

**OFFICIAL STATEMENT DATED OCTOBER 8, 2020**

**NEW ISSUE – Book-Entry-Only**

**RATINGS:**  
**Fitch: AA-**  
**Moody's: A1**  
**(See “INFORMATION – Ratings” herein)**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Board of Regents, interest on the Bonds (as defined herein) will be excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS” herein.*



**BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY**

**\$15,935,000 REVENUE FINANCING  
SYSTEM REFUNDING BONDS,  
SERIES 2020**

**Dated Date: October 1, 2020**

**Due: October 15, as shown herein**

**Interest Accrues: Date of Delivery**

The Board of Regents (the “Board”) of Stephen F. Austin State University (the “University”) is issuing its \$15,935,000 Stephen F. Austin State University Revenue Financing System Refunding Bonds, Series 2020 (the “Bonds”), pursuant to the authority and for the purposes hereinafter specified. The Bonds are payable from and secured by a lien on “Pledged Revenues” (as defined herein) of the University. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY, THE STATE OF TEXAS (THE “STATE”), OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See “SECURITY FOR THE BONDS” herein.

The Bonds will be issued for the purpose of (i) refunding, on a current basis, for debt service savings a portion of the Board’s outstanding Revenue Financing System Revenue Bonds, Series 2010 issued by the Texas Public Finance Authority on behalf of the University and (ii) paying the costs of issuance associated with the Bonds. See “PLAN OF FINANCING” herein and “SCHEDULE I-Schedule of Refunded Bonds.”

Interest on the Bonds will accrue from the Date of Delivery (as defined herein), is payable at stated maturity, as well as on April 15, 2021 and each October 15 and April 15 thereafter until maturity and is calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds of each series will be issued in principal denominations of \$5,000 or any integral multiple thereof. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds of each series may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the initial purchasers thereof named below (the “Underwriters”). Interest on and principal of the Bonds will be payable by U.S. Bank National Association, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” herein.

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**MATURITY SCHEDULE**

(See page i)

CUSIP Prefix: 858620

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*The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State of Texas and the approving opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through DTC on or about October 28, 2020 (the “Date of Delivery”).*

**UBS**

**Raymond James**

**BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY**

CUSIP Prefix<sup>(1)</sup>: 858620

**\$15,935,000**

**REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 2020**

<b>Maturity (10/15)</b>	<b>Principal Amount (\$)</b>	<b>Interest Rate (%)</b>	<b>Initial Yield (%)</b>	<b>CUSIP No. Suffix<sup>(1)</sup></b>
2022	705,000	5.00	0.470	3W5
2023	1,865,000	5.00	0.530	3X3
2024	1,960,000	5.00	0.620	3Y1
2025	2,060,000	5.00	0.760	3Z8
2026	2,165,000	5.00	0.960	4A2
2027	2,275,000	5.00	1.150	4B0
2028	2,390,000	5.00	1.330	4C8
2029	2,515,000	5.00	1.500	4D6

(Interest to accrue from the Date of Delivery)

**Tax Status . . .** In the opinion of bond counsel to the Board, interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS” herein.

**No Redemption . . .** The Bonds are not subject to redemption before maturity.

<sup>(1)</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence, on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for services provided by CGS. CUSIP numbers have been assigned by an independent company not affiliated with the Board, the University or the Underwriters and are included solely for the convenience of the registered and beneficial owners of the Bonds. None of the Board, the University or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**STEPHEN F. AUSTIN STATE UNIVERSITY**

**BOARD OF REGENTS**

<b><u>Name</u></b>	<b><u>Residence</u></b>	<b><u>Term Expires</u></b>
Mr. Alton L. Frailey, Chair	Katy	January 31, 2021
Ms. Karen G. Gantt, Vice Chair	McKinney	January 31, 2023
Mr. M. Thomas Mason, Secretary	Dallas	January 31, 2023
Mr. David R. Alders	Nacogdoches	January 31, 2025
Dr. Scott H. Coleman	Houston	January 31, 2021
Mr. Robert Flores	Nacogdoches	January 31, 2021
Ms. Brigettee Carnes Henderson	Lufkin	January 31, 2023
Ms. Judy Olson	The Woodlands	January 31, 2025
Ms. Jennifer Wade Winston	Lufkin	January 31, 2025
Ms. Ireland Bramhall (Student Regent) <sup>(1)</sup>	Ennis	May 31, 2021

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

**OFFICERS AND STAFF OF THE UNIVERSITY**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Length of Service</u></b>
Dr. Scott Gordon	President	1 year
Dr. Danny R. Gallant	Vice President for Finance and Administration	37 years
Ms. Judi Kruwell	Associate Vice President for Finance and Administration	6 years
Ms. Dannette Sales	Controller	16 years
Mr. Damon Derrick	General Counsel	12 years

**CONSULTANTS**

**Financial Advisor**

Hilltop Securities Inc.  
Dallas, Texas

**Bond Counsel**

McCall, Parkhurst & Horton L.L.P.  
Austin, Texas

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

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(936) 468-2350

Ms. Mary Williams  
Managing Director  
Hilltop Securities Inc.  
1201 Elm Street, 35<sup>th</sup> Floor  
Dallas, Texas 75270  
(214) 953-4021

## USE OF INFORMATION

### General

This Official Statement, which includes the cover pages and the appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. The cover pages contain 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 schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President, for Finance and Administration, Stephen F. Austin State University, Post Office Box 6108, SFA Station, Nacogdoches, Texas 75962, (936) 468-2350.

### Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the University or UBS Financial Services Inc. or Raymond James & Associates, Inc. (collectively, the "Underwriters") to give any information or to make any representation other than those contained in this document, as the same may be supplemented or modified by the Board (the "Official Statement"), and, if given or made, such other information or representation may not be relied upon as having been authorized by the Board or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the University since the date hereof.

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

None of the Board, the University, its Financial Advisor or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC"), as such information was furnished by DTC.

CUSIP numbers have been assigned to this issue by CUSIP Global Services for the convenience of the owners of the Bonds. None of the Board, the University or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown on pages i and ii of this Official Statement.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

### Marketability

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

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

None of the Board, the University or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction (domestic or foreign). The Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

NEITHER THE SEC NOR ANY STATE OR FOREIGN SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

Any references to website addresses presented 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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## TABLE OF CONTENTS

<p>USE OF INFORMATION.....iii</p> <p>INTRODUCTION..... 1</p> <p style="padding-left: 20px;">COVID-19 Disclosure ..... 1</p> <p>PLAN OF FINANCING.....3</p> <p style="padding-left: 20px;">Authority for Issuance of the Bonds.....3</p> <p style="padding-left: 20px;">Purpose of the Bonds.....3</p> <p style="padding-left: 20px;">Payment of Refunded Bonds .....3</p> <p style="padding-left: 20px;">Sources and Uses of Funds.....4</p> <p>DESCRIPTION OF THE BONDS .....4</p> <p style="padding-left: 20px;">General .....4</p> <p style="padding-left: 20px;">Transfer, Exchange, and Registration.....4</p> <p style="padding-left: 20px;">Record Date for Interest Payment ..... 5</p> <p style="padding-left: 20px;">Paying Agent/Registrar ..... 5</p> <p style="padding-left: 20px;">Defeasance.....5</p> <p style="padding-left: 20px;">Book-Entry-Only System .....6</p> <p style="padding-left: 20px;">Use of Certain Terms in Other Sections of this Official Statement ..... 8</p> <p style="padding-left: 20px;">Effect of Termination of Book-Entry- Only System; Notices..... 8</p> <p>DEBT SERVICE REQUIREMENTS .....9</p> <p>SECURITY FOR THE BONDS..... 10</p> <p style="padding-left: 20px;">The Revenue Financing System ..... 10</p> <p style="padding-left: 20px;">Pledge under Resolution..... 10</p> <p style="padding-left: 20px;">Table 1 – Pledged Revenues..... 11</p> <p style="padding-left: 20px;">Additional Obligations ..... 12</p> <p>NO LITIGATION..... 12</p> <p>SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION ..... 12</p> <p style="padding-left: 20px;">Establishment of Revenue Financing System..... 12</p> <p style="padding-left: 20px;">Security and Pledge; Membership in the Revenue Financing System ..... 13</p> <p>SCHEDULE I – SCHEDULE OF REFUNDED BONDS</p> <p>APPENDIX A – DESCRIPTION OF THE UNIVERSITY</p> <p>APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019</p> <p>APPENDIX C – DEFINITIONS</p> <p>APPENDIX D – FORM OF BOND COUNSEL’S OPINION</p>	<p>Annual and Direct Obligation of Participants..... 13</p> <p>Pledged Revenues ..... 13</p> <p>Payment and Funds ..... 15</p> <p>Additional Parity Obligations; Non- Recourse Debt and Subordinated Debt..... 15</p> <p>Participants..... 16</p> <p>Certain Covenants ..... 17</p> <p>Special Obligations ..... 17</p> <p>Waiver of Covenants..... 18</p> <p>Remedies..... 18</p> <p>Amendment of Resolution ..... 18</p> <p>LEGAL MATTERS ..... 19</p> <p style="padding-left: 20px;">Legal Opinions..... 19</p> <p style="padding-left: 20px;">Forward-Looking Statements..... 20</p> <p>TAX MATTERS ..... 20</p> <p>LEGAL INVESTMENTS IN TEXAS ..... 22</p> <p>RATINGS..... 23</p> <p>REGISTRATION AND QUALIFICATION OF BONDS FOR SALE ..... 23</p> <p>CONTINUING DISCLOSURE OF INFORMATION..... 23</p> <p style="padding-left: 20px;">Annual Reports..... 23</p> <p style="padding-left: 20px;">Notice of Certain Events ..... 24</p> <p style="padding-left: 20px;">Availability of Information ..... 25</p> <p style="padding-left: 20px;">Limitations and Amendments ..... 25</p> <p style="padding-left: 20px;">Compliance with Prior Agreements ..... 25</p> <p>UNDERWRITING ..... 25</p> <p>FINANCIAL ADVISOR..... 26</p> <p>AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION ..... 26</p>
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## OFFICIAL STATEMENT

relating to

**\$15,935,000**

**BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY  
REVENUE FINANCING SYSTEM REFUNDING BONDS, SERIES 2020**

### INTRODUCTION

The purpose of this Official Statement, which includes the cover page, Schedule and Appendices hereto, is to provide certain information regarding the issuance by the Board of Regents (the “Board”) of Stephen F. Austin State University (the “University”) of its \$15,935,000 Revenue Financing System Refunding Bonds, Series 2020 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in APPENDIX C – DEFINITIONS, except as otherwise indicated herein.

The University was established in 1921 pursuant to the provisions of the Constitution and the laws of the State of Texas (the “State”) as an institution of higher education. The total student enrollment for the Fall 2020 Semester is 12,620. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor of the State (the “Governor”) with the advice and consent of the State Senate. For a general description of the University, see “APPENDIX A – DESCRIPTION OF THE UNIVERSITY” herein.

This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the University, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President for Finance and Administration, Stephen F. Austin State University, P.O. Box 6108, SFA Station, Nacogdoches, Texas 75962, (936) 468-2350.

