadows School of the Arts | 751 | 812 | 777 | 788 | 876 |
| Cox School of Business | 1,493 | 1,610 | 1,966 | 1,907 | 1,742 |
| Dedman College of Humanities and Sciences | 1,480 | 1,470 | 1,441 | 1,510 | 1,685 |
| Pre-Majors | 3,662 | 3,715 | 3,489 | 3,687 | 3,653 |
| Lyle School of Engineering | 648 | 603 | 611 | 566 | 546 |
| Annette Caldwell Simmons School of Education and Human Development | 190 | 211 | 239 | 239 | 284 |
| Enrollment Services | 9 | 14 | 5 | 5 | 4 |
| Undergraduate | 8,234 | 8,433 | 8,526 | 8,703 | 8,789 |
| <i>Graduate & Professional</i> | | | | | |
| Meadows School of the Arts | 217 | 197 | 180 | 140 | 188 |
| Cox School of Business | 1,455 | 1,773 | 1,849 | 1,593 | 1,359 |
| Dedman College of Humanities and Sciences | 279 | 297 | 283 | 264 | 347 |
| Lyle School of Engineering | 629 | 565 | 483 | 506 | 609 |
| Annette Caldwell Simmons School of Education and Human Development | 781 | 861 | 832 | 720 | 696 |
| Enrollment Services | 0 | 0 | 0 | 0 | 3 |
| Research and Graduate Studies | 162 | 124 | 119 | 84 | 0 |
| The Guildhall | 110 | 113 | 108 | 109 | 99 |
| Dedman Law School | 1,227 | 1,223 | 1,262 | 1,208 | 1,160 |
| Perkins School of Theology | 223 | 246 | 198 | 182 | 165 |
| Graduate & Professional | 5,082 | 5,399 | 5,314 | 4,807 | 4,625 |
| Total University | 13,316 | 13,832 | 13,841 | 13,510 | 13,414 |

*Beginning fall 2021, the University adjusted its FTE calculation methodology for undergraduate and graduate students. For undergraduate students, the calculation is now based on a 12 credit hour assumption (historically the calculation utilized a 15 credit hour assumption). For graduate students, the calculation is now based on a 9 credit hour assumption (historically the calculation utilized a 12 credit hour assumption). Fall 2019 through fall 2020 data in the table above has been restated to match the new methodology.

FINANCIAL AID

The University awarded financial aid to approximately 70% of the Fall Semester 2023 undergraduate student body. Student financial aid includes both merit and need-based programs. In the 2022-2023 academic year, the University awarded over \$190 million in scholarships and fellowships to students of all classifications. As the academic profile of the University has risen, SMU has been mindful to reallocate merit aid from unrestricted funds to develop academic programs and faculty resources, and to increase need-based aid, ensuring that an SMU education can improve the lives of families from all socio-economic backgrounds. Approximately 25% of recent graduates who started as first-time, first-year students at SMU borrowed money to pay for college. The average total debt was \$38,298 including all loan programs. The University's federal loan default rate is well below the national average. The three-year average default rate for SMU graduates according to Federal Student Aid statistics is 2.5% for 2017-2019 (the three years prior to the pause on federal student loan repayment during the COVID-19 pandemic).

TABLE THREE
Student Financial Aid
(in thousands)

| | FISCAL YEAR ENDING MAY 31, | | | | |
|---------------------------------------|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| GRANTS | | | | | |
| Federal | \$ 4,383 | \$ 4,708 | \$ 4,735 | \$ 5,008 | \$ 5,435 |
| State | 3,855 | 4,618 | 4,659 | 4,878 | 3,956 |
| Total | <u>\$ 8,238</u> | <u>\$ 9,326</u> | <u>\$ 9,394</u> | <u>\$ 9,886</u> | <u>\$ 9,391</u> |
| SCHOLARSHIPS & FELLOWSHIPS | | | | | |
| Unrestricted Funds | \$ 134,713 | \$ 150,929 | \$ 158,711 | \$ 159,663 | \$ 160,857 |
| Restricted Funds | 35,888 | 33,607 | 35,905 | 26,189 | 30,105 |
| Total | <u>\$ 170,601</u> | <u>\$ 184,536</u> | <u>\$ 194,616</u> | <u>\$ 185,852</u> | <u>\$ 190,962</u> |
| OUTSTANDING LOANS TO STUDENTS | | | | | |
| From University Funds | \$ 158 | \$ 188 | \$ 171 | \$ 58 | \$ 18 |
| From Government Funds | 68,906 | 67,964 | 80,237 | 69,958 | 62,999 |
| From Private Funds | 10,484 | 12,217 | 13,191 | 14,008 | 16,057 |
| Total | <u>\$ 79,548</u> | <u>\$ 80,369</u> | <u>\$ 93,599</u> | <u>\$ 84,024</u> | <u>\$ 79,074</u> |
| STUDENT EMPLOYMENT | | | | | |
| College Work Study | \$ 2,914 | \$ 2,853 | \$ 2,841 | \$ 2,770 | \$ 2,615 |
| Student Payroll | 3,454 | 7,197 | 7,010 | 6,443 | 6,159 |
| Total | <u>\$ 6,368</u> | <u>\$ 10,050</u> | <u>\$ 9,851</u> | <u>\$ 9,213</u> | <u>\$ 8,774</u> |

FACULTY AND STAFF

As of Fall Semester 2022, the University employed a total of 2,820 employees (both full and part time), including 1,626 staff and 1,194 faculty (including adjuncts). Currently, 48.0% of the University's full-time instructional faculty members are tenured. Females account for 43.6% of the full-time instructional faculty and 23.6% of the full-time instructional faculty are minorities. Among full-time instructional faculty, 85.2% 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 \$20,643,000 for the fiscal year ending May 31, 2023 and \$20,626,000 for the fiscal year ending May 31, 2022. 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. The following is a summary of certain pending litigation against the University.

South Central Jurisdictional Conference of the United Methodist Church v. Southern Methodist University (District Court, Dallas County, Texas)

The South Central Jurisdictional Conference (SCJC) of the United Methodist Church filed a Petition in State Court (Dallas County) on December 4, 2019 seeking certain declaratory relief and attorney's fees. More specifically, SCJC seeks a declaration that the November 2019 Articles are void, that the 1996 Articles are the effective Articles of Incorporation, that SCJC retains all its rights, that SCJC retains a beneficial interest in the assets of SMU held in trust for SCJC by the SMU Board of Trustees in perpetuity, that the SMU Board of Trustees owes fiduciary duties to SCJC, and any amendments to the 1996 Articles must comply with all terms of the 1996 Articles including, but not limited to, the requirement that any such amendment to the 1996 Articles must first be authorized and approved by SCJC.

On December 20, 2019, SMU filed a motion to dismiss UMC's declaratory relief claims. In response, SCJC filed its First Amended Petition that added new claims, including a breach of contract claim, a breach of fiduciary claim, and a statutory violation claim, relating to the same actions underlying its initial petition. On February 5, 2020, the trial court granted SMU's motion to dismiss SCJC's declaratory relief claims that challenged SMU's 2019 Articles as ultra vires on the ground that SCJC lacked standing. On May 6, 2020, the Court granted in part and denied in part SMU's motion to dismiss the claims pled in SCJC's First Amended Petition. Specifically, the Court dismissed SCJC's declaratory relief claims that challenged SMU's 2019 Articles as ultra vires and sought to reinstate the 1996 Articles with prejudice. The Court also dismissed SCJC's breach of contract and breach of fiduciary duty claims without prejudice. The Court did not dismiss SCJC's Texas Business Organizations Code § 4.007 claim and claim seeking a declaration that SMU holds its campus in trust for SCJC. The trial court's order did not dispose of the case.

On February 8, 2021, the trial court granted SMU's Motion for Summary Judgment in its entirety and dismissed all remaining claims. SCJC filed an appeal, which was heard by the court of appeals on March 1, 2022. On July 26, 2023, the court of appeals issued its decision, affirming in part and reversing in part the dismissal of the lawsuit. The court affirmed the dismissal of SCJC's claims for promissory estoppel and breach of fiduciary duty, as well as the SCJC's related requests for declaratory relief. In doing so, the court confirmed that the SMU Board of Trustees holds legal title to SMU's campus in trust for SMU, not SCJC. The court, also, reversed the dismissals of SCJC's claims for breach of contract and violation of Texas Business Organizations Code § 4.007, as well as its related requests for declaratory relief. The court did not pass on the merits of either claim. Instead, it held the SCJC made sufficient allegations or alleged enough facts to move forward on these claims at present and remanded the case to the trial court for proceedings consistent with its opinion. SMU has filed a notice of intent to appeal to the Texas Supreme Court the court of appeals reversal of the dismissals of SCJC's claims for breach of contract and violation of Texas Business Organizations Code § 4.007, as well as its related requests for declaratory relief. SMU has until November 10, 2023, unless extended, to file an appeal with the Texas Supreme Court.

Kelly McGowan et al. v. Southern Methodist University (United States District Court for the Northern District of Texas, Dallas Division)

On January 19, 2018, eight female SMU rowing student-athletes (collectively, the "Plaintiffs") filed an Original Complaint in the United States District Court for the Northern District of Texas, Dallas Division. The Plaintiffs allege claims of gender discrimination in violation of Title IX and negligence.

With respect to the Title IX claim, Plaintiffs allege that SMU budgets and spends significantly less overall for women's sports and fails to provide quality coaching compared to male sports. Specific to rowing, Plaintiffs allege the team was treated as a "second class citizen" and received little funding. Plaintiffs also claim the rowers were provided substandard athletic training and medical attention, even though the rowing program accounted for the second highest amount of medical costs for all SMU athletic programs.

With respect to the negligence claim, Plaintiffs allege that former rowing coach Doug Wright employed an unconventional rowing form, which placed the rowers in a position that significantly stressed the hip joint and contributed to the cause of the Plaintiffs' hip injuries. Plaintiffs also allege that they were required to engage in an

unreasonable weight training and workout regimen, which placed the rowers at a high risk of injury. Plaintiffs claim that injured rowers were not allowed to engage in any physical therapy or recovery during practice time. All of the Plaintiffs experienced hip injuries, which have required surgery and/or physical therapy. Plaintiffs allege that SMU's intentional and negligent acts amount to negligence, negligent failure to warn, train, and/or educate, and negligence per se. Plaintiffs claim they have suffered, and continue to suffer, pain of the mind and body, physical injury, emotional distress, loss of enjoyment of life, have suffered and continue to suffer spiritually, and have incurred and will incur expenses for medical treatment.

Plaintiffs seek the following relief: (1) an order declaring that SMU engaged in a past and continuing practice of discrimination against female students on the basis of sex in the operation of its athletic program; (2) an injunction restraining SMU from continuing to discriminate against female student athletes on the basis of sex and requiring SMU to provide female athletes with equal treatment and benefits; and (3) monetary damages, punitive damages, costs, interest, penalties, and attorneys' fees.

On March 8, 2018, SMU filed a Partial Motion to Dismiss Plaintiffs' Original Complaint. On January 9, 2019, the district court entered an Order granting, in part, and denying, in part, the Partial Motion to Dismiss. The district court dismissed Plaintiffs' claims for equitable relief under Title IX, but allowed all eight plaintiffs to proceed against SMU on their negligence claims and claims for monetary damages under Title IX. In the Order, the district court expressly stated that SMU could reassert its arguments at summary judgment.

On April 26, 2019, Plaintiffs filed their Second Amended Complaint adding a ninth Plaintiff to the lawsuit. SMU filed its First Amended Answer to Plaintiffs' Second Amended Complaint on January 6, 2020.

The parties mediated with Hon. Jeff Kaplan on March 22, 2022, but were unable to settle at mediation.

On February 13, 2023, SMU filed a Motion for Partial Summary Judgment seeking to dismiss the claims of eight of the nine Plaintiffs because they are barred by the statute of limitations and should not be equitably tolled. On March 27, 2023, the district court stayed all matters in this case (other than the briefing deadlines related to the Responses to SMU's Motion for Partial Summary Judgment and the parties' respective Motions to Strike certain experts), including the trial, until such time as the district court rules on SMU's Motion for Partial Summary Judgment. Plaintiffs filed their Response to our Motion for Summary Judgment on April 24, 2023 and SMU filed its reply in Support of its Motion for Partial Summary Judgment on May 8, 2023. The district court has not yet ruled on SMU's motion.

**Luke Hogan, on behalf of himself and others similarly situated v. Southern Methodist University and other affiliated entities and individuals
(U.S. District Court for the Northern District of Texas; U.S. Court of Appeals for the Fifth Circuit; Texas Supreme Court)**

Plaintiff Luke Hogan filed a class action on August 12, 2020 in Texas state court against SMU and unnamed "other affiliated entities and individuals." The suit was later moved to the United States District Court for the Northern District of Texas. Plaintiff is a May, 2020 graduate of the SMU Cox School of Business and was a placekicker on SMU's football team during the 2019 season. In his suit, plaintiff alleged he and the putative class members contracted with SMU to pay tuition in exchange for in-person education, and that SMU did not refund tuition and fees when it transitioned to remote learning in March 2020. Plaintiff brought claims of breach of contract, conversion, and unjust enrichment.

SMU moved to dismiss for failure to state a claim under Texas law. SMU also moved to dismiss under Texas's new Pandemic Liability Protection Law ("PLPA"), which became effective June 14, 2021 and shields educational institutions from liability for damages or equitable monetary relief due to a cancellation or modification of a course, program, or activity caused by a pandemic. Plaintiff responded that the PLPA violated the Texas Constitution's ban on retroactive laws. The district court therefore issued a Certification of Challenge to the Constitutionality of the statute. The State of Texas subsequently filed an amicus brief supporting SMU's position that the PLPA is constitutional as applied to plaintiff.

On March 29, 2022, SMU received a complete victory in a putative class action when the District Court granted SMU’s motion to dismiss with prejudice claims seeking tuition and fee refunds due to SMU’s shift to remote learning caused by the COVID-19 pandemic.

On April 29, 2022, Hogan filed a notice of appeal with the Fifth Circuit Court of Appeals, and subsequently sought to stay the appeal pending a decision in King v. Baylor University. The King v. Baylor University case is a similar COVID-19 tuition refund case in which the Fifth Circuit heard oral argument in January 2022 but had yet to issue a decision at the time Hogan filed his appeal. On August 12, 2022, the Fifth Circuit entered an order staying the appeal and all pending motions until after the mandate has issued in the King v. Baylor University case.

On August 23, 2022, the Fifth Circuit issued its ruling in King v. Baylor. The Fifth Circuit held that Baylor’s Financial Responsibility Agreement (“FRA”) is a valid, enforceable contract under Texas law. The Fifth Circuit also affirmed dismissal of the implied contract, unjust enrichment, and conversion claims against Baylor. However, the Fifth Circuit remanded to the district court to determine whether the term “educational services” in the FRA was ambiguous and to examine the circumstances pertinent to making the FRA. Neither side moved for rehearing, and the Fifth Circuit issued the mandate in King v. Baylor on September 14, 2022.

On September 29, 2022, the Fifth Circuit lifted the stay in the Hogan v. SMU appeal. SMU filed its Appellee’s Brief on January 17, 2023. The State of Texas filed an amicus brief on January 24, 2023, arguing in favor of SMU’s position that the PLPA is constitutional. Hogan filed his reply on February 15, 2023. SMU filed a Rule 28(j) Notice of Supplemental Authority on March 15, 2023, notifying the Fifth Circuit of the district court’s recent opinion on remand in King v. Baylor upholding the PLPA as constitutional in a nearly identical case.

The Fifth Circuit heard oral argument on June 6, 2023. On July 20, 2023, the Fifth Circuit issued its ruling, reversing the district court’s dismissal for failure to state a breach of contract claim, and certifying the question of whether the PLPA is unconstitutionally retroactive to the Texas Supreme Court. The Texas Supreme Court accepted the certified question, set a briefing schedule, and set oral argument for October 26, 2023.

SUMMARY OF FINANCIAL POSITION FOR THE FISCAL YEAR ENDED MAY 31, 2023

Following is a summary of the fiscal year 2023 changes in the University’s financial position (dollars in thousands):

TABLE FOUR
Changes in Financial Position
(in thousands)

| | <u>Assets</u> | <u>Liabilities</u> | <u>Total</u> | <u>*Net Assets</u> | |
|------------------|-------------------|--------------------|------------------|-----------------------------------|--------------------------------|
| | | | | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> |
| Fiscal Year 2023 | \$ 4,225,750 | \$ 903,518 | \$ 3,322,232 | \$ 846,801 | \$ 2,475,431 |
| Fiscal Year 2022 | \$ 4,022,896 | \$ 766,780 | \$ 3,256,116 | \$ 793,867 | \$ 2,462,249 |
| Change | \$ 202,854 | \$ 136,738 | \$ 66,116 | \$ 52,934 | \$ 13,182 |

Total assets increased by \$203 million during fiscal year 2023. Changes in the assets were primarily the result of a \$116 million increase in cash and cash equivalents, or 61%, to \$306.1 million, and a \$96.1 million increase in land, buildings, and equipment, net, or 7.5%, to \$1.38 billion.

Liabilities increased by \$136.7 million, or 18%, in fiscal year 2023, to \$903.5 million at year-end. This was driven by a \$126.3 million net increase in long-term debt; the University closed on \$150 million of private placement debt on March 31, 2023. See “**OTHER OBLIGATIONS OF THE UNIVERSITY – Loan Agreement**” in the forepart of this Official Statement.

Net assets increased by \$66.1 million, or 2%, to \$3.3 billion at year-end.

OPERATING BUDGET

The University conducts its annual operations in accordance with a Board approved detailed operating budget that has produced an operating surplus for 35 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 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 without donor restrictions net assets 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 that allows for an approximate comparison for the past five fiscal years.

TABLE FIVE
Annual Operating Results
(Dollars in Thousands)

| <u>Net Assets Without Donor Restrictions</u> | <u>Fiscal Year Ending May 31,</u> | | | | |
|--|-----------------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| Total Revenues | \$ 624,345 | \$ 608,811 | \$ 669,679 | \$ 649,986 | \$ 724,644 |
| Exclude net realized and unrealized (gains)/losses on investments | <u>(4,265)</u> | <u>(5,741)</u> | <u>(12,879)</u> | <u>8,761</u> | <u>5,568</u> |
| Total Operating Revenues | \$ 620,080 | \$ 603,070 | \$ 656,800 | \$ 658,747 | \$ 730,212 |
| Total Expenses | <u>579,092</u> | <u>619,697</u> | <u>573,885</u> | <u>602,296</u> | <u>671,710</u> |
| Increase in Net Assets Without Donor Restrictions from Operations | <u>\$ 40,988</u> | <u>\$ (16,627)</u> | <u>\$ 82,915</u> | <u>\$ 56,451</u> | <u>\$ 58,502</u> |

STUDENT CHARGES

For the fiscal year ending May 31, 2023, 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, 2023 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 SIX
Undergraduate Student Charges

| | Academic Year | | | | |
|----------------|----------------------|------------------|------------------|------------------|------------------|
| | <u>2019/20</u> | <u>2020/21</u> | <u>2021/22</u> | <u>2022/23</u> | <u>2023/24</u> |
| Tuition | \$ 50,200 | \$ 51,958 | \$ 53,464 | \$ 55,012 | \$ 57,212 |
| General Fee | 6,360 | 6,582 | 6,772 | 6,968 | 7,248 |
| Room and Board | 16,750 | 17,110 | 17,438 | 17,750 | 18,230 |
| Total | <u>\$ 73,310</u> | <u>\$ 75,650</u> | <u>\$ 77,674</u> | <u>\$ 79,730</u> | <u>\$ 82,690</u> |

In setting the level of tuition, fees, room, and board, the University considers anticipated expense increases and attempts to keep student charges in balance with other sources of revenue.

ENDOWMENT

The University's endowment had a May 31, 2023 market value of approximately \$1.99 billion. According to the Fiscal Year 2022 NACUBO Endowment Study, prepared by the National Association of College and University Business Officers, the University's endowment was the 74th largest endowment of the 689 public and private institutions in the United States surveyed. The following table shows market value and endowment pool return of the University's endowment for each of the past five fiscal years.

TABLE SEVEN
Endowment Fund Growth
Fiscal Years 2019 through 2023

| <u>Fiscal Year</u> <u>Ended May 31,</u> | <u>Market Value</u> <u>Note (1)</u> <u>(in thousands)</u> | <u>Endowment Pool</u> <u>Gross Total</u> <u>Return</u> |
|--|---|--|
| 2019 | 1,607,333 | 0.5% |
| 2020 | 1,600,213 | 1.6% |
| 2021 | 2,037,182 | 31.7% |
| 2022 | 2,012,766 | -2.8% |
| 2023 | 1,989,586 | 2.2% |

Note (1): The endowment market value reflects a deduction for pledges recorded and a deduction for annuity funds and a trust invested in the endowment.