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

### COVID-19 Disclosure

The outbreak of 2019 Novel Coronavirus Disease (“COVID-19”), a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally. On March 13, 2020, the Governor of the State (the “Governor”) responded to an increase in the number of confirmed cases of COVID-19 in the State by declaring a state of disaster and authorized the use of all available resources of State government and of political subdivisions that are reasonably necessary to cope with this disaster. The University is coordinating its response with local public health agencies, as well as the Texas Department of Health, and is providing public information through <https://www.sfasu.edu/fall2020> and direct communications to the University community and stakeholders. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website.

As of September 16, 2020, the Texas Department of State Health Services (“DSHS”) has reported 678,819 confirmed cases of individuals in the State diagnosed with COVID-19. DSHS is the lead agency in the State responding to and coordinating the State’s response to COVID-19 and has provided information available at <https://www.dshs.texas.gov/coronavirus>. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website.

As it relates to the COVID-19 pandemic, the University is committed to the well-being and safety of its students, faculty and staff. Since the week of March 16, 2020 through the summer semester, undergraduate and graduate

course instruction were conducted through virtual means, and most students vacated the campus, with those that remained subject to “social distancing” measures and reduced on-campus services. In responsibly planning for the immediate future, University leadership teams have spent significant hours preparing to safely begin reopening aspects of the University’s campus and office facilities. A cross-institutional team of experts from the University worked with the President and the Board to provide several University-wide guidelines. Fall courses at the University began on August 24, 2020, with in person, online and a hybrid of in person and online classes conducted on-campus.

In response to the outbreak of the COVID-19 pandemic, the University implemented significant cost controlling measures across the entire University. The University eliminated travel expenditures, halted non-essential institutional expenditures, left unfilled approximately \$6.7 million in vacant positions and associated salaries, reduced nearly \$3.3 million in additional expenditures, and implemented a twelve-day vacation furlough.

While the University cannot predict the exact impact, it currently estimates that gross revenue losses related to COVID-19 for the Fiscal Year ended August 31, 2020 will be approximately \$9 million, excluding any offsets from the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) funding described below. The CARES Act was signed into law on March 27, 2020 and provided \$11,038,502 in funds to the University. Approximately half of the CARES funding, \$5,263,549, was allocated for financial aid, and \$3.1 million was used for fiscal year 2021 budget support. In addition, Total Texas Higher Education Coordinating Board financial aid support (Governor’s Emergency Education Relief) to the University was \$1,926,071.

The University’s budget for fiscal year 2021 includes a contingency of \$2,255,633, which is just under 1% of its total budget is \$265,466,806. The University’s preliminary mandatory tuition and fee information indicates that its actual net revenue will exceed its fall 2021 budgeted revenue projections.

On May 20, 2020, the Governor of the State directed every State agency, with some exceptions, and institution of higher education to achieve savings in the current biennium to offset current year revenue losses for the State. The Governor requested each State agency and institution of higher education submit a plan identifying savings that will reduce general and general revenue related appropriations by five percent for the 2020-2021 biennium to the Legislative Budget Board and the Office of the Governor by June 15, 2020. To support the State’s response to COVID-19 and the continuity of critical government functions certain state agencies were excluded from the five percent reduction. The University’s budget reduction target amount for the 2020-2021 biennium is \$3.265 million.

On July 20, 2020, the State Comptroller of Public Accounts (the “Comptroller”) reduced the revenue estimate for the State’s fiscal years 2020 and 2021 by \$11.51 billion from the Comptroller’s prior revenue estimate released in October 2019, and projected a fiscal year 2021 deficit of \$4.58 billion, which was a decrease from the \$2.89 billion positive year-end balance projected in October 2019. Current economic conditions in the State may result in decreases to State appropriations to the University, either through a reduction in appropriations for the 2020-21 biennium which may be implemented by the Governor or by the State Legislature in the next legislative session. The Legislative Budget Board and the Office of the Governor will issue instructions for the Legislative Appropriations Request that each state agency and institution of higher education will submit for the 2022-2023 biennium. The University can make no assurances as to any such future actions with respect to legislative appropriations.

The continued spread of COVID-19 and its impact on social interaction, travel, commerce and financial markets may adversely impact the University’s financial condition and operations, including the ability of the University to conduct its operations and/or the cost of its operations. The continued spread of COVID-19 and its impact on social interaction, travel, commerce and financial markets could also adversely affect financial markets and consequently adversely affect the returns on and value of the University’s investments and the secondary market for and value of the Bonds. Other adverse consequences of COVID-19 may include, but are not limited to, decline in enrollment, postponement or cancellation of athletic events, decline in demand for University housing, parking and dining, decline in demand for University programs that involve travel or that have international connections, and changes in the delivery of health care.

The information contained in this Official Statement is provided as of the respective dates and for the periods specified herein and does not under any circumstances imply that there has been no change in the affairs of the University since the specified date or dates as of which such information is provided. Accordingly, the historical



information set forth herein may not be indicative of future results or performance due to these and other factors. At this time, the University cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) the duration or expansion of travel restrictions and restrictions on assemblies or gatherings; (iii) what effect any COVID-19 or any other outbreak/pandemic-related restrictions or warnings may have on demand for higher education; (iv) whether and to what extent the COVID-19 pandemic may disrupt the State, national or global economy, or whether any such disruptions may adversely impact the University's operations or revenues; or (v) whether any of the foregoing may have a material adverse effect on the financial condition or operations of the University and the Participants in the Revenue Financing System, or the ratings on the Bonds (see "RATINGS" herein). However, the University currently anticipates that the COVID-19 pandemic and the related responsive measures will not impair the Board's ability to pay debt service on Parity Debt and to comply with the other terms thereof.

## **PLAN OF FINANCING**

### **Authority for Issuance of the Bonds**

The Bonds are being issued in accordance with the general laws of the State, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and additionally pursuant to the Resolution adopted by the Board. As permitted by such Chapter, the Board in the Resolution, delegated to the Designated Financial Officer the authority to establish and approve final terms of sale of the Bonds, which terms of sale are evidenced in an "Award Certificate" relating to the Bonds.

Outstanding Previously Issued Parity Obligations issued before 2011 (i.e., the Revenue Financing System Revenue Bonds, Series 2010) were issued by the Texas Public Finance Authority (the "Authority") on behalf of the University pursuant to Chapter 1232, Texas Government Code, as amended. Effective June 17, 2011, House Bill 2251, Eighty-Second Legislature, amended Section 1232.101, Texas Government Code, to permit either the Board or the Authority, on behalf of the University, to issue bonds secured by revenues of the University. Outstanding Previously Issued Parity Obligations issued since the passage of such legislation have been issued directly by the Board. The Bonds will constitute Parity Obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues on a parity with the Outstanding Previously Issued Parity Obligations. The Resolution permits additional Parity Obligations to be issued in the future. See "SECURITY FOR THE BONDS" and "APPENDIX A – Table 4 – Outstanding Obligations."

### **Purpose of the Bonds**

The Bonds will be issued for the purpose of (i) refunding, on a current basis, for debt service savings a portion of the Revenue Financing System Revenue Bonds, Series 2010 issued by the Texas Public Finance Authority on behalf of the University (the "Refunded Bonds") and (ii) paying the costs of issuance associated with the Bonds. See "SCHEDULE I – Schedule of Refunded Bonds."

### **Payment of Refunded Bonds**

A portion of the proceeds of the Bonds, will be held uninvested in escrow with U.S. Bank National Association (the "Escrow Agent"), pursuant to an Escrow Agreement (the "Escrow Agreement") between the Board and the Escrow Agent. The uninvested cash will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on their redemption date. See "SCHEDULE I – Schedule of Refunded Bonds" for additional information concerning the Refunded Bonds.

The sufficiency of the uninvested funds to provide for the payment of the Refunded Bonds will be certified by Hilltop Securities Inc. ("Hilltop").

Money on deposit in the escrow fund (the "Escrow Fund") established by the Escrow Agreement and held by the Escrow Agent will not be available to pay debt service on the Bonds.

In connection with the pricing of the Bonds, the Board will provide instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturity on the first optional

redemption date, on which date money will be available to redeem the Refunded Bonds from money held under the Escrow Agreement and the Board will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds.

By the deposit of uninvested funds with the Escrow Agent pursuant to the Escrow Agreement, the Board will have entered into firm banking and financial arrangements for the discharge, defeasance, and final payment of the Refunded Bonds in accordance with applicable State law and the terms of the resolution authorizing their issuance. Bond Counsel will render an opinion on the Date of Delivery of the Bonds to the effect that, in reliance upon the certification of Hilltop, and as a result of such firm banking and financial arrangements, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided in escrow therefor.

**Sources and Uses of Funds**

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

<b>Sources of Funds</b>	
Principal Amount of Bonds	\$ 15,935,000.00
Original Issue Premium	3,554,198.25
<b>Total</b>	<u>\$ 19,489,198.25</u>
<b>Uses of Funds</b>	
Escrow Fund for the Refunded Bonds	\$ 19,223,315.00
Costs of Issuance <sup>(1)</sup>	265,883.25
<b>Total</b>	<u>\$ 19,489,198.25</u>

<sup>(1)</sup> Includes Underwriters' Discount and rounding.

**DESCRIPTION OF THE BONDS**

**General**

The Bonds are dated October 1, 2020. The Bonds mature on October 15 in each of the years and in the amounts shown on page i hereof. Interest on the Bonds will accrue from the Date of Delivery, will bear interest at the per annum rates shown on page i hereof, and will be payable on April 15 and October 15 of each year, commencing April 15, 2021, until maturity. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds of each series will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount.

If the specified date for any payment of principal of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the City of Dallas, Texas the designated payment office for the Paying Agent/Registrar for the Bonds (the "Designated Payment Office"), such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

**Transfer, Exchange, and Registration**

Upon surrender for transfer of any Bond at the Designated Payment Office described herein, the Board will execute, and the Paying Agent/Registrar, initially U.S. Bank National Association, will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds.

Whenever any Bonds are so surrendered for exchange, and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver the Bonds, which the Owner of Bonds making the exchange is entitled to receive.

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

### **Record Date for Interest Payment**

The regular record date (“Record Date”) for determining the party entitled to the receipt of the interest payable on the Bonds on any interest payment date means the last Business Day of the month next preceding each interest payment date.

The interest payable on, and paid or duly provided for on or within ten days after, any interest payment date will be paid to the person in whose name a Bond (or one or more predecessor Bonds evidencing the same debt) is registered at the close of business on the Record Date for such interest. Any such interest not so paid or duly provided for will cease to be payable to the person in whose name such Bonds is registered on such Record Date, and will be paid to the person in whose name this Bond (or one or more predecessor Bonds) is registered at the close of business on a special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice whereof being given to the Owners of the Bonds not less than 15 days prior to the special Record Date.

### **Paying Agent/Registrar**

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

### **Defeasance**

*General.* The Resolution provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a “Defeased Bond”) within the meaning of the Resolution, except to the extent described below, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or any other eligible bank or trust company then authorized by State law for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable

from, or entitled to the benefits of, the revenues pledged under the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) described in the preceding paragraph shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with the Resolution. Any money so deposited with the Paying Agent/Registrar or other eligible institution as described herein may at the written discretion of the Board also be invested in Defeasance Securities, maturing in the amounts and at the times as specified in the Resolution, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or other eligible institution which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board.

All money or Defeasance Securities set aside and held in trust pursuant to the applicable provisions of the Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by the Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or other eligible institution in accordance with the Resolution for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the applicable provisions of the Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

*Retention of Rights.* If the Board elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

Because the Resolution provides that securities or obligations that may be authorized under future State law may also be used to defease Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease Bonds as described in this section will be maintained at any particular rating category.