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, 2023.

TABLE EIGHT
Endowment Fund Assets
as of May 31, 2023
(Dollars in Thousands)

| <u>Asset</u> | <u>Cost</u> | <u>Market</u> | <u>Strategic Target</u> | <u>Current Allocation</u> |
|-------------------------|---------------------|---------------------|-------------------------|---------------------------|
| Global Equities | \$ 526,104 | \$ 647,143 | 35% | 33% |
| Fixed Income | 149,750 | 151,485 | 8% | 8% |
| Diversifying Strategies | 338,572 | 415,102 | 22% | 21% |
| Private Markets | 334,376 | 465,980 | 35% | 23% |
| Real Assets | 116,552 | 144,279 | n/a | 7% |
| Cash/Cash Equivalent | 53,322 | 53,322 | 0% | 3% |
| Separately Invested | 30,044 | 112,275 | n/a | 6% |
| Total Endowment | \$ 1,548,721 | \$ 1,989,586 | 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 June 30, 2023, available liquidity in the endowment pool includes \$772 million within one month, and \$1.017 billion within one year. In total, the University could redeem around 78% of its public portfolio within one year, or approximately 50% of the entire endowment.

The University has committed to capital draws totaling \$1,059,176,000 for private equity, venture capital, real estate funds, and other investments, of which \$646,114,000 had been drawn as of May 31, 2023. The University has committed to pay draws as required for the remaining \$291,598,000 through fiscal year 2033. 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 17 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 71 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 2023 was 4.2%.

FUNDRAISING

The Campaign for SMU: A Time to Lead exceeded its initial goal of \$300 million by raising \$542 million from 1997-2002. The University's second comprehensive campaign, SMU Unbridled: The Second Century Campaign, raised \$1.15 billion in gifts from 2008-2016, 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's third comprehensive campaign, SMU Ignited: Boldly Shaping Tomorrow, publicly launched in September 2021, with a goal of \$1.5 billion. The campaign is slated to conclude in December of 2028. Since the campaign's launch, over \$1 billion has been committed, including the largest single gift in SMU history (\$100M from the Moody Foundation); the two largest single gifts by alumni in SMU history (\$50M each from David Miller and Garry Weber); and the largest single gift by a non-alumnus (\$50M from William S. Spears). The campaign has received commitments establishing 29 new endowed academic positions, 24 new or significantly renovated facilities, and over 530 endowed scholarships. Over 59,000 donors have made commitments to the campaign as of June 30, 2023.

The following table contains total contributions over the last five fiscal years.

TABLE NINE
Total Contributions
(Dollars in Thousands)

| *Fiscal Year Ended May 31, | |
|----------------------------------|------------|
| 2023 | \$ 151,570 |
| 2022 | 247,720 |
| 2021 | 153,274 |
| 2020 | 198,580 |
| 2019 | 106,620 |

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, 2023. In addition to internal liquidity sources, the University has access to a committed working capital line of credit from a commercial bank for a total of \$100,000,000. See “**OTHER OBLIGATIONS OF THE UNIVERSITY – Revolving Credit Agreement**” in the forepart of this Official Statement.

| | |
|-------------------------------------|-----|
| Liquidity in < 30 days | 36% |
| Liquidity in > 30 days and < 1 year | 29% |
| Liquidity > 1 year | 35% |

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. Thousands of 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 including 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. Dedman School of Law, one of the first schools in the country to sponsor legal clinics, currently operates eleven 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 including one designated for Disability Accommodations & Success Strategies, each of whom devotes 20 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. Engage Dallas is a place-based community engagement initiative via SMU's Residential Commons to address community needs focusing on South and West Dallas. The initiative is a long-term, University-wide commitment led by students to partner with local residents, organizations, and other leaders to positively impact the community. There is equal emphasis on campus and community impact stemming from the initiative. Dedman College offers an interdisciplinary major in human rights. 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 student's 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. 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 world's largest and most financially sound property insurer providing primary coverage up to \$1 billion in losses at the insurer level, with additional exposure reinsured. The University expects a slight increase in property rates over the next few years due added square footage and the condition of the market. Increases should remain as single percentages in lieu of double-digit percentages as a result of 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 16 sports, all competing at the Division 1 level: (six for men and ten 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 competes in the American Athletic Conference.

Effective July 1, 2024, SMU will exit the American Athletic Conference (AAC) and join the Atlantic Coast Conference (ACC) as a new member, competing in all varsity sports sponsored by both the ACC and SMU. SMU has agreed to forgo any media revenue from the ACC for the first 9 years of membership but will receive other revenue distributions from the Conference that will provide revenue to SMU at least equal to what was received from the AAC. Additional operational costs, both one time and recurring, resulting from ACC membership will be funded from private fundraising efforts. Within one week of announcing ACC membership, SMU successfully raised over \$100 million in support for the transition and is continuing to fundraise to fill any remaining operational needs. This initial private funding is designed to cover the first five years of ACC membership with additional fundraising efforts in the future to support the remaining years until SMU begins receiving media revenue in year 10.

University athletic facilities include Moody Coliseum, Robson & Lindley Aquatics Center, consisting of Barr-McMillion Natatorium and the Holt Hickman Outdoor Pool, the Styslinger/Altec SMU Tennis Complex,

Washburne Soccer & Track Stadium, Gerald J. Ford Stadium, Armstrong Fieldhouse and Pettus Practice Fields for football, the Paul B. Loyd, Jr. All-Sports Center, Crum Basketball Center, Park Lane Equestrian Center, White Rock Boathouse, and the Payne Stewart SMU Golf Training Center at Trinity Forest, as well as a variety of training rooms, equipment, locker, and conference rooms. 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.

CYBERSECURITY

The Office of Information Technology (“OIT”) provides over 95% of the Information Technology (“IT”) resources to the University. The University has eight schools, each focusing on a different discipline, and each of these schools has some degree of local IT resources available to help faculty with their academic mission. In addition to these schools, there are many other organizations on campus including Human Resources, Athletics, and the Campus Police Department that have very specific technology needs and have allocated some staff for fulfilling those needs.

Within this multi-tiered IT environment, SMU has adopted a decentralized security model. This model uses a centralized security team with oversight of security functions in the Office of Information Technology. Security operations are integrated into each department of OIT so that security is a part of everyone’s role. The University has appointed a Chief Security Officer (CSO) for the University to oversee the security functions within OIT as well as for other departments on campus. The University conducts monthly vulnerability scans, quarterly penetration testing of business-critical applications, and runs third party security monitoring for vendors.

SMU’s Office of Information Technology has a team responsible for the physical security of buildings on campus using a card reader system. The University’s Data Centers all use electronic locks and card readers for physical access, and accesses into the data centers are video monitored, logged, and reviewed regularly. Visitors to the University’s Data Centers are only allowed with an escort. SMU’s Office of Information Technology has a team responsible for the physical security of buildings on campus using card readers, CCTV, emergency phones, and indoor notification systems.

APPENDIX B

**CONSOLIDATED FINANCIAL STATEMENTS, MAY 31, 2023 AND 2022 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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SOUTHERN METHODIST UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2023 and 2022

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1400
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Dallas, TX 75201-2721

Independent Auditors' Report

The Board of Trustees
Southern Methodist University:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Southern Methodist University (the University), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the *consolidated* financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Dallas, Texas
September 8, 2023

Southern Methodist University
Consolidated Statements of Financial Position
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

| | May 31, 2023 | May 31, 2022 |
|---|---------------------|---------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 306,110 | \$ 190,390 |
| Accounts receivable, net | 44,167 | 70,903 |
| Donor contributions receivable, net | 273,994 | 259,023 |
| Investments | 2,191,664 | 2,182,291 |
| Land, buildings, and equipment, net | 1,379,317 | 1,283,216 |
| Other assets | 30,498 | 37,073 |
| TOTAL ASSETS | \$ 4,225,750 | \$ 4,022,896 |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 195,662 | \$ 177,982 |
| Deposits and deferred revenue | 44,589 | 50,555 |
| Long-term debt, net | 659,928 | 533,676 |
| Other liabilities | 3,339 | 4,567 |
| Total Liabilities | 903,518 | 766,780 |
| NET ASSETS: | | |
| Net assets without donor restrictions | \$ 846,801 | \$ 793,867 |
| Net assets with donor restrictions | 2,475,431 | 2,462,249 |
| Total Net Assets | 3,322,232 | 3,256,116 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,225,750 | \$ 4,022,896 |

Southern Methodist University
Consolidated Statements of Activities
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

| | 2023 | | | 2022 | | |
|---|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES, GAINS AND OTHER SUPPORT: | | | | | | |
| Net tuition and fees | \$ 380,212 | \$ — | \$ 380,212 | \$ 369,107 | \$ — | \$ 369,107 |
| Donor contributions | 10,423 | 141,147 | 151,570 | 16,021 | 231,699 | 247,720 |
| Endowment income, net | 6,931 | 8,571 | 15,502 | 8,524 | 14,476 | 23,000 |
| Net gains (losses) on investments | (5,568) | 34,080 | 28,512 | (8,761) | (68,283) | (77,044) |
| Grants and contracts | 31,079 | — | 31,079 | 43,934 | — | 43,934 |
| Organized activities | 12,440 | — | 12,440 | 7,078 | — | 7,078 |
| Other sources | 76,098 | — | 76,098 | 65,705 | — | 65,705 |
| Auxiliary activities, net | 42,413 | — | 42,413 | 41,810 | — | 41,810 |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | \$ 554,028 | \$ 183,798 | \$ 737,826 | \$ 543,418 | \$ 177,892 | \$ 721,310 |
| Net assets released from restrictions | 170,616 | (170,616) | — | 106,568 | (106,568) | — |
| TOTAL ADJUSTED REVENUES, GAINS AND OTHER SUPPORT | \$ 724,644 | \$ 13,182 | \$ 737,826 | \$ 649,986 | \$ 71,324 | \$ 721,310 |
| EXPENSES: | | | | | | |
| PROGRAM EXPENSES: | | | | | | |
| Instruction | \$ 206,409 | \$ — | \$ 206,409 | \$ 195,773 | \$ — | \$ 195,773 |
| Academic support | 104,182 | — | 104,182 | 94,084 | — | 94,084 |
| Research | 45,709 | — | 45,709 | 37,471 | — | 37,471 |
| Organized activities | 15,518 | — | 15,518 | 10,877 | — | 10,877 |
| Student services | 134,315 | — | 134,315 | 128,830 | — | 128,830 |
| Auxiliary activities | 36,053 | — | 36,053 | 26,315 | — | 26,315 |
| TOTAL PROGRAM EXPENSES | 542,186 | — | 542,186 | 493,350 | — | 493,350 |
| Institutional support | 132,149 | — | 132,149 | 113,718 | — | 113,718 |
| TOTAL EXPENSES | \$ 674,335 | \$ — | \$ 674,335 | \$ 607,068 | \$ — | \$ 607,068 |
| Other postretirement plan changes | (2,625) | — | (2,625) | (4,772) | — | (4,772) |
| TOTAL EXPENSES AND ADJUSTMENTS | \$ 671,710 | \$ — | \$ 671,710 | \$ 602,296 | \$ — | \$ 602,296 |
| CHANGE IN NET ASSETS | \$ 52,934 | \$ 13,182 | \$ 66,116 | \$ 47,690 | \$ 71,324 | \$ 119,014 |
| BEGINNING NET ASSETS | 793,867 | 2,462,249 | 3,256,116 | 746,177 | 2,390,925 | 3,137,102 |
| ENDING NET ASSETS | \$ 846,801 | \$ 2,475,431 | \$ 3,322,232 | \$ 793,867 | \$ 2,462,249 | \$ 3,256,116 |

Southern Methodist University
Consolidated Statements of Cash Flows
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

| | 2023 | 2022 |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 66,116 | \$ 119,014 |
| <i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i> | | |
| Depreciation and accretion | 54,895 | 54,338 |
| Long-term debt-related amortization | (3,045) | (3,285) |
| Loss on disposal of land, buildings, and equipment | 70 | 1,730 |
| Decrease (increase) in accounts and donor contributions receivable | 11,765 | (53,121) |
| Decrease (increase) in other assets | 6,575 | (20,115) |
| (Decrease) increase in accounts payable and accrued expenses for operations | (10,585) | 2,572 |
| (Decrease) increase in deposits and deferred revenue | (5,966) | 1,387 |
| Decrease in other liabilities for operations | (1,228) | (512) |
| Donor contributions restricted for long-term investment | (81,513) | (83,452) |
| Noncash donor contributions | (10,627) | (48,220) |
| Net realized and unrealized (gain) loss on investments | (28,512) | 77,044 |
| Income restricted for long-term investment | (4,049) | (10,547) |
| Net cash (used for) provided by operating activities | \$ (6,104) | \$ 36,833 |
| Cash flows from investing activities: | | |
| Proceeds from sales of land, buildings, and equipment | \$ — | \$ 24 |
| Purchase of land, buildings, and equipment | (146,951) | (96,111) |
| Acquisition of investments | (421,741) | (540,024) |
| Disposition of investments | 448,576 | 536,375 |
| Increase in investing related accounts payable and accrued expenses | 27,081 | 2,883 |
| Net cash used for investing activities | \$ (93,035) | \$ (96,853) |
| Cash flows from financing activities: | | |
| Donor contributions restricted for long-term investment | \$ 81,513 | \$ 83,452 |
| Income restricted for long-term investment | 4,049 | 10,547 |
| Net proceeds from debt issuance | 149,892 | — |
| Long-term debt payments | (20,595) | (21,685) |
| Net cash provided by financing activities | \$ 214,859 | \$ 72,314 |
| Net increase in cash and cash equivalents | \$ 115,720 | \$ 12,294 |
| Cash and cash equivalents at beginning of period | 190,390 | 178,096 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 306,110 | \$ 190,390 |
| Supplemental data: | | |
| Donor contributions of investments, real estate and other | \$ 7,696 | \$ 46,483 |
| Donor contributions of land, buildings, and equipment | 2,931 | 1,737 |
| Cash paid for interest | 21,340 | 21,617 |

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

1. Nature of Operations

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

During the reporting periods, the University had seven corporations under its control that are included in the *Consolidated Financial Statements*. These corporations support various University activities, including research initiatives, intercollegiate athletics, and the acquisition and management of real assets ancillary to the University's primary mission.

2. Summary of Significant Accounting Policies

The *Consolidated Financial Statements* have been prepared in accordance with generally accepted accounting principles (GAAP) established to provide meaningful information about the financial resources and operations of the University as a whole and have been prepared on an accrual basis.

(a) Net assets

As a not-for-profit entity, the University receives substantial support from donor contributions. The terms of many of these contributions restrict how the University may use the corresponding resources. Accordingly, transactions and balances are classified into two categories of net assets:

Net assets without donor restrictions – Net assets that are not subject to any donor-imposed stipulations or for which the donor-imposed stipulations have been fulfilled. 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 net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations which have not been fulfilled. Such stipulations may require the net assets to be held in perpetuity within the University's endowment, to support specific programs, to fund capital projects, or other University activities.

Revenues are reported as increases in "Net assets without donor restrictions" unless their use is limited by donor-imposed stipulations that are not reasonably expected to be fulfilled during the current operating cycle.

Expenses are reported as decreases in "Net assets without donor restrictions". Gains and losses on investments and other assets or liabilities are reported as increases or decreases in "Net assets without donor restrictions" unless their use is restricted by explicit donor stipulation or by law governing the use of charitable donations. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as "Net assets released from restrictions" and shown as reclassifications between net asset categories.

Income and realized and unrealized gains or losses on investments of donor-restricted net assets are reported as increases or decreases in "Net assets with donor restrictions" to the extent that the donor stipulations require the investment of the contribution (e.g., endowment related gifts, etc.).

The costs of providing various programs and support services are summarized on a functional basis in the *Consolidated Statements of Activities*. Accordingly, expenses such as depreciation, interest, and the operation and maintenance of University facilities are allocated among the functional categories.

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

(b) Cash equivalents

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.

(c) Accounts receivable, net

Accounts receivable includes amounts due from students for tuition, receivables due under grant and contract agreements, payments under athletic agreements, and other general operating receivables. These amounts are valued at net realizable value.

(d) Donor contributions receivable, net

Unconditional commitments to give from University donors are included in the *Consolidated Financial Statements* as donor contributions receivable until they are collected. These amounts have been discounted to their present value using rates that the University feels appropriately reflect the risks associated with these cash flows. Amortization of discounts is recorded as additional contribution revenue.

(e) Fair value measurements

Fair value measurements reflected in the *Consolidated Financial Statements* conceptually represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets as of the reporting date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations are determined through direct or indirect observations other than quoted market prices. The type of investments in Level 2 also includes certain positions in which the University is a unit of account holder within a fund or account that holds underlying assets that are traded in active exchange markets with readily available pricing.
- Level 3 – Valuations for assets and liabilities that are unobservable and derived from other valuation methodologies including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The fair value of short-term paper, stocks, and bonds is based on quoted market prices. The fair value of funds held in trust by others is based on asset values reported to the University by the respective trustee. Such values rely primarily on Level 3 techniques. The fair value of real estate and mineral rights is estimated based on the income stream those assets generate. Where the fair value of other notes receivable is not available and cannot be determined without incurring excessive costs, the amounts reflected as fair value are the same as carrying value.

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

The majority of the University's investments reported are held through limited partnerships and commingled funds, for which fair value is estimated using the net asset values (NAV) reported by the investment managers as a practical expedient. Such investments have not been categorized within the fair value hierarchy.

Notes and bonds payable are carried at the amount of debt incurred, net of unamortized issuance costs and unamortized premiums and discounts adjusted for principal payments made.

(f) Investments

Fair value for marketable securities, funds held in trust by others and equity method investments are measured based upon quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying managers. Management reviewed and evaluated the valuations and has determined that the valuation methodology and assumptions result in reasonable estimates of fair value.

The University's investments in investment funds are subject to the terms of the respective funds' agreements, private placement memoranda, and other governing agreements of such funds. These terms are typical for hedge fund and private equity arrangements. The University's investments are also subject to management and performance fees as specified in such funds' agreements. Additionally, such funds in which the University invests may restrict both the transferability of the University's interest and the University's ability to withdraw. In light of such restrictions imposed, an investment in these funds is illiquid and subject to liquidity risk.

Investment transactions are accounted for on the trade date basis, with investment income and expense recognized on an accrual basis.

(g) Derivative instruments

The University currently participates in hedging and other derivative agreements to reduce operational expense fluctuation. Current outstanding instruments qualify as a derivative financial instrument under ASC 815, *Derivatives and Hedging*. These instruments are recorded on the *Consolidated Statements of Financial Position* as either an asset or liability measured at the fair value (using Level 2 techniques) as of the reporting date. Changes in fair value of any derivatives are recognized in the *Consolidated Statements of Activities*.

(h) Land, buildings, and equipment, net

Land, buildings, and equipment (including art objects) are recorded at cost, if purchased, or at 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 land, buildings, and equipment that have an acquisition cost of \$5 and over and have an estimated useful life of at least two years, with the exception of software, where the cost must exceed \$75 before the asset will be capitalized. Land improvements, buildings, and equipment (except for art objects) are depreciated on the straight-line basis over their estimated useful lives with equipment, vehicles, furniture, software and "other" depreciating in five to 15 years; land improvements depreciating in 15 to 50 years; and buildings depreciating in 20 to 40 years.

(i) Net tuition and fees

Tuition and fee revenue is recognized in accordance with ASC 606, *Revenue from Contracts with Customers*. The University applies the portfolio approach, which approximates the revenue that would be recognized by the individual contract approach. In connection with these contracts, the University has an obligation to provide instruction and access to various student facilities. Tuition and fees are generally collected in advance or over the course of the respective term with the revenue earned over the same term as the University's performance obligations are satisfied. Scholarship allowance represents a reduction in the consideration collected from students reflective of discounts as well as the use of donor contributions designated to reduce the amounts collected directly from students. "Net tuition and fees" represent the cumulative transaction price reflective of ASC 606. Student tuition and fees received in advance of the corresponding revenue recognition are reported as customer contract liabilities in "Deposits and deferred revenue."

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

(j) Donor contributions

Contributions from University donors, including unconditional promises to give, are recognized in the period received. Unconditional promises to give from University donors, with payments due in future periods, are recorded as increases in “Net assets with donor restrictions” at the estimated present value of future cash flows, net of an allowance for uncollectible pledges.