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Board believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The Board cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will initially act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an

authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC is rated AA+ by S&P Global Ratings. 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Principal, premium, if any, interest and redemption payments on the 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 Board or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

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

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

**THE PAYING AGENT/REGISTRAR AND THE BOARD, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PROPOSED AMENDMENT TO THE RESOLUTION OR OTHER NOTICES WITH RESPECT TO SUCH BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT ANY ACTION PREMISED ON ANY SUCH NOTICE. NEITHER THE BOARD NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.**

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## DEBT SERVICE REQUIREMENTS<sup>(1)</sup>

### ANNUAL DEBT SERVICE REQUIREMENTS <sup>(1)</sup>

Fiscal Year Ending 8/31	Outstanding Debt Service <sup>(2)</sup>	Outstanding Notes and Leases <sup>(3)</sup>	Less: Refunded Debt Service <sup>(4)</sup>	Series 2020			Total Annual Debt Service
				Principal	Interest	Total	
2021	\$ 4,337,954	\$ 843,151	\$ 437,363	\$ -	\$ 369,603	\$ 369,603	\$ 5,113,345
2022	22,606,748	1,162,958	2,580,975	-	796,750	796,750	21,985,481
2023	21,635,381	999,735	2,581,225	705,000	779,125	1,484,125	21,538,016
2024	21,638,556	1,021,979	2,581,850	1,865,000	714,875	2,579,875	22,658,560
2025	21,647,984	1,044,735	2,582,600	1,960,000	619,250	2,579,250	22,689,369
2026	19,847,238	1,068,017	2,582,794	2,060,000	518,750	2,578,750	20,911,211
2027	14,574,034	1,091,834	2,581,688	2,165,000	413,125	2,578,125	15,662,305
2028	14,581,432	1,116,202	2,580,319	2,275,000	302,125	2,577,125	15,694,440
2029	13,425,481	1,141,133	2,578,297	2,390,000	185,500	2,575,500	14,563,817
2030	12,022,823	636,891	2,580,234	2,515,000	62,875	2,577,875	12,657,355
2031	9,441,225	-	-	-	-	-	9,441,225
2032	9,439,569	-	-	-	-	-	9,439,569
2033	9,442,080	-	-	-	-	-	9,442,080
2034	9,445,791	-	-	-	-	-	9,445,791
2035	9,440,885	-	-	-	-	-	9,440,885
2036	9,444,118	-	-	-	-	-	9,444,118
2037	9,444,800	-	-	-	-	-	9,444,800
2038	6,602,000	-	-	-	-	-	6,602,000
2039	6,603,500	-	-	-	-	-	6,603,500
2040	6,601,100	-	-	-	-	-	6,601,100
2041	6,602,475	-	-	-	-	-	6,602,475
2042	6,602,350	-	-	-	-	-	6,602,350
2043	6,600,225	-	-	-	-	-	6,600,225
2044	6,602,600	-	-	-	-	-	6,602,600
2045	6,596,400	-	-	-	-	-	6,596,400
2046	6,601,400	-	-	-	-	-	6,601,400
2047	6,597,200	-	-	-	-	-	6,597,200
2048	6,603,400	-	-	-	-	-	6,603,400
2049	6,604,500	-	-	-	-	-	6,604,500
<b>Total</b>	<b>\$ 311,633,249</b>	<b>\$ 10,126,635</b>	<b>\$ 23,667,345</b>	<b>\$ 15,935,000</b>	<b>\$ 4,761,978</b>	<b>\$ 20,696,978</b>	<b>\$ 318,789,517</b>

<sup>(1)</sup> As of October 15, 2020. Numbers are rounded.

<sup>(2)</sup> A portion of the Outstanding Parity Obligations constitute Tuition Revenue Bonds that qualify the University to be reimbursed from State appropriations for debt service. The University has been appropriated payments in the amount of \$6,440,456 and \$5,388,000 during the fiscal years of 2020 and 2021, respectively, to reimburse debt service on its Tuition Revenue Bonds. The Series 2016 Bonds of the Refunded Bonds are Tuition Revenue Bonds. See "APPENDIX A – Financing Programs for Capital Improvements – Tuition Revenue Bonds".

<sup>(3)</sup> See "SECURITY FOR THE BONDS" and "APPENDIX A – Description of the University – Table 4 – Outstanding Indebtedness." Also, see "APPENDIX A – Description of the University – Financing Programs for Capital Improvements" for information concerning other indebtedness of the University secured by other sources.

<sup>(4)</sup> See "Schedule I – Schedule of Refunded Bonds".

## SECURITY FOR THE BONDS

### **The Revenue Financing System**

The Resolution confirms the prior creation of the Stephen F. Austin State University Revenue Financing System (the “Revenue Financing System”). The Revenue Financing System was established to provide a financing structure for revenue-supported indebtedness of the University and any research and service agencies or other components of the University that may thereunder be included, by Board action, as participants in the Revenue Financing System (“Participants”). The Revenue Financing System is intended to facilitate the assembling of all of the University’s revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. Presently, only the University is a Participant, and the University currently has no plans to add additional Participants. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant that were outstanding on the date such entity became a Participant in the Revenue Financing System. Presently there are no Prior Encumbered Obligations outstanding as described in Table 4 – Outstanding Obligations herein. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” and “APPENDIX C – DEFINITIONS.”

### **Pledge under Resolution**

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

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of any Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board for the payment of Parity Obligations. Revenue Funds include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, fees, or other charges; provided, however, that the following will not be included in Pledged Revenues unless and to the extent set forth in a Resolution authorizing the issuance of Parity Obligations: (a) amounts received on behalf of any Participant under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto (see “APPENDIX A – Selected Financial Information” and “– Financing Programs for Capital Improvements – *Higher Education Fund Bonds*”); and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas (the “Texas Legislature”). All legally available funds of the University, including unrestricted funds and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under “Table 1 – Pledged Revenues” below and “APPENDIX A – Selected Financial Information.” See also “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

The Board has covenanted in the Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including



all deposits or payments due on or with respect to Outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue supported debt obligations that benefit components of the University as Parity Obligations under the Resolution.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See “APPENDIX A – Financing Programs for Capital Improvements” for information concerning other indebtedness of the University secured by other sources.

**Table 1 – Pledged Revenues**

The following table contains a summary of the Pledged Revenues for the Fiscal Years Ended August 31, 2015 through 2019, including pledged unappropriated fund balances available at the beginning of the fiscal year. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations, restricted gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and certain student service fees in the Auxiliary Fund Group, as described above and as such terms are used in “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019.”

	<b>For Fiscal Years Ended August 31,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Available Pledged Revenues <sup>(1)</sup>	\$162,033,176	\$155,081,648	\$154,737,373	\$148,389,851	\$141,819,499
Pledged Unrestricted Fund and Reserve Balances <sup>(2)(3)</sup>	(26,696,073) <sup>(5)</sup>	14,511,959 <sup>(4)</sup>	55,915,075	43,337,105	38,522,273
Less HEF and RDF Balances <sup>(2)</sup>	(9,949,410)	(8,057,999)	(6,131,926)	(3,298,307)	(3,940,324)
<b>Total Pledged Revenues</b>	<b>\$125,387,693</b>	<b>\$161,535,608</b>	<b>\$204,520,522</b>	<b>\$188,428,649</b>	<b>\$176,401,488</b>

<sup>(1)</sup> Available Pledged Revenues include the gross revenues of the Revenue Financing System, including pledged student tuition and fees and investment income. Available Pledged Revenues exclude State appropriations, reimbursement for Tuition Revenue Bonds and restricted revenues. See “APPENDIX A – Financing Programs for Capital Improvements – *Tuition Revenue Bonds*.”

<sup>(2)</sup> Pledged Unrestricted Fund and Reserve Balances include all the Unrestricted Funds as reported in Net Position on the Statement of Net Position, except unspent balances in the State-appropriated Research and Development Fund (RDF) and the Higher Education Fund (HEF).

<sup>(3)</sup> The methodology to calculate Pledged Unrestricted Fund and Reserve Balances changed in fiscal year 2016 to include certain unrestricted fund balances that were within the definition of Pledged Revenues. This Table 1 reflects this change in methodology for each fiscal year shown.

<sup>(4)</sup> The decline in Pledged Unrestricted Fund and Reserve Balances from 2017 to 2018 was primarily due to the implementation of GASB 75, which required the State to make a restatement of approximately \$57 million to the University’s net position in fiscal year 2018 for the purpose of establishing a beginning balance in Net OPEB Liability as calculated by the Employees Retirement System. See “APPENDIX A – Retirement Plans.”

<sup>(5)</sup> The decline in Pledged Unrestricted Fund and Reserve Balances from 2018 to 2019 was due to GASB Nos. 68 and 75 adjustments required by the State. For Fiscal Years 2018, 2019 and 2020, those non-cash adjustments were \$3,860,013, \$25,583,948 and \$30,971,816 respectively.

The information included in the table above is the latest available, but is as of dates and for periods before the economic impact of the Pandemic and measures instituted to slow it. See “INTRODUCTION - COVID-19 Disclosure” herein.

## **Additional Obligations**

### *Future Financings*

Other than the issuance of the Bonds, the University does not anticipate the issuance of any additional obligations, including Parity Obligations, in Fiscal Year 2021.

### *Parity Obligations*

The Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of each Participant (currently the University) in the Revenue Financing System including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System, and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations; and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” and “APPENDIX A – Selected Financial Information.”

### *Nonrecourse Debt and Subordinate Debt*

Nonrecourse Debt and Subordinated Debt may be incurred by the Board without limitation.

## **NO LITIGATION**

Neither the Board nor the University is a party to any litigation or other proceeding pending or, to the Board’s knowledge, threatened, in any court, agency or other administrative body (either state or federal) that, if decided adversely to the Board or the University, would have a material adverse effect on the financial condition of the University. On the date of delivery of the Bonds to the Underwriters, the Board will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or that would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such documents that is summarized elsewhere in this Official Statement under the captions “PLAN OF FINANCING,” “DESCRIPTION OF THE BONDS,” and “SECURITY FOR THE BONDS.” This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, copies of which may be obtained from the University at P.O. Box 6108, SFA Station, Nacogdoches, Texas 75962.

### **Establishment of Revenue Financing System**

The Revenue Financing System has been established to provide a consolidated financing structure for revenue supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants that are or will be included as part of the Revenue Financing System. The University is the only current Participant, but the Revenue Financing System may include other entities that are hereafter included as part of the University but only upon affirmative official action of the Board. Each issue or series of Parity Obligations is to be provided for under a separate resolution consistent with the provisions of the Resolution.

## **Security and Pledge; Membership in the Revenue Financing System**

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations are secured by and payable from a lien on the Pledged Revenues, and the Board has assigned and pledged the Pledged Revenues to the payment of the principal of, premium, if any, and interest on Parity Obligations, and the Pledged Revenues are further pledged to the establishment and maintenance of any funds that may be provided to secure the repayment of Parity Obligations in accordance with the Resolution. The Board may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

Certain institutions that may become Participants in the Financing System may be combined or divided and so long as such combined or divided institutions continue to be governed by the Board such action shall not be in violation of the provisions of the Resolution or require any amendments of the provisions of the Resolution. Subject to the conditions set forth below, any Participant in the Financing System or portion thereof may be closed and abandoned by law or may be removed from the Financing System (thus deleting the revenues, income, funds and balances attributable to said Participant or portion thereof from Pledged Revenues) without violating the terms of the Resolution provided: (1) the Board approves and delivers to the Board an Officers' Certificate to the effect that, to the knowledge thereof, after the release of such Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System; and (2) the Board receives an Opinion of Counsel that shall state that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any resolution hereafter adopted governing the issuance of Parity Obligations relating to such release have been complied with; and (3) (A) if the Participant or portion thereof to be released from the Financing System is to remain under the governance and control of the Board, the Board must either: (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligation; or (ii) pledge to the payment of Parity Obligation, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligation; or (B) if the Participant or portion thereof to be released from the Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must enter into a binding obligation with the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligation or to pay or discharge said Participant's Direct Obligation, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant. If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Financing System, or if the Board is required by law to assume the governance of an institution or agency, it may include said institution or agency in the Financing System with the effect set forth in the Resolution by the adoption of a resolution amending the Resolution, which resolution shall be binding upon the Board.

## **Annual and Direct Obligation of Participants**

The Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Resolution that in establishing the annual budget for each Participant of the Revenue Financing System, it will provide for the satisfaction by each Participant to its Annual Obligation. The University is currently the only Participant of the Revenue Financing System.

## **Pledged Revenues**

### *Tuition and Other Pledged Revenues*

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of the Resolution, the Board covenants and agrees to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution

relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, shall pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the resolution, but merely the carrying out of the provisions and requirements of the Resolution. See “SECURITY FOR THE BONDS – TABLE 1 – Pledged Revenues” herein.

#### *University Services Fees*

Subject to the provisions of the resolution authorizing the Board’s Series 2019 Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect university fees required or authorized by law to be imposed on students pursuant to Section 55.16 of the Texas Education Code for the purpose of paying debt service on the Bonds (and any Parity Obligations issued to refund such bonds); provided, however, that such university services fees shall be used for the purpose of acquiring, constructing, renovating, operating, maintaining, improving, and equipping, a basketball practice facility.

#### *Student Center Fees*

Subject to the provisions of the resolution authorizing the Board’s Series 2004 Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect student center fees required or authorized by law to be imposed on students pursuant to Section 54.520 of the Texas Education Code for the purpose of paying debt service on the Series 2004 Bonds (and any Parity Obligations issued to refund such bonds); provided, however, that such student center fees shall be used only for the purpose of acquiring, constructing, renovating, operating, maintaining, improving, equipping, and financing a university center or additions to the center. The Series 2004 Bonds were refunded by the University’s Series 2013 Bonds.

#### *Student Recreational Sport Fees*

Subject to the provisions of the resolution authorizing the Board’s Series 2005A Bonds, the Board has covenanted and agreed to fix, levy, charge and collect student recreational sport fees required or authorized by law to be imposed on students pursuant to Section 54.5201 of the Texas Education Code for the purpose of paying debt service on the Series 2005A Bonds (and any Parity Obligations issued to refund such bonds); provided, however, that such student recreational sport fees shall be used only to purchase equipment for and to construct, operate, and maintain recreational sports facilities and programs. The Series 2005A Bonds were refunded by the University’s Series 2015 Bonds.

#### *Non-mandatory Student Fees*

Subject to the provisions of the resolution authorizing the Bonds, the Board has covenanted and agreed to fix, levy, charge, and collect student housing and dining fees for paying debt service on the Bonds (and any Parity Obligations issued to refund such bonds).

#### *Annual Obligation*

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

### *Anticipated Deficit*

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

### *Economic Effect of Adjustments*

Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues at any Participant in the Financing System resulting from an event described in “*Anticipated Deficit*” above will be based upon a certificate and recommendation of the Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at each Participant in the Financing System (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant in the Financing System) that will be anticipated to result in: (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant; and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all deposits and payments due on or with respect to: (A) the Prior Encumbered Obligations; and (B) all Outstanding Parity Obligations, when and as required by the Resolution.

### **Payment and Funds**

The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Resolution allows the Board to establish one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

### **Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt**

In the Resolution, the Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law. The Board may incur, assume, guarantee, or otherwise become liable in respect of additional Parity Obligations if the Board determines that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any supplemental resolution authorizing Outstanding Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt that expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations.

## **Participants**

### *Combination or Release of Participants*

The Resolution recognizes that the State may combine or divide Participant institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action must not violate the Resolution or require any amendment thereof. The Resolution also provides that subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Resolution provided:

- (1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and
- (2) the Board has received an Opinion of Bond Counsel that states that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and
- (3) (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations; or (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

### *Disposition of Assets*

In the Resolution, the Board has reserved the right to convey, sell, or otherwise dispose of any properties of the Board attributable to a Participant of the Revenue Financing System, provided that:

- (1) such disposition must occur in the ordinary course of business of the Participants of the Revenue Financing System responsible for such properties; or
- (2) the Board determines that after the disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

### *Admission of Participants*

If, after the date of the adoption of the Resolution, the Board desires for a university or agency governed by the Board to become a Participant of the Revenue Financing System or if the Board is required by law to assume the governance of an institution or agency, it may include said university or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of an amendment to the Resolution.

### **Certain Covenants**

#### *Rate Covenant*

In each Fiscal Year, the Board must establish, charge, and use its reasonable efforts to collect from each Participant the Pledged Revenues that, if collected, would be sufficient to meet all financial obligations of the Board for such Fiscal Year relating to the Revenue Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

#### *Tuition*

The Board covenants and agrees in the Resolution to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category that, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, must pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant must be made by resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

#### *General Covenants*

The Board has additionally covenanted and represented in the Resolution: (i) to faithfully perform all covenants and provisions contained in the Resolution, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, that are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities that comprise the University and to defend such title and title to any land, buildings and facilities which may hereafter become part of the Revenue Financing System for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property financed through the Revenue Financing System; (vi) to not incur any additional Debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report, to the appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

### **Special Obligations**

The Resolution provides that all Parity Obligations, the premium, if any, and the interest thereon constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Resolution out of the Pledged

Revenues is absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts may not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

### **Waiver of Covenants**

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

### **Remedies**

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

### **Amendment of Resolution**

#### *Amendment Without Consent*

The Resolution and the rights and obligations of the Board, and of the owners of the Outstanding Parity Obligations, may be modified or amended at any time without notice to or the consent of any owner of the Parity Obligations, solely for any one or more of the following purposes:

- (1) To add to the covenants and agreements of the Board contained in the Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in the Resolution;
- (2) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board of any approving opinion of Bond Counsel that the same is needed for such purpose, and will more clearly express the intent of the Resolution;
- (3) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues that results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;
- (4) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the outstanding Parity Obligations;
- (5) To make such changes, modifications, or amendments as may be necessary or desirable, which will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations;



- (6) To make such other changes in the provisions of the Resolution as the Board may deem necessary or desirable and that does not, in the judgment of the Board, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or
- (7) To make such other amendments as necessary to comply with the Rule (as defined herein).

#### *Amendments With Consent*

Subject to the other provisions of the Resolution, the owners of Parity Obligations aggregating 51% in Outstanding Principal Amounts have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Resolution that may be deemed necessary or desirable by the Board; provided, however, that no provision may permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

- (i) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;
- (ii) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;
- (iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;
- (iv) Make any change in the maturity of the Outstanding Bonds;
- (v) Reduce the rate of interest borne by the Outstanding Bonds;
- (vi) Reduce the amount of principal payable on the Outstanding Bonds;
- (vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; or
- (viii) Adversely affect the tax exempt status of the interest on the Outstanding Bonds to the owners thereof.

### **LEGAL MATTERS**

#### **Legal Opinions**

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Board secured by and payable from the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of certain of the Pledged Revenues securing any outstanding Prior Encumbered Obligations, and the approving legal opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Board and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as "APPENDIX D – FORM OF BOND COUNSEL'S OPINION." Bond Counsel was engaged by, and only represents, the Board. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions "PLAN OF FINANCING" (except under the subcaption "Sources and Uses of Funds," as to which no opinion is expressed), "DESCRIPTION OF THE BONDS" (except under the subcaption "Book-Entry-Only System," as to which no opinion is expressed), "SECURITY FOR THE BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior

Agreements,” as to which no opinion is expressed), and “APPENDIX C – DEFINITIONS,” and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds and the Resolution and are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered to the Underwriters in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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

### **Forward-Looking Statements**

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

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the University on the date hereof, and the University and the Board assume no obligation to update any such forward-looking statements. It is important to note that the Board’s actual results could differ materially from those in such forward looking statements.

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

### **TAX MATTERS**

*Opinion.* On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the Board, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the owners thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the Board will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX D – FORM OF BOND COUNSEL’S OPINION.

In rendering its opinion, Bond Counsel to the Board will rely upon (a) certain information and representations of the Board, including information and representations contained in the Board’s federal tax certificate, and (b) covenants of the Board contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the Board to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the Board is conditioned on compliance by the Board with such requirements, and Bond Counsel to the Board has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the Bondowners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

*Federal Income Tax Accounting Treatment of Original Issue Discount.* The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased a Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

*Collateral Federal Income Tax Consequences.* The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modifications, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits, and excess passive interest incurred, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the owner holds the obligation bears to the number of days between the acquisition date and the final maturity date.

*Information Reporting and Backup Withholding.* Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the withholding or backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

*Future and Proposed Legislation.* Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities

or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investments Act, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

The Board has not made any investigation of other laws, rules, regulations or investment criteria that might apply to such institutions or entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Board has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### **RATINGS**

The Bonds have been rated “AA-” and “A1”, by Fitch Ratings and Moody’s Investors Service, Inc., respectively, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if in the judgment of these companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Resolution, the Board has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Board has agreed that, so long as the Board is an “obligated person” under the Rule hereinafter defined, it will provide certain updated financial information and operating data about the University annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). Such information will be available to the public at no charge using the MSRB’s Electronic Municipal Market Access system via the MSRB’s internet website, [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Reports**

The Board will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the headings “SECURITY FOR THE BONDS – Table 1 – Pledged Revenues,” “APPENDIX A – Enrollment” and “– Selected Financial Information” and in “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019.” The Board will update and provide this information within six months after the end of each Fiscal Year ending in or after 2020. The Board will provide the updated information to the MSRB.

The Board 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 annual audited financial statements for the University, if the Board commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Board shall provide unaudited financial statements for the applicable year to the MSRB within such 12-month period, and audited financial statements for the applicable year to the MSRB when and if the audit report on such statements become available. Any such financial statements are to be prepared in accordance with generally accepted accounting principles. No outside audit of the University’s financial statements is currently required or obtained by the Board.

The Board’s current fiscal year end is August 31. Annually, not later than each November 20th after the close of the fiscal year, the unaudited primary financial statements of the University dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the Comptroller. If the Board changes its fiscal year, it has agreed to notify the MSRB of the change. If audited financial statements of the University are not prepared for any fiscal year and audited financial statements are prepared with respect to the State for such fiscal year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable fiscal year to the MSRB within six months after the end of said fiscal year or as soon thereafter as such audited financial statements become available from the State Auditor. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments; as such principles may be changed from time to time to comply with state law.