Donor-restricted contributions increase “Net assets with donor restrictions.” Expirations of restrictions on net assets, such as the donor stipulation being met or the passage of time, are reported as “Net assets released from restrictions” and reflect reclassifications between the net asset categories. If the donor stipulation for a restricted contribution is met in the year of the gift, the contribution is reflected in “Net assets without donor restrictions.” Temporary restrictions on gifts to acquire long-lived assets are considered met in the period when the asset is placed in service. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are met.

Donor contributions are recorded at fair value 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 “Net assets with donor restrictions.”

Donor contributions of land, buildings and equipment without donor stipulations, concerning the use of such long-lived assets, are reported as “Net assets without donor restrictions.” Donor contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as “Net assets with donor restrictions.” The restrictions are considered to be released when the long-lived assets are placed in service.

(k) Grants and contracts revenue and indirect cost recoveries

The University receives grants and contracts revenue for research and other services it provides pursuant to arrangements with governmental and private entities. Grants and contracts revenue includes exchange transactions and contribution transactions where the related restrictions or conditions are indicative of a research grant relationship and not a traditional donor relationship. For financial statement purposes, grants and contracts revenue is recorded at the time corresponding expenses have been incurred.

Indirect cost recoveries and grants and contracts revenue are reported at the estimated net realizable amounts due from sponsoring agencies. These grants and contracts awards generally specify the purpose for which the funds are to be used and funds are typically received as the University pays for the corresponding expenses. Revenues from sponsored grants and contracts are recognized when allowable expenditures are incurred under such agreements. These revenues, primarily from the federal government, are recorded as adjustments to “Net assets without donor restrictions.” Amounts recorded in accounts receivable, related to grants and contracts, are for grant expenditures incurred in advance of the receipt of funds.

Indirect cost recoveries are based on negotiated rates and represent recoveries of facilities and administrative costs incurred under grants and contracts agreements.

(l) Auxiliary activities

Auxiliary activities revenue is recognized in accordance with ASC 606, *Revenue from Contracts with Customers*, with the primary contracts relating to housing and dining services. The University applies the portfolio approach, which approximates the revenue that would be recognized by the individual contract approach. In connection with these contracts, the University has an obligation to provide access to housing facilities and dining services through the term of the contract and recognizes revenue as the University’s performance obligations are satisfied. Auxiliary activities also include other operations which provide services to students, faculty and staff. Fee charges are directly related to the costs of these services.

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

(m) Income taxes

The University and the controlled corporations referenced in *Note 1* have received determination letters from the Internal Revenue Service indicating they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended, as organizations described in Sections 501(c)(3) and are not private foundations under Sections 509(a)(1) and 509(a)(3), as such, contributions to these entities qualify for deduction as charitable contributions.

The University and its consolidated entities are exempt from federal income taxes except to the extent they have unrelated business income. In addition, there were no uncertain income tax positions during the reporting periods. Accordingly, no tax liability or tax benefit is required under ASC 740, *Income Taxes*.

(n) Use of estimates

The preparation of the *Consolidated Financial Statements* in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the University's *Consolidated Financial Statements* subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, the determination of the allowances for uncollectible accounts and depreciation expense which is based on the estimated useful lives of the related assets.

(o) New accounting pronouncement

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances the presentation and disclosure of contributed nonfinancial assets. It requires contributed nonfinancial assets (including fixed assets, use of facilities or utilities, materials and supplies, intangible assets and services) to be presented in a separate line item on the statement of activities. Additionally, the standard required further disaggregation and qualitative information by type in the footnotes. The University adopted the ASU as of June 1, 2022. This standard did not have a material effect on the consolidated financial statements.

(p) Reclassifications

Certain financial statement and footnote information from the prior year financial statements have been reclassified to conform with the current year presentation. Intercollegiate athletics has been deemed to be more appropriately classified as student services rather than auxiliary activities and as such has been reclassified on the *Consolidated Statements of Activities*. Accordingly, the revenue associated with intercollegiate athletics has been reclassified from auxiliary activities to other sources on the *Consolidated Statements of Activities*. There is no net impact on the total revenues or total expenses. These reclassifications are also reflected in Note 12 and Note 13.

3. Liquidity and Resource Availability

The University has various practices in place to ensure sufficient resources are available to fund the general obligations of the University including general expenditures, liabilities, and other obligations as they come due. In general, the University uses the cash and other financial assets collected during the year to fund the expenses for the same year. The University frequently collects financial assets that are designated to fund certain activities of the University including donor-restricted contributions, amounts for the University's endowment, debt proceeds restricted to specific purposes, etc. Such assets are not available for general obligations. Excess cash balances are invested with a focus on capital preservation while seeking more favorable yields to traditional savings instruments. The risk profile and duration for such investments are adjusted to match future cash needs. Financial assets expected to be available for general obligations within a year are summarized below:

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2023 and 2022
(Dollars in Thousands)

| | 2023 | 2022 |
|---|--------------------|--------------------|
| FINANCIAL ASSETS: | | |
| Cash and cash equivalents | \$ 306,110 | \$ 190,390 |
| Accounts receivable, net | 44,167 | 70,903 |
| Donor contributions receivable, net | 273,994 | 259,023 |
| Investments | 2,191,664 | 2,182,291 |
| Total financial assets | 2,815,935 | 2,702,607 |
| Less amounts not available to be used within one year: | | |
| Cash and cash equivalents restricted for capital projects | (31,875) | (55,654) |
| Cash and cash equivalents restricted for loan programs | (13,655) | (12,950) |
| Donor contributions receivable, net due after one year | (187,132) | (172,858) |
| Donor contributions receivable, net due next year with restricted purposes | (83,868) | (81,903) |
| Accounts receivable, net restricted to the endowment | (1,430) | (26,863) |
| Investments restricted for defeased debt | (1,695) | (1,709) |
| Investments restricted to the endowment | (1,973,242) | (1,948,969) |
| Investments restricted to loan programs | (1,362) | (1,899) |
| Investments restricted to split-interest agreements | (14,833) | (16,291) |
| <i>Financial assets not available to be used within one year for general expenditures</i> | <i>(2,309,092)</i> | <i>(2,319,096)</i> |
| Available borrowings for general expenditures | 100,000 | 75,000 |
| Resources available within a year for general expenditures | \$ 606,843 | \$ 458,511 |

4. Donor Contributions Receivable, net

Unconditional promises to give from University donors are included in the *Consolidated Financial Statements* as “Donor contributions receivable, net” with gifts reported in the appropriate net asset categories. Donor contributions receivable are recorded at their fair value, which is determined by computing the present value of future cash flows discounted at rates ranging from 2.5% to 7.0%. 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 donor contributions receivable as of May 31 are expected to be realized in the following periods:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| DONOR CONTRIBUTIONS RECEIVABLE, NET: | | |
| In one year or less | \$ 86,862 | \$ 86,165 |
| Between one year and five years | 192,357 | 157,799 |
| More than five years | 38,791 | 54,538 |
| Less discount | (44,016) | (39,479) |
| Donor contributions receivable, net | \$ 273,994 | \$ 259,023 |

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

| | 2023 | 2022 |
|--|-------------------|-------------------|
| PURPOSE RESTRICTIONS: | | |
| Endowment for departmental programs and activities | \$ 30,250 | \$ 16,578 |
| Endowment for scholarships | 5,771 | 4,955 |
| Capital improvements | 153,653 | 171,922 |
| Scholarships, departmental programs and activities | 83,880 | 64,930 |
| Purpose restriction met | 440 | 638 |
| Donor contributions receivable, net | \$ 273,994 | \$ 259,023 |

Conditional promises to give are not recorded in the *Consolidated Financial Statements* until they become unconditional. As of May 31, the University has received donor pledges contingent on the following conditions:

| | 2023 | 2022 |
|---|---------------|-----------------|
| CONDITIONS: | | |
| Matching donations/funding requirements | \$ — | \$ — |
| Other | 325 | 2,025 |
| Conditional promises | \$ 325 | \$ 2,025 |

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5. Investments

Total investments as of May 31 are as follows:

| | 2023 | 2022 |
|-------------------------------|--------------------|--------------------|
| Short-term paper | \$ 45,022 | \$ 30,869 |
| Stocks | 270,435 | 192,975 |
| Bonds | 263,036 | 247,681 |
| Funds held in trust by others | 10,585 | 11,119 |
| Notes receivable, net | 1,353 | 1,889 |
| Mineral rights | 81,677 | 98,469 |
| Private markets | 610,871 | 570,130 |
| Hedged strategies | 397,151 | 563,611 |
| Equity funds | 459,458 | 463,528 |
| Fixed income funds | 52,076 | 2,020 |
| Investments | \$2,191,664 | \$2,182,291 |

The University has unfunded investment commitments of \$291,598 and \$303,737 as of May 31, 2023 and 2022, respectively.