#### **Notice of Certain Events**

The Board will also provide timely notices of certain events to the MSRB. The Board will provide notice of any of the following events with respect to the Bonds in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) ratings changes; (12) bankruptcy, insolvency, receivership or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, 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; (14) the appointment of a successor or additional trustee or the change of the name of a trustee, if material; (15) incurrence of a Financial Obligation (as defined below) of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms or similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties. In addition, the Board will provide timely notice of any failure by the Board to provide information, data or financial statements in accordance with its agreement described above under “ — Annual Reports.”

For these purposes, (A) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers 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 Board; and (B) the term “Financial Obligation” means a: (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2).

Additionally, the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Board will also provide timely notice of any failure by the Board to provide annual financial information in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

The Board has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the Board to the MSRB described above under the captions “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

### **Limitations and Amendments**

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

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

### **Compliance with Prior Agreements**

The Board has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule during the last five years.

## **UNDERWRITING**

The Underwriters for the Bonds, for which UBS Financial Services Inc. is acting as representative, have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the University at a price of \$19,375,817.19, reflecting the par amount of \$15,935,000.00 plus original issue premium of \$3,554,198.25 and less an underwriter’s discount of \$113,381.06. The Underwriters for the Bonds will be obligated to purchase all of the Bonds if any Bonds are purchased. The right of the Underwriters to receive compensation in connection with the Bonds is contingent on the actual sale and delivery of the Bonds.

The Bonds are being offered for sale to the public at the prices shown on page i hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment

trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriters to accept delivery of the Bonds is subject to the terms and conditions set forth in the purchase contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the University in connection with such activities. In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with 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.

UBS Financial Services Inc. (“UBS FSI”), one of the Underwriters of the Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

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

#### **FINANCIAL ADVISOR**

Hilltop Securities Inc. is acting as Financial Advisor to the Board in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants, and representations contained in this Official Statement or any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from the Board’s records, unaudited financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Resolution and the Award Certificate will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.



This Official Statement has been approved by the Board for distribution in accordance with the provisions of the Rule, as amended.

/s/ Dr. Danny R. Gallant  
Vice President for Finance and Administration,  
Stephen F. Austin State University

**SCHEDULE I**

**Schedule of Refunded Bonds**

**Revenue Financing System Revenue Bonds, Series 2010**

Original Dated Date: 4/1/2010

Anticipated Call Date: 11/9/2020

<u>Original Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rates (%)</u>	<u>Redemption Price (%)</u>
10/15/2021	1,750,000	5.000	100
10/15/2022	1,840,000	5.000	100
10/15/2023	1,935,000	5.000	100
10/15/2024	2,035,000	5.000	100
10/15/2025	2,130,000	4.125	100
10/15/2026	2,220,000	4.250	100
10/15/2027	2,315,000	4.250	100
10/15/2028	2,415,000	4.375	100
10/15/2029	<u>2,525,000</u>	4.375	100
	19,165,000		

## APPENDIX A

### DESCRIPTION OF THE UNIVERSITY

#### General

The University was created by the 36th Texas Legislature in 1921 as a college for teacher training. In 1969, the University became a regional state university.

The University is located in Nacogdoches, Texas, the county seat of Nacogdoches County. Nacogdoches, one of the oldest cities in Texas, was originally established in 1716 as the site of the Guadalupe de Nacogdoches Mission. Today it is a city of approximately 34,000 people with an economy based on timber, agriculture, poultry production, fertilizer and feed producing plants, and wood processing, as well as general commerce.

The main campus includes over 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 699 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 138 instructional, administration and support buildings, 4 garages and 16 residence halls, representing an investment of approximately \$515 million. The East Texas Research Center, located in the library, manages the University's archives and serves as a Regional Historical Resource Depository for inactive records of eight East Texas counties for the State of Texas. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History Collection. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory.

#### Curriculum

The University is a comprehensive institution serving students (approximately 97% Texas residents in the fall semester for fiscal year 2020) through a variety of undergraduate and graduate programs. Approximately 80 undergraduate programs and 44 Master's programs are available in six colleges (Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts, and Sciences and Mathematics). The Master's degrees include two terminal degree programs, the Master of Fine Arts in Art and Master of Social Work. Additionally, the University offers the Doctor of Philosophy in Forestry, the Doctor of Education in Educational Leadership, and the Doctor of Philosophy in School Psychology.

#### Governance and Administration

The University is governed, managed, and controlled by the nine-member Stephen F. Austin State University Board of Regents. Each Regent is appointed by the Governor of the State subject to confirmation by the State Senate. Each Regent serves a six-year term, with three new appointments made to the Board every two years. A Regent may be reappointed to serve on the Board and may continue to serve upon the expiration of the Regent's stated term until the earlier of (i) the date a successor is appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of the term. The members of the Board elect one of the Regents to serve as Chair of the Board and may elect any other officers they deem necessary. The Regents serve without pay except for reimbursement for actual expenses incurred in the performance of their duties, subject to the approval of the Chair of the Board.

The Board is legally responsible for the establishment and control of policy for the University. The Board appoints a President who directs the operations of the University, and is responsible for carrying out policies determined by the Board.

A list of the current members of the Board and certain principal administrative officers of the University appears on page (ii) of this Official Statement.

Set forth below is biographical information for the principal administrative officers of the University appearing on page (ii) of this Official Statement:

Dr. Scott Gordon was named President of the University in September 2019. From 2016 to 2019, he served as the Provost and Executive Vice President at Eastern Washington University. From 2006 to 2016, he served as Dean, Pott College of Science, Engineering, and Education at the University of Southern Indiana. Dr. Gordon has earned a Bachelor of Arts from the State University of New York College at Cortland, a Master of Science from the University of Tennessee, Knoxville, and a Doctor of Philosophy from the University of Tennessee, Knoxville.

Dr. Danny R. Gallant has served as Vice President for Finance and Administration since 2007. Dr. Gallant has served in various roles with the University since 1983, including Associate Vice President for Budget and Finance, Director of Financial Services, Business Manager and Accountant. Dr. Gallant served in the United States Army from 1973 to 1976. Dr. Gallant has earned a Bachelor of Business Administration in Accounting from the University, a Master of Business Administration from the University, a Certificate in Nonprofit Management from the Texas A&M University Bush School, and a Doctor of Philosophy from Texas A&M University.

Ms. Judi Kruwell was named Associate Vice President for Finance and Administration in September 2020, after having served as Interim Director of Human Resources from January 2020 until her current appointment, Director of Financial Services from 2017 and as an accountant at the University from 2009 to 2012. From 2012 to 2017, she served as a budget analyst for Texas State University and as a plant controller for Altra Industrial Motion. Ms. Kruwell holds a Bachelor of Business Administration in Accounting from the University and is a Certified Public Accountant.

Ms. Dannette Sales was named Controller in 2018. Previously, she served as Assistant Controller of the University since 2004. She is a graduate of the University and a Certified Public Accountant. During her career, she was a partner in a local public accounting firm and managed the audits of all governmental clients. She also served as Executive Director of Finance for a public school system for four years prior to coming to the University.

Mr. Damon Derrick was named General Counsel in 2010. He joined the University as a staff attorney in 2008. He holds a Bachelor of Business Administration from Lamar University, and a Juris Doctor from the University of Mississippi. Mr. Derrick serves as a committee member in the National Association of College and University Attorneys and is licensed to practice in the state of Texas.

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## Enrollment

**Table 2 – Enrollment Data**

### First Time Undergraduate Statistics<sup>(1)</sup>

	Fall Semester Enrollment for Fiscal Year				
	2021	2020	2019	2018	2017
Men	536	648	716	716	726
Women	1,061	1,263	1,368	1,434	1,447
Total	1,597	1,911	2,084	2,150	2,173
% Change	-16.43%	-8.30%	-3.07%	-1.06%	4.07%
One Year Retention Rate <sup>(2)</sup>	77.2%	70.0%	70.5%	71.6%	71.4%

<sup>(1)</sup> Fiscal Year 2021 reporting changed to reflect first-time “undergraduate” cohort instead of freshman-only classification. Change made to more accurately report first-time in college cohort with various classifications due to dual credits. This update is consistent with the federal and state reporting definitions. All years beginning with 2017 have been updated to reflect this change.

<sup>(2)</sup> One-year retention rates for the fall year are return rates for the first-time, full-time freshmen enrolled in the prior fall term.

### Residency Statistics<sup>(1)</sup>

Type of Student	Fiscal Year 2021	Fiscal Year 2020					Fiscal Year 2019				
	Fall 2020	Summer II 2020	Summer I 2020	Maymester 2020	Spring 2020	Fall 2019	Summer II 2019	Summer I 2019	Maymester 2019	Spring 2019	Fall 2018
Texas Resident	12,260	3,311	3,918	466	11,482	12,596	3,603	3,003	549	11,672	12,773
Out of State	262	76	122	20	257	261	104	75	7	248	256
Foreign	93	27	31	6	107	108	32	31	5	115	114
Inter-institutional	5	8	-	-	-	4	2	-	-	-	1
Total	12,620	3,422	4,071	492	11,846	12,969	3,741	3,109	561	12,035	13,144

<sup>(1)</sup> Includes combined headcount number for Undergraduate and Graduate students. Separate terms of Maymester, Summer I and Summer II reflect the current administrative structure.

### Total Undergraduate and Graduate Fall Enrollment Trend Data

Fiscal Year	Students	Semester Hours
2021 (Fall 2020)	12,620	150,785
2020 (Fall 2019)	12,969	152,625
2019 (Fall 2018)	13,144	155,556
2018 (Fall 2017)	12,614	155,281
2017 (Fall 2016)	12,742	156,027

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## Degrees Awarded by School and Percent of Total

For Fiscal Year Ended August 31,

	2020		2019		2018		2017		2016	
Business	432	15.34%	383	13.31%	340	12.41%	350	12.64%	346	12.80%
Education	773	27.45%	777	27.00%	855	31.20%	838	30.27%	800	29.60%
Fine Arts	180	6.39%	147	5.11%	163	5.95%	150	5.42%	158	5.84%
Forestry and Agriculture	138	4.90%	125	4.35%	132	4.82%	114	4.12%	113	4.18%
Liberal and Applied Arts	441	15.66%	437	15.19%	418	15.26%	457	16.51%	442	16.35%
Sciences & Mathematics	295	10.48%	308	10.71%	273	9.96%	267	9.65%	247	9.14%
Graduate	557	19.78%	700	24.33%	559	20.40%	592	21.39%	597	22.09%
Total	2,816	100.00%	2,877	100.00%	2,740	100.00%	2,768	100.00%	2,703	100.00%

## Faculty Profile

During the fall semester 2020, the University employed 544 full-time instructional faculty and 225 part-time faculty (excludes teaching assistants).

Academic Credentials	Number	Academic Rank	Number	% Tenured
Doctorate	421	Professor	131	98.47
Master's Degree (or equivalent)	308	Associate Professor	123	82.93
Other	40	Assistant Professor	124	8.13
		Instructor	14	9.09
		Lecturer	73	0.00
		Visiting/Spec. Professor	64	0.00
		Adjunct	240	0.00
Total	769	Total	769	31.52

## Selected Financial Information

### *Financial Reports*

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

### *State CAFR*

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

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

*Stephen F. Austin State University Financial Reports*

Stephen F. Austin State University is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the financial statements are materially in accordance with “Texas Comptroller of Public Accounts’ Annual Financial Reporting Requirements.” The requirements are also in substantial conformity with the Financial Accounting and Reporting Manual for Higher Education as revised by GASB No. 34 and No. 35, published by the National Association of College and University Business Officers (NACUBO).