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 University makes periodic payments to named beneficiaries in return for assets received and recognizes a liability for the fair value of the anticipated future payments connected to these agreements based on the discount rates published by the Internal Revenue Service.

| | 2023 | 2022 |
|---|-------------|-------------|
| SPLIT-INTEREST AGREEMENTS: | | |
| (Losses) Gains | \$ (56) | \$ 776 |
| Assets at fair value | 25,399 | 27,391 |
| Liabilities included in accounts payable and accrued expenses | 7,901 | 8,589 |
| Net assets with donor restrictions related to split-interest agreements | 6,932 | 7,706 |
| Discount rate | 4.98% | 4.22% |

The University also owns foreign investments that are included in the applicable investment classifications in the above investment table. 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, expenses, such as custodial fees and investment advisory fees, and net realized and unrealized gains. Investment returns reported in the *Consolidated Statements of Activities* for the years ended May 31, are as follows:

| | 2023 | 2022 |
|---|------------------|--------------------|
| INVESTMENT RETURN: | | |
| Investment income | \$ 43,701 | \$ 44,687 |
| External and internal direct expenses included in "Endowment income, net" | (13,864) | (12,345) |
| Net Realized and unrealized gains (losses) on investments | 28,512 | (77,044) |
| Investment return | \$ 58,349 | \$ (44,702) |

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6. Fair Value of Financial Instruments

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

| 2023 | | | | | |
|---|-------------------|-------------------|------------------|------------------------|---------------------|
| Investments Classified in Fair Value Hierarchy | | | | | |
| | Level 1 | Level 2 | Level 3 | Net Asset Value | Total |
| INVESTMENTS AT FAIR VALUE: | | | | | |
| Short-term paper | \$ 45,022 | \$ — | \$ — | \$ — | \$ 45,022 |
| Stocks | 270,435 | — | — | — | 270,435 |
| Bonds | 243,231 | 19,805 | — | — | 263,036 |
| Funds held in trust by others | — | — | 10,585 | — | 10,585 |
| Notes receivable, net | — | 1,353 | — | — | 1,353 |
| Mineral rights | — | 81,677 | — | — | 81,677 |
| Private markets | — | 19 | 1,217 | 609,635 | 610,871 |
| Hedged strategies | — | — | — | 397,151 | 397,151 |
| Equity funds | — | — | — | 459,458 | 459,458 |
| Fixed income funds | — | — | — | 52,076 | 52,076 |
| Investments at fair value | \$ 558,688 | \$ 102,854 | \$ 11,802 | \$ 1,518,320 | \$ 2,191,664 |

| 2022 | | | | | |
|---|-------------------|-------------------|------------------|------------------------|---------------------|
| Investments Classified in Fair Value Hierarchy | | | | | |
| | Level 1 | Level 2 | Level 3 | Net Asset Value | Total |
| INVESTMENTS AT FAIR VALUE: | | | | | |
| Short-term paper | \$ 30,869 | \$ — | \$ — | \$ — | \$ 30,869 |
| Stocks | 192,975 | — | — | — | 192,975 |
| Bonds | 228,913 | 18,768 | — | — | 247,681 |
| Funds held in trust by others | — | — | 11,119 | — | 11,119 |
| Notes receivable, net | — | 1,889 | — | — | 1,889 |
| Mineral rights | — | 98,469 | — | — | 98,469 |
| Private markets | — | 19 | 1,167 | 568,944 | 570,130 |
| Hedged strategies | — | — | — | 563,611 | 563,611 |
| Equity funds | — | — | — | 463,528 | 463,528 |
| Fixed income funds | — | — | — | 2,020 | 2,020 |
| Investments at fair value | \$ 452,757 | \$ 119,145 | \$ 12,286 | \$ 1,598,103 | \$ 2,182,291 |

The following tables report the changes in fair value for assets using significant unobservable inputs (Level 3):

| 2023 | | | | | | | |
|-------------------------------|------------------------|------------------|-----------------------|--------------------------|-----------------|------------------|-----------------------|
| | Opening Balance | Transfers | Realized Gains | Unrealized Losses | Sales | Purchases | Ending Balance |
| Funds held in trust by others | \$ 11,119 | \$ — | \$ — | \$ (258) | \$ (276) | \$ — | \$ 10,585 |
| Private markets | 1,167 | — | — | — | — | 50 | 1,217 |
| Level 3 investments | \$ 12,286 | \$ — | \$ — | \$ (258) | \$ (276) | \$ 50 | \$ 11,802 |

| 2022 | | | | | | | |
|-------------------------------|------------------------|------------------|-----------------------|--------------------------|----------------|------------------|-----------------------|
| | Opening Balance | Transfers | Realized Gains | Unrealized Losses | Sales | Purchases | Ending Balance |
| Funds held in trust by others | \$ 12,607 | \$ — | \$ — | \$ (1,904) | \$ (30) | \$ 446 | \$ 11,119 |
| Private markets | 1,167 | — | — | — | — | — | 1,167 |
| Level 3 investments | \$ 13,774 | \$ — | \$ — | \$ (1,904) | \$ (30) | \$ 446 | \$ 12,286 |

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The following tables present the liquidity of the University's investments at fair value at May 31:

| 2023 | | | | | |
|---|-----------------------------|------------------------|------------------------------------|-----------------------|---------------------|
| | Within 30 Days ¹ | Quarterly ² | Semi-Annual or Annual ³ | Illiquid ⁴ | Total |
| INVESTMENTS AT FAIR VALUE: | | | | | |
| Funds held in trust by others | \$ — | \$ — | \$ — | \$ 10,585 | \$ 10,585 |
| Mineral rights | — | — | — | 81,677 | 81,677 |
| Private markets | — | — | — | 610,871 | 610,871 |
| Hedged strategies | — | 284,593 | 85,702 | 26,856 | 397,151 |
| Equity funds | 237,207 | 222,251 | — | — | 459,458 |
| Fixed income funds | 497 | 32,836 | — | 18,743 | 52,076 |
| Investments at fair value | \$ 237,704 | \$ 539,680 | \$ 85,702 | \$ 748,732 | \$ 1,611,818 |
| Level 1 securities | | | | | 558,688 |
| Investments not subject to redemption terms | | | | | 21,158 |
| Total investments at fair value | | | | | \$ 2,191,664 |

1 With 3 business days to 30 days' notice

2 With 30 to 90 days' notice

3 With 45 to 90 days' notice

4 Includes funds under lock up

| 2022 | | | | | |
|---|-----------------------------|------------------------|------------------------------------|-----------------------|---------------------|
| | Within 30 Days ¹ | Quarterly ² | Semi-Annual or Annual ³ | Illiquid ⁴ | Total |
| INVESTMENTS AT FAIR VALUE: | | | | | |
| Funds held in trust by others | \$ — | \$ — | \$ — | \$ 11,119 | \$ 11,119 |
| Mineral rights | — | — | — | 98,469 | 98,469 |
| Private markets | — | — | — | 570,130 | 570,130 |
| Hedged strategies | 83,795 | 333,796 | 125,310 | 20,710 | 563,611 |
| Equity funds | 167,530 | 204,982 | 75,759 | 15,257 | 463,528 |
| Fixed income funds | 510 | — | — | 1,510 | 2,020 |
| Investments at fair value | \$ 251,835 | \$ 538,778 | \$ 201,069 | \$ 717,195 | \$ 1,708,877 |
| Level 1 securities | | | | | 452,757 |
| Investments not subject to redemption terms | | | | | 20,657 |
| Total investments at fair value | | | | | \$ 2,182,291 |

1 With 3 business days to 30 days' notice

2 With 30 to 90 days' notice

3 With 45 to 90 days' notice

4 Includes funds under lock up

7. Land, Buildings, and Equipment, net

The following table details the land, buildings, and equipment holdings of the University for fiscal years 2023 and 2022:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| LAND, BUILDINGS, AND EQUIPMENT: | | |
| Land | \$ 175,438 | \$ 175,438 |
| Land improvements | 117,602 | 117,597 |
| Buildings | 1,415,687 | 1,360,558 |
| Equipment | 132,610 | 120,818 |
| Art | 56,504 | 54,294 |
| Other assets | 30,025 | 26,863 |
| Construction in progress | 169,162 | 92,232 |
| Total land, buildings, and equipment, at cost | \$ 2,097,028 | \$ 1,947,800 |
| Less accumulated depreciation* | (717,711) | (664,584) |
| Land, buildings, and equipment, net | \$ 1,379,317 | \$ 1,283,216 |

*Includes depreciation expense of \$53,711 and \$53,338 for fiscal year 2023 and 2022, respectively.

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8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of May 31 included the following:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES: | | |
| General accounts payable and accrued expenses | \$ 92,696 | \$ 69,907 |
| Asset retirement obligations | 23,751 | 22,567 |
| Current postretirement healthcare benefit obligation | 2,480 | 2,528 |
| Noncurrent postretirement healthcare benefit obligation | 24,252 | 29,804 |
| Ground lease contribution | 44,582 | 44,587 |
| Split-interest obligations | 7,901 | 8,589 |
| Accounts payable and accrued expenses | \$ 195,662 | \$ 177,982 |

(a) Asset retirement obligations

In order to retire certain long-lived assets, the University is responsible for the abatement of asbestos and lead paint. The fair value of these costs 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, 2023 and 2022:

| | 2023 | 2022 |
|--|------------------|------------------|
| Asset retirement obligations, beginning balance | \$ 22,567 | \$ 21,568 |
| Disposal of asset retirement obligations | (43) | (184) |
| Decrease in land, buildings and equipment, net of accumulated depreciation | (88) | (117) |
| Accretion and depreciation expense | 1,315 | 1,300 |
| Asset retirement obligations, ending balance | \$ 23,751 | \$ 22,567 |

(b) 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.

Actuarial assumptions used to determine the value of the accumulated postretirement benefit obligation (APBO) and the benefit costs included weighted average discount rates of 4.82% and 3.99% per annum for fiscal years 2023 and 2022, respectively.

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).

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

| | 2023 | 2022 |
|----------------------------------|-----------------|-----------------|
| NET PERIODIC BENEFIT COST: | | |
| Service cost | \$ 115 | \$ 177 |
| Interest cost | 1,240 | 1,010 |
| Amortization: | | |
| Prior service cost | — | — |
| Unrecognized loss | — | — |
| Net periodic benefit cost | \$ 1,355 | \$ 1,187 |

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Net periodic benefit cost and other changes in plan assets and benefit obligations recognized in “Net assets without donor restrictions” are as follows:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| PLAN COSTS AND OTHER CHANGES: | | |
| Net periodic benefit cost recognized | \$ 1,355 | \$ 1,187 |
| Other changes in plan obligations: | | |
| Net actuarial gain | (2,625) | (4,772) |
| Prior service cost | — | — |
| <i>Other postretirement plan changes</i> | (2,625) | (4,772) |
| Increase in net assets without donor restrictions | \$ (1,270) | \$ (3,585) |

The accrued postretirement benefit obligations recognized in the University’s *Consolidated Statements of Financial Position* as of May 31 pursuant to the recognition provisions of ASC 715 are as follows:

| | 2023 | 2022 |
|--|------------------|------------------|
| Benefit obligations, beginning balance | \$ 32,332 | \$ 39,692 |
| Service cost | 115 | 177 |
| Interest cost | 1,240 | 1,010 |
| Plan participants’ contributions | 1,665 | 1,613 |
| Benefit payments | (5,995) | (5,388) |
| Actuarial gain | (2,625) | (4,772) |
| Benefit obligations, ending balance | \$ 26,732 | \$ 32,332 |

The accumulated postretirement benefit includes a current liability of \$2,480 for the claims and expenses that are expected to be paid out in the coming year and \$24,252 of noncurrent postretirement benefit liabilities.

As of May 31, 2023, the University had expected benefit payments in the following fiscal year:

| EXPECTED BENEFIT PAYMENTS: | | |
|----------------------------------|--|------------------|
| 2024 | | \$ 2,480 |
| 2025 | | 2,335 |
| 2026 | | 2,213 |
| 2027 | | 2,157 |
| 2028 | | 2,102 |
| 2029-2033 | | 9,913 |
| Expected benefit payments | | \$ 21,200 |

(c) Ground lease contribution

“Accounts payable and accrued expenses” include \$44,582 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, 2023. This balance is being accreted over the 249 years of the lease, including extensions.

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9. Long-term Debt, net

Long-term debt, unamortized premiums, discounts, and issuance costs, consisted of the following at May 31:

| | Average Coupon* | Final Maturity | 2023 | 2022 |
|--|-----------------|-----------------|-------------------|-------------------|
| TAX-EXEMPT FIXED-RATE REVENUE BONDS: | | | | |
| 2017 Series | 4.56% | October 1, 2041 | \$ 90,165 | \$ 93,020 |
| 2016 Series A | 4.57 | October 1, 2045 | 96,380 | 102,880 |
| 2013 Series A | 4.52 | October 1, 2042 | 99,195 | 99,195 |
| 2007 Series | 4.96 | October 1, 2029 | 21,240 | 21,240 |
| <i>Tax-exempt fixed-rate revenue bonds</i> | | | 306,980 | 316,335 |
| TAXABLE FIXED-RATE REVENUE BONDS: | | | | |
| 2016 Series B | 3.76 | October 1, 2045 | 25,250 | 25,250 |
| 2013 Series B | 2.89 | October 1, 2033 | 45,415 | 50,725 |
| <i>Taxable fixed-rate revenue bonds</i> | | | 70,665 | 75,975 |
| PRIVATE PLACEMENT: | | | | |
| 2023 Series Taxable Notes | 4.08 | March 31, 2030 | 150,000 | — |
| 2017 Series Taxable Notes | 3.55 | October 1, 2047 | 89,785 | 91,975 |
| 2017 Promissory Note | Various | August 30, 2027 | 1,000 | 1,000 |
| 2015 Tax-Exempt Forward | 2.53 | October 1, 2032 | 22,330 | 26,070 |
| <i>Private placement</i> | | | 263,115 | 119,045 |
| Long-term debt payable prior to amortizations | | | 640,760 | 511,355 |
| Unamortized net premiums | | | 21,421 | 24,727 |
| Unamortized bond issuance costs | | | (2,253) | (2,406) |
| Long-term debt, net | | | \$ 659,928 | \$ 533,676 |

* Average coupon at time of issuance

| | Escrowed Assets | | Par Value | |
|---|-----------------|----------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| DEFEASED BONDS: | | | | |
| 2007 Series ⁽¹⁾ | \$ 1,695 | \$ 1,709 | \$ 1,630 | \$ 1,630 |
| <i>Long-term debt payable from escrow assets</i> | | | 1,630 | 1,630 |
| Long-term debt, net | | | 659,928 | 533,676 |
| Long-term debt, net payable from general resources | | | \$ 658,298 | \$ 532,046 |

(1) Defeased with proceeds from a contribution

In addition to the above, the University has \$100,000 of borrowings available under an undrawn bank line of credit, which is available for general liquidity needs of the University.

No interest related to construction projects was capitalized during fiscal year 2023 and 2022, respectively. Interest expense on long-term debt was \$18,414 and \$17,913 for the fiscal years ended May 31, 2023 and 2022, respectively.

As of May 31, 2023, the University had scheduled principal maturities for the following fiscal years:

| | |
|------------------------------|-------------------|
| PRINCIPAL MATURITIES: | |
| 2024 | \$ 24,560 |
| 2025 | 27,855 |
| 2026 | 28,575 |
| 2027 | 30,085 |
| 2028 | 29,625 |
| Thereafter | 500,060 |
| Principal outstanding | \$ 640,760 |

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10. Net Tuition and Fees

The University provides educational services to both undergraduate and graduate students. The below table presents a disaggregation of net tuition by these two groups:

| | 2023 | | | 2022 | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Undergraduate | Graduate | Total | Undergraduate | Graduate | Total |
| REVENUES: | | | | | | |
| Tuition at stated rates | \$ 398,634 | \$ 140,541 | \$ 539,175 | \$ 377,653 | \$ 157,823 | \$ 535,476 |
| Student fees at stated rates | 43,319 | 16,254 | 59,573 | 40,253 | 18,637 | 58,890 |
| Less: Scholarship allowances | (172,104) | (46,432) | (218,536) | (171,678) | (53,581) | (225,259) |
| Net tuition and fee revenue | \$ 269,849 | \$ 110,363 | \$ 380,212 | \$ 246,228 | \$ 122,879 | \$ 369,107 |

The following assets and liabilities have been recognized on the *Consolidated Statements of Financial Position* related to student accounts:

| | 2023 | 2022 |
|---|----------|-----------|
| Receivables included in <i>Accounts receivable, net</i> | \$ 7,826 | \$ 11,968 |
| Contract liabilities included in <i>Deposits and deferred revenue</i> | 23,841 | 26,624 |

* Student accounts balances are primarily the result of tuition and fee activity, but also included are charges and payments for various other services.

11. Grants and Contracts

Grants and contracts revenue include both contribution and exchange transactions. Below is a summary of activity for fiscal years 2023 and 2022 including conditional contributions, which have not been recognized as revenue since these are contingent on the University's performance under various related agreements.

| | 2023 | | | 2022 | | |
|---|---------------|-----------|-----------|---------------|-----------|-----------|
| | Contributions | Exchange | Total | Contributions | Exchange | Total |
| Grants and contracts | \$ 17,780 | \$ 13,299 | \$ 31,079 | \$ 30,966 | \$ 12,968 | \$ 43,934 |
| Receivable, included in <i>Accounts receivable, net</i> | 4,929 | 1,800 | 6,729 | 5,020 | 2,251 | 7,271 |
| Contract liabilities included in <i>Deposits and deferred revenue</i> | 295 | 6,175 | 6,469 | 673 | 8,202 | 8,875 |
| Conditional contributions | 35,284 | - | 35,284 | 34,300 | — | 34,300 |

12. Auxiliary Activities, net

Auxiliary activities revenue consisted of the following for fiscal year 2023 and 2022:

| | 2023 | 2022 |
|----------------------------------|------------------|------------------|
| REVENUES: | | |
| Housing and dining services | \$ 44,765 | \$ 44,333 |
| Less: Scholarship allowances | (3,428) | (3,488) |
| Other activities | 1,076 | 965 |
| Auxiliary activities, net | \$ 42,413 | \$ 41,810 |

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13. Natural Expenses

The tables below present expenses by both their nature and their function for fiscal year 2023 and 2022:

| | 2023 | | | | | | | |
|----------------------------------|-------------------|-------------------|------------------|----------------------|-------------------|----------------------|-----------------------|-------------------|
| | Instruction | Academic support | Research | Organized activities | Student services | Auxiliary activities | Institutional support | Total |
| EXPENSES: | | | | | | | | |
| Compensation | \$ 160,660 | \$ 62,173 | \$ 27,766 | \$ 4,713 | \$ 59,516 | \$ 5,560 | \$ 53,672 | \$ 374,060 |
| Operations and maintenance | 14,824 | 16,705 | 5,549 | 469 | 28,635 | 25,039 | 45,434 | 136,655 |
| Professional fees and services | 19,001 | 9,921 | 4,097 | 6,143 | 11,986 | 969 | 17,692 | 69,809 |
| Travel, professional development | 5,933 | 3,396 | 2,467 | 2,345 | 17,823 | 409 | 4,316 | 36,689 |
| Interest | 1,939 | 1,341 | 526 | 17 | 3,273 | 3,755 | 7,563 | 18,414 |
| Supplies | 1,064 | 9,295 | 2,171 | 358 | 2,439 | 286 | 1,495 | 17,108 |
| Student support | 1,565 | 1,276 | 908 | 55 | 7,200 | 35 | 3 | 11,042 |
| Other | 1,423 | 75 | 2,225 | 1,418 | 3,444 | - | 1,974 | 10,559 |
| Expenses | \$ 206,409 | \$ 104,182 | \$ 45,709 | \$ 15,518 | \$ 134,315 | \$ 36,053 | \$ 132,149 | \$ 674,335 |

| | 2022 | | | | | | | |
|----------------------------------|-------------------|------------------|------------------|----------------------|-------------------|----------------------|-----------------------|-------------------|
| | Instruction | Academic support | Research | Organized activities | Student services | Auxiliary activities | Institutional support | Total |
| EXPENSES: | | | | | | | | |
| Compensation | \$ 158,211 | \$ 58,529 | \$ 25,439 | \$ 4,290 | \$ 57,083 | \$ 5,411 | \$ 47,186 | \$ 356,148 |
| Operations and maintenance | 12,459 | 13,691 | 3,237 | 497 | 25,578 | 15,069 | 34,725 | 105,257 |
| Professional fees and services | 17,127 | 8,236 | 3,198 | 3,965 | 11,209 | 654 | 18,208 | 62,597 |
| Travel, professional development | 2,792 | 2,337 | 1,021 | 1,092 | 14,783 | 451 | 3,414 | 25,890 |
| Interest | 1,615 | 1,297 | 272 | 26 | 3,592 | 4,056 | 7,055 | 17,913 |
| Supplies | 1,360 | 9,081 | 2,151 | 182 | 2,127 | 304 | 1,317 | 16,522 |
| Student support | 1,365 | 795 | 676 | 47 | 6,749 | 27 | 3 | 9,663 |
| Other | 844 | 118 | 1,477 | 778 | 7,709 | 343 | 1,810 | 13,078 |
| Expenses | \$ 195,773 | \$ 94,084 | \$ 37,471 | \$ 10,877 | \$ 128,830 | \$ 26,315 | \$ 113,718 | \$ 607,068 |

*The fiscal year 2022 table has been reclassified to conform with the current year presentation. See footnote 2(p) for further explanation.

The University incurs some expenses for the benefit of multiple functional areas such as various operations and maintenance expenses (including depreciation) and interest expense. To the extent these expenses are not attributed to a specific area, they are allocated primarily on a square-footage basis to the various functional areas.

Fundraising expenses of approximately \$24,021 and \$22,101 incurred by the University in fiscal years 2023 and 2022, respectively, are included primarily as "Institutional support expenses".