Attached to this Official Statement as “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019” is the most recent unaudited annual financial report for the University. The University’s unaudited financial statements consist of the Statement of Net Position as of August 31, 2019, the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended August 31, 2019, and the Statement of Cash Flows for the Year Ended August 31, 2019.

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**Table 3 – Statement of Revenues, Expenses, and Changes in Net Position**

The table below presents the Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years Ended August 31, 2019 through 2015.

	<u>For Fiscal Years Ending August 31,</u>				
	2019	2018-Restated	2017	2016	2015-Restated
<b>Operating Revenues:</b>					
Sales of Goods and Services					
Tuition & Fees - Pledged	\$ 119,980,292	\$ 111,451,846	\$ 111,148,989	\$ 107,820,935	\$ 102,007,617
Tuition & Fees - Non-Pledged	4,431,434	4,120,909	4,123,075	4,072,712	3,892,602
Tuition - Discounts/Allowances	(36,469,053)	(32,472,265)	(30,307,923)	(28,095,224)	(25,495,130)
Auxiliary Enterprise - Pledged	41,689,192	41,230,215	39,761,897	39,528,073	38,179,276
Auxiliary Enterprise - Non-Pledged	2,034,214	1,909,069	2,158,605	2,248,743	1,906,137
Auxiliary Enterprise - Discounts/Allowances	(12,963,439)	(11,715,796)	(10,635,704)	(9,546,847)	(9,118,331)
Other Sales of Goods and Svcs - Pledged	5,695,500	5,632,402	5,441,005	5,600,212	5,721,076
Other Sales of Goods and Svcs - Non-Pledged	838,552	793,950	954,385	943,862	1,217,674
Federal Revenue	2,253,303	2,498,580	2,960,801	3,504,733	4,101,796
Federal Pass Through Rev from Non-State Entities	99,570	65,481	96,052	71,455	114,236
Federal Pass Through Revenue	767,394	730,790	897,111	1,087,002	1,459,532
State Pass Through Revenue	12,351,956	11,172,431	10,841,496	10,602,102	10,076,355
Local Contracts and Grants	585,726	578,969	571,242	503,024	407,843
Other Contracts and Grants	719,005	745,873	630,018	515,426	494,717
Other Operating Revenues - Pledged	145,924	101,431	43,897	59,566	34,963
Other Operating Revenues - Non-Pledged	157,150	-	250	-	241,631
<b>Total Operating Revenues</b>	<b>142,316,719</b>	<b>136,843,884</b>	<b>138,685,195</b>	<b>138,915,774</b>	<b>135,241,995</b>
<b>Operating Expenses:</b>					
Cost of Goods Sold	11,425,699	11,119,191	10,089,637	9,787,747	9,489,393
Salaries and Wages	102,835,368	97,895,929	96,518,517	94,897,311	92,441,465
Payroll Related Costs	59,220,887	34,778,982	32,801,775	34,684,645	27,155,542
Professional Fees and Services	2,196,634	2,058,411	1,470,749	1,788,166	2,130,879
Travel	3,091,685	2,793,031	2,910,527	3,133,297	3,230,998
Materials and Supplies	13,140,201	13,879,952	11,837,354	12,967,010	12,016,371
Communication and Utilities	8,448,959	7,579,649	8,044,418	8,383,489	9,061,422
Repairs and Maintenance	5,167,291	6,046,642	4,924,777	6,489,662	4,784,559
Rentals and Leases	3,194,379	2,689,061	2,910,082	3,070,709	3,661,731
Printing and Reproduction	448,938	372,380	465,527	450,349	507,889
Federal Pass Through Expenditure	-	-	-	-	(323)
Fed Pass Through Exp to Non-State Entities	21,847	158,087	614,980	541,213	647,255
Amortization	-	-	89,963	280,484	362,198
Depreciation	18,711,720	16,440,353	16,614,269	15,983,599	15,990,105
Bad Debt Expense	56,056	139,754	-	-	1,510
Interest Expense	199	113	(1,122)	2,541	371
Scholarships	18,964,489	18,458,115	19,958,802	20,345,350	19,999,854
Claims and Settlements	250,000	47,070	101,250	3,481	250,000
Other Operating Expenses	8,633,487	7,220,091	6,940,569	7,555,534	6,031,772
<b>Total Operating Expenses</b>	<b>255,807,839</b>	<b>221,676,811</b>	<b>216,292,075</b>	<b>220,364,586</b>	<b>207,762,992</b>
<b>Operating Income (Loss)</b>	<b>(113,491,120)</b>	<b>(84,832,927)</b>	<b>(77,606,881)</b>	<b>(81,448,812)</b>	<b>(72,520,997)</b>

(1) Some columns may not foot due to rounding.



	<u>For Fiscal Years Ending August 31,</u>				
	2019	2018-Restated	2017	2016	2015-Restated
<b>Non-Operating Revenues (Expenses):</b>					
Legislative Revenue	\$ 40,201,343	\$ 40,145,775	\$ 39,729,280	\$ 39,616,596	\$ 39,265,903
Additional Appropriations	11,426,276	11,506,698	12,169,294	12,286,750	12,106,819
Federal Revenue	23,011,780	22,172,515	21,454,757	20,788,448	19,641,512
Gifts - Non-Pledged	4,577,612	4,998,568	5,078,071	4,568,993	4,411,244
Gifts - Pledged	-	3,155	-	-	-
Other Rental Income	219,259	167,383	233,533	133,439	131,213
Investment Income-Pledged	4,178,385	2,727,481	1,553,430	1,276,215	2,368,877
Investment Income-Non-Pledged	1,269,562	1,154,442	1,013,228	595,383	1,588,446
Net Increase (Decrease) Fair Value - Pledged	(696,501)	1,591,338	3,804,563	935,269	(2,718,774)
Net Increase (Decrease) Fair Value - Non-Pledged	(115,491)	411,875	281,369	(50,780)	(1,302,604)
Investing Activities Expenses	(364,288)	(328,675)	(294,190)	(246,390)	(250,770)
Income on Loans Receivable	336,594	123,735	26,699	56,679	118,298
Interest Income on Capital Investments - Pledged	1,775,197	405,116	373,375	400	452
Interest Expenses and Fiscal charges	(7,229,175)	(2,510,119)	(4,899,033)	(4,627,340)	(6,803,216)
Gain(Loss) on Sale of Capital Assets	(103,130)	(8,698)	(30,688)	(186,179)	(71,972)
Settlement of Claims	615,734	75,083	155,015	153,111	40,227
Other Non-Operating Revenues (Expenses)	405,756	476,796	405,214	138,591	60,655
<b>Total Non-Operating Revenues (Expenses)</b>	<b>79,508,913</b>	<b>83,112,468</b>	<b>81,053,916</b>	<b>75,439,187</b>	<b>68,586,309</b>
<b>Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<b>(33,982,207)</b>	<b>(1,720,460)</b>	<b>3,447,035</b>	<b>(6,009,624)</b>	<b>(3,934,688)</b>
<b>Other Revenues, Expenses, Gains/Losses and Transfers</b>					
Capital Contributions	11,155	693,178	692,625	1,808,334	627,130
Capital Appropriations (HEF)	11,636,163	11,636,163	11,636,163	7,757,442	8,425,937
Additions to Permanent and Term Endowments	18,576	32,634	604,548	34,857	151,260
Lapsed Appropriations	-	-	(215,309)	-	-
Legislative Transfer In	355,690	374,873	3,984,192	414,822	-
Transfers-In	207,198	216,072	228,261	315,047	321,305
Transfers-Out	(7,087)	(8,720)	-	-	(1,565,675)
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>12,221,695</b>	<b>12,944,200</b>	<b>16,930,480</b>	<b>10,330,502</b>	<b>7,959,957</b>
<b>Change in Net Position</b>	<b>(21,760,512)</b>	<b>11,223,741</b>	<b>20,377,515</b>	<b>4,320,878</b>	<b>4,025,269</b>
<b>Net Position, Beginning of Year</b>	<b>113,603,266</b>	<b>146,610,287</b>	<b>126,802,798</b>	<b>122,621,814</b>	<b>146,206,437</b>
Restatements	(12,558,487)	(56,789,248)	(570,026)	(139,895)	(27,609,892)
<b>Net Position, Beginning of Year - Restated</b>	<b>101,044,779</b>	<b>89,821,039</b>	<b>126,232,772</b>	<b>122,481,919</b>	<b>118,596,545</b>
<b>Net Position, August 31, 20xx</b>	<b>\$ 79,284,267</b>	<b>\$ 101,044,779</b>	<b>\$ 146,610,287</b>	<b>\$ 126,802,798</b>	<b>\$ 122,621,814</b>

(1) Some columns may not foot due to rounding.

(2) 2019 Change in Net position of (\$21M) was impacted by GASB 75 Optional Post Employment Benefit (OPEB) expense of \$21M and GASB 68 Net Pension Liability for the Teacher Retirement System of Texas (TRS) expense of \$9M.

(3) The 2018 restatement was required by the State to correct an error in the calculation of OPEB expense and deferred outflows.

(4) The 2015 restatement was required by the State to establish the beginning balance of the Net Pension Liability for the Teacher Retirement System with the implementation of GASB 68.

Source: Annual Financial Report for the Years ended August 31, 2015, 2016, 2017, 2018 and 2019

The information included in the table above is the latest available, but is as of dates and for periods before the economic impact of the Pandemic and measures instituted to slow it. See "INTRODUCTION - COVID-19 Disclosure" herein. The University estimates that its Net Position as of August 31, 2020 will be similar to that for fiscal year 2019. However, the University is not aware of the GASB 75 adjustments the State Comptroller of Public Accounts' Office may direct.

## **Funding for the University**

Funding for the University for the Fiscal Year ended August 31, 2020 consisted of government appropriations; tuition and student fees; gifts, investment and endowment income; sales and services; auxiliary enterprises; and other sources. The amounts and the sources of such funding vary from year to year and there is no guarantee that the source or amounts of such funding will remain the same in future years. See “*State Government Appropriations*” below.

Following are brief descriptions of certain funding sources of the University.

### *Tuition and Fees*

Each Texas public university granting degrees charges tuition and fees as authorized by the Texas Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Tuition charges are comprised of “State Mandated Tuition,” “Board Designated Tuition” and “Board Authorized Tuition,” as further described below.

### *State Mandated Tuition*

Section 54.051, Texas Education Code, currently requires (i) undergraduate tuition applicable to state residents to be charged at \$50 per semester credit hour; and (ii) tuition of a non-resident student at a general academic teaching institution or medical and dental unit to be an amount per semester credit hour equal to the average of the non-resident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Texas Higher Education Coordinating Board (the “Coordinating Board”) for each academic year). For the 2020-21 academic year, the Coordinating Board computed \$459 per semester credit hour for non-resident undergraduate tuition.

Section 56.033, Texas Education Code, currently requires that not less than 15% of each resident student’s tuition charge for State Mandated Tuition and 3% of each non-resident student’s tuition charge for State Mandated Tuition be set aside for Texas Public Education Grants.

### *Board Designated Tuition*

In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to as “Board Designated Tuition”) that it considers necessary for the effective operation of the institution. Such legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This authority offers more opportunity for the University to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates.