14. Defined Contribution Postemployment Plans

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 \$1,698 and \$1,636 to this program in fiscal years 2023 and 2022, respectively. The current defined benefit retiree medical plan will be phased out concurrently with funding of this defined contribution 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 \$20,643 and \$20,626 in fiscal years 2023 and 2022, respectively.

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15. Net Assets Released from Donor Restrictions

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

| | 2023 | 2022 |
|---|-------------------|-------------------|
| NET ASSETS RELEASED: | | |
| Acquisition of buildings and equipment | \$ 50,842 | \$ 10,648 |
| Instruction, research, departmental support, scholarships and other | 119,774 | 95,920 |
| Net assets released from donor restrictions | \$ 170,616 | \$ 106,568 |

16. Restrictions and Limitations on Net Assets with Donor Restrictions

Net assets with donor restrictions as of May 31 consist of the following:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Endowment corpus, restricted in perpetuity | \$ 1,040,035 | \$ 1,008,346 |
| Endowment donor contributions, restricted in perpetuity | 35,241 | 19,278 |
| Endowment appreciation restricted until appropriated | 837,078 | 886,888 |
| Perpetual funds held in trust | 10,585 | 11,119 |
| Funds held in perpetuity for student loans | 13,869 | 13,538 |
| Split-interest agreements | 6,932 | 7,706 |
| Restricted for capital projects, including related donor contributions receivable | 271,049 | 260,883 |
| Restricted for other purposes, including related donor contributions receivable | 260,642 | 254,491 |
| Net assets with donor restrictions | \$ 2,475,431 | \$ 2,462,249 |

17. Endowment Net Assets

The University's Endowment (Endowment) consists of over 1,800 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (without donor restrictions). The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of relevant law

The University's endowment is subject to the Texas State Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act). Based on the interpretation of the UPMIFA by the University's Board of Trustees, absent explicit donor stipulations to the contrary, the University holds in perpetuity (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 held in perpetuity remains in the endowment 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 deciding 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

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Changes in endowment net assets are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Endowment net assets as of May 31, 2021 | \$ 92,369 | \$ 1,977,510 | \$ 2,069,879 |
| Donor contributions | — | 76,694 | 76,694 |
| Investment return: | | | |
| Investment income, net of distributions | 1,948 | 9,849 | 11,797 |
| Net realized and unrealized gains (losses) | 5,774 | (66,755) | (60,981) |
| <i>Total investment return</i> | 7,722 | (56,906) | (49,184) |
| Endowment gains transferred for spending | (4,655) | (71,715) | (76,370) |
| Funds functioning as endowment net transfers | 1,654 | — | 1,654 |
| Endowment net assets as of May 31, 2022 | \$ 97,090 | \$ 1,925,583 | \$ 2,022,673 |
| Donor contributions | — | 42,621 | 42,621 |
| Investment return: | | | |
| Investment income, net of distributions | 857 | 3,686 | 4,543 |
| Net realized and unrealized gains | 7,322 | 34,926 | 42,248 |
| <i>Total investment return</i> | 8,179 | 38,612 | 46,791 |
| Endowment gains transferred for spending | (5,072) | (83,602) | (88,674) |
| Funds functioning as endowment net transfers | 915 | — | 915 |
| Endowment net assets as of May 31, 2023 | \$ 101,112 | \$ 1,923,214 | \$ 2,024,326 |

Endowment net assets are split between donor-restricted (with donor restrictions) and funds functioning as endowment (without donor restrictions).

(b) Funds with deficiencies

From time to time, the 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. As of May 31, 2023, thirty-three such endowment funds with an aggregated value of \$27,928 were a total of \$700 below the minimum distribution level. As of May 31, 2022, forty-five such endowment funds with an aggregated value of \$31,268 were a total of \$1,333 below the minimum distribution level.

(c) 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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested within risk tolerances of the University to provide an expected total return in excess of spending and inflation over the long term.

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 considers 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.

(d) 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 public equities, private markets, hedged strategies, fixed income strategies, and real asset strategies to achieve its long-term return objectives within prudent risk constraints.

(e) Spending policy and the investment objectives relationship to spending policy

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.

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 (3% for fiscal year 2023), and a percent determined for each fiscal year (4.5% for fiscal year 2023) 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.

18. 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 \$13,875 and \$13,489 in fiscal years 2023 and 2022, respectively, with investment firms with which board members are affiliated.

19. Commitments and Contingencies

The University is contractually obligated for approximately \$173,916 as of May 31, 2023 for construction projects with scheduled completion dates through fiscal year 2029.

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 \$888 and \$987 in operating lease expenses for facilities and equipment and received \$3,993 and \$4,163 in rental revenue in the fiscal years ended May 31, 2023 and 2022, respectively.

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As of May 31, 2023, the University has lease commitments and future lease revenue for the following future fiscal years:

| | Lease Commitments | Lease Revenues |
|--------------|-------------------|------------------|
| 2024 | \$ 857 | \$ 3,772 |
| 2025 | 787 | 3,467 |
| 2026 | 412 | 3,152 |
| 2027 | 102 | 2,832 |
| 2028 | 52 | 2,453 |
| Thereafter | — | 6,838 |
| Total | \$ 2,210 | \$ 22,514 |

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 any liability that may result from these actions will not have a material effect on the University's financial position.

The University has entered into various agreements with banks to guarantee the construction loan debt for sorority houses built on University land. Under these agreements if the debtor's default on their obligations, the University may be required to satisfy all or part of the remaining obligation.

20. Subsequent Events

The University has evaluated subsequent events from the Statement of Financial Position date of May 31, 2023 through September 8, 2023, the issuance date of the *Consolidated Financial Statements*, and determined that there are no other subsequent events that warrant disclosure as of this date.

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 2023 Bonds, the Series 2017 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, (viii) with respect to the Series 2017 Bonds, April 1, 2018 and each October 1 and April 1 thereafter, (ix) with respect to the Series 2023 Bonds, April 1, 2024 and each October 1 and April 1 thereafter, and (x) 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 (l) 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, as amended or supplemented from time to time as permitted by the Master Indenture.

"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.

"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.

"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.

"Purchase Contract" means with respect to the Series 2023 Bonds, the Contract of Purchase between the Issuer and BofA Securities, Inc. 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 2023 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.

"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.

"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.

"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, collectively, the Tax-Exempt Series 2013A Bonds and the Taxable Series 2013B Bonds.

"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.

"Series 2017 Bonds" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Refunding Bonds (Southern Methodist University Project), Series 2017 Bonds.

"Series 2023 Bonds" means the Southwest Higher Education Authority, Inc. Higher Education Revenue Refunding Bonds (Southern Methodist University Project), Series 2023 Bonds.

"S&P" shall mean S&P Ratings Group, a division of S&P Global Inc., 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 2023 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.

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

"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 "rebtable 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.

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

FORM OF OPINION OF BOND COUNSEL

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_____, 2023

Southwest Higher Education Authority, Inc.
3800 University Boulevard
Dallas, Texas 75205

The Bank of New York Mellon Trust Company,
National Association, as Trustee
601 Travis Street, 16th Floor
Houston, Texas 77002

Dear 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 Refunding Bonds (Southern Methodist University Project), Series 2023 (the "Series 2023 Bonds"). The Series 2023 Bonds are issued pursuant to a Trust Indenture dated as of January 1, 1999, as previously supplemented and as supplemented by a Tenth Supplemental Indenture dated as of October 1, 2023 (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 2023 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 previously amended and as amended by an Amendment No. 10 to Loan Agreement dated as of October 1, 2023 (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 2023 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 2023 Bonds. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture and Loan Agreement. The Series 2023 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, as supplemented by a First Supplement to Master Trust Indenture dated as of May 1, 2016, but effective January 8, 2018 (collectively, the "Master Trust 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 2023 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 2023 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 2023 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 2023 Bonds, as of their date of issuance, is excluded from the gross income of the owners of the Series 2023 Bonds for federal income tax purposes. In addition, interest on the Series 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. For tax years beginning after December 31, 2022, however, interest on the Series 2023 Bonds will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Internal Revenue Code of 1986 (the "Code"). In rendering the opinions set forth in this paragraph, we have assumed compliance by the Issuer and the University with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2023 Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The University and, to the extent necessary, the Issuer have covenanted in the Loan Agreement to comply with all such requirements. Failure by the Issuer or the University to comply with certain of such requirements may cause interest on the Series 2023 Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2023 Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2023 Bonds.

In rendering the opinions expressed in paragraph 4 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 Yuba Group LLC (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 paragraph 4, 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 2023 Bonds for federal income tax purposes. Bond Counsel will further rely on the Report (the “Report”) of Causey Demgen & Moore P.C., 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 2023 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 2023 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 2023 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 Trust 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 Trust Indenture) to the Master, Trustee named in the Master Trust Indenture to secure payment of the Loan Agreement as a “Security” (as defined in the Master Trust 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 Trust Indenture allows the University to grant a security interest in the “Trust Estate” (as defined in the Master Trust Indenture) that may under certain circumstances as provided in the Master Trust Indenture be superior to the security interest in such Trust Estate securing payment of the Securities; (3) subject to certain limitations, the Master Trust Indenture allows additional Securities to be issued by the University from time to time pursuant to the provisions of the Master Trust Indenture; (4) the security interest granted by the University pursuant to granting clause First of the Master Trust Indenture, for the benefit of all Securities issued under the Master Trust Indenture, will terminate by its terms at such time as the “Previously Issued Securities” (as defined

in the Master Trust Indenture) are paid or their payment provided for pursuant to the terms of the Master Trust Indenture.

It is to be understood that the rights of the holders of the Series 2023 Bonds under the Indenture and the Loan Agreement and the enforceability of the Series 2023 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 2023 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,

Locke Lord LLP

APPENDIX E
BOOK ENTRY SYSTEM

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BOOK ENTRY SYSTEM

AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2023 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE “HOLDERS,” THE “BONDHOLDERS,” OR THE “OWNERS OF THE SERIES 2023 BONDS” SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNER OF THE SERIES 2023 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 2023 Bonds (i) payments of the principal of, or interest or premium, if any, on the Series 2023 Bonds, or (ii) confirmation of ownership interests in the Series 2023 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 2023 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 2023 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 2023 Bonds (the “*Series 2023 Bonds*”). The Series 2023 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 2023 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 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 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 2023 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 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 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 2023 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 2023 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2023 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 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 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 2023 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 2023 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 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds payments on the Series 2023 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 2023 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 2023 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 2023 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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