Beginning with the 2020 fall semester, the Board authorized a fixed price plan that caps Designated Tuition at 12 semester credit hours (SCH), or a rate of \$3,030 for 12 or greater SCH. Under this fixed price plan, the Designated Tuition rate would be \$252.50 per semester credit hour for a resident undergraduate student taking 12 credit hours, or \$202.00 per semester credit hour for a resident undergraduate student taking 15 credit hours. No less than 15% of the Board Designated Tuition charged to resident undergraduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated Tuition charged to resident graduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident graduate students, consistent with the provisions of Texas Education Code Section 56.012.

The Board has adopted a guaranteed fixed-rate tuition plan that allows Texas resident undergraduate students to pay the same rate of tuition and mandatory fees for up to four years (twelve consecutive semesters). After the expiration of four years, such students will pay the current year’s rates for each term until completion. For the 2020-21

academic year, Texas resident students may elect the fixed price plan or a four-year guaranteed fixed-rate of \$229.93 per semester credit hour for a student taking 15 credit hours.

<b>Board Designated Tuition (General Fee) for the</b>	<b><u>Per semester hour:</u></b>	<b><u>\$ Cap:</u></b>
Fall 2016 - 2017 Academic Year:	\$192.00	\$3,072 <sup>(1)</sup>
Fall 2017 - 2018 Academic Year:	\$192.00	\$3,072 <sup>(1)</sup>
Fall 2018 - 2019 Academic Year:	\$192.00	\$3,072 <sup>(1)</sup>
Fall 2019 - 2020 Academic Year:	\$204.00	\$3,264 <sup>(1)</sup>
Fall 2020 - 2021 Academic Year:	\$202.00	\$3,030 <sup>(2)</sup>

<sup>(1)</sup> For Fall 2016-2020 the Board Designated Tuition was capped at 16 semester credit hours.

<sup>(2)</sup> For Fall 2020-2021 the Board Designated Tuition is capped at 12 semester credit hours.

The Board has no assurance that the Texas Legislature will not place future limits on the Board’s ability to charge Board Designated Tuition in an amount that it considers necessary for the effective operation of the University. However, Section 55.16 of the Texas Education Code specifically allows the Board to levy and collect any necessary fees, tuition, rentals, rates, or other charges necessary to provide funds sufficient for the payment of outstanding Parity Obligations.

*Board Authorized Tuition*

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

Set forth below is a table showing the State Mandated tuition, Board Designated Tuition, Board Authorized tuition, mandatory fees, and the amount set aside for financial assistance per semester to resident and non-resident students for the 2020-21 academic year, based on 15 semester credit hours per semester for undergraduate students and nine semester credit hours per semester for graduate students.

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<b>State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, Mandatory Fees And Financial Set-Aside Per Semester 2020-2021 Academic Year Based on 15 Undergraduate and 9 Graduate Credit Hours per Fall &amp; Spring Semesters:</b>						
	<b>State Mandated Tuition</b>	<b>Board Designated Tuition</b>	<b>Board Authorized Tuition</b>	<b>Mandatory Fees</b>	<b>Total Tuition &amp; Fees</b>	<b>Financial Assistance Set-Aside <sup>(1)</sup></b>
Resident Undergraduate Annual Fixed-Price Plan	\$ 750	\$ 3,030	\$ 100	\$ 1,420	\$ 5,300	464
Res UG-Guaranteed Price Plan (20/21 Cohort)	\$ 750	3,449	100	1,376	5,675	526
Border State Undergraduates <sup>(2)</sup>	1,200	3,074	100	1,376	5,750	36
Non-resident Undergraduate	6,885	3,074	100	1,376	11,435	207
Resident Masters/Doctoral	450	1,836	345	1,086	3,717	281
Border State Masters/Doctoral	720	1,836	345	1,086	3,987	22
Non-resident Masters/Doctoral	4,131	1,836	345	1,086	7,398	124

<sup>(1)</sup> Total tuition and fees includes amounts required to be set aside for financial assistance according to Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); from Board Designated Tuition no less than 15% charged to resident undergraduate students in excess of \$46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of \$46 per semester hour is set aside for financial assistance (Section 56.012).

<sup>(2)</sup> Consistent with Section 54.0601, students who are residents of neighboring states (Arkansas, Louisiana, New Mexico and Oklahoma) enrolled in a Texas public university located within 100 miles of the Texas border may receive approval from the Texas Higher Education Coordinating Board to offer a lowered tuition rate. Currently eligible persons shall pay a tuition rate at the university of not less than \$30.00 more than the resident tuition rate.

The cost of the 2020-2021 academic year for a full time Texas resident undergraduate student taking 15 credit hours per semester and living in a mid-priced residence hall would be \$10,600 for tuition and fees and \$11,030 for room and board for a total cost of \$21,630.

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

*State Government Appropriations*

The operations of the University are heavily dependent upon the continued support of the State through biennial appropriations of general revenues. The University receives a significant portion of its operating funds from State appropriations. The Board has no assurance that the Texas Legislature will continue to appropriate to the University the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

For fiscal years 2019 and 2020, State appropriations comprised approximately 26% of the revenue funds of the University. See "Table 3 – Statement of Revenues, Expenses and Changes in Net Position." The Texas Legislature finished its last regular session on May 27, 2019 and appropriated to the University a total of \$55,283,926 and \$54,235,335 for fiscal years 2020 and 2021, respectively. State appropriations to most institutions of higher education (including the University) were substantively unchanged compared to prior years.

In addition to the appropriation of general revenues of the State, the University receives a portion of an annual appropriation of funds made by the Texas Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution (the “Higher Education Funds”). During the Eighty-Fourth Legislative Session, the Texas Legislature passed Senate Bill 1191 (the “Act”) which increased the total annual Higher Education Funds for all eligible institutions (including the University) to \$393.75 million from \$262.5 million annually beginning on September 1, 2016. The allocation of Higher Education Funds is made by the State in accordance with an equitable allocation formula. For fiscal years 2019 and 2020, the Act allocated \$11,636,163 each fiscal year to the University. For fiscal years 2021 through 2025, the Act allocates \$11,277,793 each fiscal year to the University. Beginning in the State’s fiscal year commencing September 1, 2025, the Texas Legislature must review, or provide for a review, of the allocation formula used to determine the annual appropriations made under the Constitutional Provision, and, at that time, adjustments may be made in the allocation formula; provided, that no adjustment may be made if such adjustment will prevent the payment of principal of and interest on any outstanding Higher Education Fund bonds. See “Financing Programs for Capital Improvements — *Higher Education Fund Bonds*” below.

#### *Private Financial Support*

In Fiscal Years 2016-2020, the University received contributions (gifts, grants and contracts) averaging \$6.4 million annually from the private sector. Contributions for the Fiscal Year 2020 were approximately \$7.0 million.

### **Financing Programs for Capital Improvements**

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

#### *Higher Education Fund Bonds*

Pursuant to the Higher Education Fund (“HEF”) program established by Article VII, Section 17 of the State Constitution (the “HEF Constitutional Provision”), the University is eligible to receive an annual allocation from amounts constitutionally appropriated (currently \$393.75 million per year) to certain institutions of higher education to fund permanent improvements (except those for auxiliary enterprises) (See “Funding for the University – State Government Appropriations” above). The University may use this appropriation for capital improvements and renovations to the campus facilities (other than auxiliary enterprises), library books, and materials, and equipment. Under the HEF Constitutional Provision, the Board is authorized to issue bonds and notes to finance permanent improvements at such institutions and to pledge up to 50% of its allocation to secure the payment of principal and interest on the bonds and notes. The University has no bonds or notes issued or outstanding under this program. Funds received under the HEF Program are not Pledged Revenues, but the University may use such funds to pay debt service on outstanding Parity Obligations. The State Legislature appropriated HEF program funds in the amounts of \$11,277,793 for Fiscal Years 2021 and 2022. For more detailed information, see “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019.”

#### *Tuition Revenue Bonds*

Pursuant to Chapter 55, Texas Education Code, revenue bonds issued by an institution of higher education, such as the University, may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the University, and all of the Parity Obligations of the University, including the Bonds, are secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. See “SECURITY FOR THE BONDS” including “Table 1 – Pledged Revenues” thereunder. Historically, the Texas Legislature has appropriated general revenue funds in the State’s budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds (“Tuition Revenue Bonds”) issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code.

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the Texas Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the Texas Legislature's appropriations for the reimbursement of debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the Texas Legislature is under no legal obligation to continue such appropriations in any future biennium.

A portion of the Parity Obligations of the University constitute Tuition Revenue Bonds. See footnote 2 under "Table 4 – Outstanding Obligations" below for a description of which Parity Obligations of the University constitute Tuition Revenue Bonds. Tuition Revenue Bonds issued by the University carry no additional pledge or security and constitute Parity Obligations of the Revenue Financing System which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the Revenue Financing System. The University is obligated to pay debt service on outstanding Tuition Revenue Bonds regardless of whether the Texas Legislature appropriates funds for the reimbursement of revenue funds of the University to pay debt service.

The Texas Legislature has appropriated funds to reimburse the University in an amount equal to all or a portion of the debt service on the University's Tuition Revenue Bonds, including \$5,388,000 for Fiscal Year 2021. The University can provide no assurances with respect to any future appropriations by the Texas Legislature. Future levels of State appropriations are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

*[The remainder of this page is intentionally left blank]*

**Table 4 – Outstanding Obligations**

As of the delivery of the Bonds, the University will have outstanding the following described indebtedness:

**Revenue Financing System Parity Obligations**

Revenue Financing System Revenue Refunding Bonds, Series 2013	\$ 7,530,000
Revenue Financing System Revenue Refunding Bonds, Series 2015	25,095,000
Revenue Financing System Revenue Refunding and Improvement Bonds, Series 2016 <sup>(1)</sup>	48,160,000
Revenue Financing System Bonds, Series 2019A	92,630,000
Revenue Financing System Bonds, Taxable Series 2019B	14,755,000
Revenue Financing System Refunding Bonds, Series 2020	15,935,000
<b>TOTAL REVENUE FINANCING SYSTEM OBLIGATIONS</b>	<b>\$ 204,105,000</b>

**Notes and Leases**

Bank of America Public Capital Corporation Equipment Lease <sup>(2)</sup>	\$ 8,723,373
Interfund SECO Loan <sup>(2)</sup>	181,223
<b>TOTAL NOTES AND LEASES</b>	<b>\$ 8,904,596</b>

<b>TOTAL OBLIGATIONS</b>	<b>\$ 213,009,596</b>
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- <sup>(1)</sup> Tuition Revenue Bonds for which the University will be reimbursed from a total State appropriation in the amount of \$6,440,456 and \$5,388,000 during the fiscal years of 2020 and 2021 State biennium. Future years' debt service for all or a portion of such issues is expected to be reimbursed from additional State appropriations but is entirely subject to future appropriations by the Texas Legislature in each such subsequent State biennium. See "Financing Programs for Capital Improvements — *Tuition Revenue Bonds*" above.
- <sup>(2)</sup> Payments under these leases and loans are subject to annual appropriation by the Board and are not payable from Pledged Revenues.

There are no outstanding Prior Encumbered Obligations.

**Investment Policy and Procedures**

*Management of Investments*

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

*Authorized Investments*

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

Effective September 1, 2013, Senate Bill 1019 (“SB 1019”), Eighty-Third Legislature, amended Section 51.0031 of the Texas Education Code, to permit an institution of higher education that does not have at least \$25 million in book value of endowment funds, such as the University, to contract to pool funds with another institution of higher education or university system that has at least \$25 million in book value of operating funds for the investment of its funds under prudent person standards. In 2014, the University contracted with the Texas A&M University System for the investment of the University’s operating funds pursuant to SB 1019.

### *Investment Programs*

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondly, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. Diversification maximums and actual investment levels for eligible securities as of August 31, 2020 were:

	<u>Maximum</u>	<u>Actual</u>	<u>Actual</u>
United States Treasury or Government securities	100.00%	-	
United States Agency securities	50.00%	-	
Mortgage-backed securities	25.00%	-	
Corporate Obligations	50.00%	-	
Fully insured or collateralized certificates of deposit	100.00%	6,051,067.43	2.44%
Bankers' acceptances	25.00%	-	
Commercial paper	50.00%	-	
Repurchase agreements	100.00%	-	
Registered money-market funds	80.00%	-	
Local Government Investment Pool	100.00%	131,824,592.60	53.06%
Bank Deposits	100.00%	48,812,663.16	19.65%
Investments held at Texas A&M University System- pooled account*	100.00%	59,673,499.90	24.02%
Cash held in the State Treasury	100.00%	2,068,036.06	0.83%
Totals		<u>248,429,859.15</u>	<u>100.00%</u>

### *Endowments*

The University is benefited by endowments consisting of marketable securities and investments, which are not pledged to the payment of debt obligations, with a market value at August 31, 2020 of approximately \$96 million. These include endowments for the University, SFA Foundation and SFA Alumni Association. Endowments under the direct control of the University, including both true endowments and quasi endowments, were valued as of August 31, 2020 at \$22,721,265.41. Market value of the true endowments as of August 31, 2020 was \$15,244,428.25. Endowment funds under direct control of the University are invested in the Texas A&M System’s Endowment Fund and Cash Concentration Pool (the “Pool”), and in Texas Class, a local government investment pool (see “Investment Policy and Procedures – Investment Programs”). As of August 31, 2020, the Endowment Fund and Cash Concentration Pool had a combined market value of approximately \$5.4 billion and was invested 29% in fixed income securities, 44% in equities and 27% in alternative assets. The University’s target distribution rate for its endowment funds is 4% of the 13 month weighted average balance of such funds as of November 30 of each year.

### **Deposits and Investments**

In 2005, the University implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3. This statement establishes and modifies disclosure requirements related to investment risks: credit risk including custodial credit risk and concentrations of credit risk, interest rate risk, and



foreign currency risk. The statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign credit risk. Since the University’s endowments are primarily invested in the Texas A&M System Cash Concentration Pool and the Texas A&M System Endowment Fund, the University coordinates with Texas A&M at each fiscal year end to ensure disclosure requirements are met. See “APPENDIX B – UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019 – NOTE 3.”

*Deposits of Cash in Bank*

The University invests its funds under authority of provisions of the Texas Education Code, the Texas Property Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. At August 31, 2020, the carrying amount of the University’s deposits was \$48,858,226.85 and total cash balances equaled \$56,174,905.28. Bank balances of \$1,000,000 were covered by federal depository insurance, and \$55,174,905.28 was covered by collateral pledged in the University’s name. The collateral was held in the safekeeping departments of unrelated banks that act as the pledging banks’ agents. Cash and Temporary Investments consist of the items reported below:

*Investments and Cash*

Bank Deposits		
Cash in Bank		\$ 48,858,226.85
Cash and Cash Equivalents		
Petty Cash on Hand	29,236.00	
Reimbursement from State Treasury	539,485.85	
Local Funds in State Treasury	2,050,420.92	
Cash Equivalents	<u>-</u>	2,619,142.77
Temporary Investments		<u>874,863.75</u>
Total Cash and Temporary Investments		<u>\$ 52,352,233.37</u>

*[The remainder of this page is intentionally left blank]*

Investment Categories  
August 31, 2019

	Investment Pooled at Texas A&M University System *
U.S. Treasury Securities	\$ 3,666,867.98
U.S. Treasury TIPS	131,664.47
U.S. Government Agency Obligations	4,536,869.29
Corporate Obligations	6,451,633.54
Corporate Asset & Mortgage Backed Securities	1,972,289.09
Equity	13,779,111.08
International Obligations (Government and Corp)	3,943,862.21
International Equity	9,796,012.31
Fixed Income Money Market and Bond Mutual Fund	143,419,640.14
Mutual Funds - International Equity	4,185,203.59
International Other Commingled Funds - Equity	3,153,249.39
Other Commingled Funds - Fixed Income	1,174,486.91
Derivatives	4,188.33
Alternative Investments	19,240,166.11
Miscellaneous	127,207.68
<b>Total Investments</b>	<b>\$ 215,582,452.12</b>

\* The university has contracted with Texas A&M University System in accordance with TEC 51.0031 for the investment of operating and quasi-endowment funds into the A&M Cash Concentration Pool. Investments in the pool are made in accordance with A&M Policy 22.02 System Investments.

The university has also contracted with A&M for the investment of the university's endowment funds into the A&M System Endowment Fund. Investments in the Endowment Fund are made in accordance with A&M Policy 22.02 System Investments.

Displayed on Statement of Net Assets as:	
Current Assets:	
Restricted:	
Short-Term Investments	\$ 37,020,979.89
Cash Equivalents	-
Unrestricted:	
Short-Term Investments	-
Cash Equivalents	-
Non-Current Assets	
Restricted:	
Investments: Endowment	14,157,232.98
Investments: Bond Proceeds	82,112,326.04
Unrestricted:	
Investments: Quasi-Endowments	6,627,506.33
Investments: Operating	75,664,406.88
Subtotal Investments	215,582,452.12
Less: Certificates of Deposit	-
Total Investments	\$ 215,582,452.12

Sources: Annual Financial Report for the Year Ended August 31, 2019: Statement of Net Assets and Note 3

## **Debt Management**

Debt management of the University is the responsibility of the Vice President for Finance and Administration. The Vice President for Finance and Administration evaluates the University's financing needs pursuant to a debt capacity analysis and annual funding requirements determined by the capital budget. Issuance of debt requires approval of the Board and the Texas Bond Review Board or an exemption from such requirement of approval by the Texas Bond Review Board under State law and the rules of the Texas Bond Review Board.

## **Retirement Plans**

University employees participate in various retirement plans and programs, which are summarized below. Such summary is qualified in its entirety by the complete description of such plans and programs within Notes 9-11 included in "APPENDIX B — UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019."

The State has joint contributory retirement plans for substantially all of its employees, including employees of the University. The primary plan that the University participates in is administered by the Teacher Retirement System of Texas ("TRS") and is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation (the "TRS Plan"). All employees of the University who are employed for one-half or more of the standard work load and are not exempted from membership by State law (including, particularly, Section 822.002, Texas Government Code) are covered by the TRS Plan. The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by State law and may be amended by the State Legislature at any time. No assurances can be made by the University as to whether any such amendments will occur or, if such amendments do occur, whether such amendments would materially affect the University's liability under the TRS Plan. The contributory percentages of participant salaries currently provided by the State and by each participant are set by legislation. For fiscal year 2020, the State's contribution rate was 7.5% and the participant's contribution rate was 7.7%. For fiscal year 2021, the State's contribution rate remains at 7.5% and the participant contribution rate remains at 7.7%.

The State has also established an optional retirement program ("ORP") for institutions of higher education for certain administrative personnel and faculty. Participation in the ORP is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The ORP allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the ORP prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.6% from the ORP appropriation and 1.9% from the other funding sources. The 6.6% contribution is mandatory with the other 1.9% being at the discretion of the Board. The contributory percentages on salaries for participants entering the ORP after August 31, 1995, are 6.6% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

Governmental Accounting Standards Board ("GASB") 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2020 fiscal year was \$1,950,763 and the amount contributed by the University was \$2,057,996.

The retirement expense to the State for the participants was \$1,692,493 for the fiscal year ended August 31, 2020. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

State employees, including University employees, may elect to defer a portion of their earnings for income tax and investment purposes pursuant to State law. All payroll deductions relative to deferred compensation were invested in approved plans during the fiscal year ended August 31, 2019. See "APPENDIX B — UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2019 — Note 10: Deferred Compensation" for more information.

In fiscal year 2018, GASB Statement No. 75 became effective for all State agencies. GASB Statement No. 75 requires State agencies to report its proportionate share of the State's Other Post-Employment Benefits (OPEB) liability on the face of the Financial Statements. OPEB includes retiree healthcare insurance, life insurance and other non-pension benefits. Restatement of the University's net assets for its proportionate share of the prior years' accumulated liability associated with OPEB was \$56,912,940. However, changes in current year actuarial assumptions increased this liability by \$75,618,636 to \$124,127,601 for the fiscal year ended August 31, 2019 and by \$25,147,405 to \$152,845,797 for fiscal year ended August 31, 2020.

**APPENDIX B**

**UNAUDITED FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY  
FOR THE YEAR ENDED AUGUST 31, 2019**

## APPENDIX C

### DEFINITIONS

As used in the Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

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

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

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

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

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

(5) Variable Rate. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

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

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

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

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“*Annual Direct Obligation*” means the amount budgeted each Fiscal Year by the Board with respect to each Participant in the Financing System to satisfy said Participant’s proportion of debt service (calculated based on said Participant’s Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

“*Annual Obligation*” means, with respect to each Participant in the Financing System and for each Fiscal Year, said Participant’s Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said Participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

“*Award Certificate*” means the certificate executed by the Designated Financial Officer in connection with the Bonds that establishes the terms of the Bonds pursuant to the Resolution.

“*Board*” means the Board of Regents of Stephen F. Austin State University, acting as the governing body of the University, or any successor thereto.

“*Bond Counsel*” means McCall, Parkhurst & Horton L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Board.

“*Bondholder*” or “*Owner*” means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

“*Bonds*” means the Board of Regents of Stephen F. Austin State University Revenue Financing System Refunding Bonds, Series 2020, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term “*Bond*” means any of the Bonds.

“*Business Day*” means any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

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

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

“*Debt*” means all:

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

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

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

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

“*Defeasance Securities*” means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured



by the agency or instrumentality and that, on the date the governing body of the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent,(iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent and (iv) any other then authorized securities or obligations under applicable state law in existence at the time of such defeasance that may be used to defease obligations such as the Bonds.

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

“*Designated Trust Office*” means initially, U.S. Bank National Association, Dallas, Texas, as the corporate trust office of the Paying Agent/Registrar.

“*Direct Obligation*” means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each Participant in the Financing System.

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

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

“*Federal Securities*” as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

“*Fiscal Year*” means the fiscal year of the Board which currently ends on August 31 of each year.

“*Funded Debt*” means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

“*Maturity*”, when used with respect to any Debt, means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Non-Recourse Debt*” means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a Participant.

“*Officer’s Certificate*” means a certificate executed by the Designated Financial Officer.

“*Opinion of Counsel*” means a written opinion of counsel, which counsel shall be acceptable to the Board.

“*Outstanding*” when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under the Resolution and any resolution hereafter adopted authorizing the issuance of Parity Obligations, except:

(1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

(9) Parity Obligations deemed paid pursuant to the provisions of the Resolution providing for the defeasance of the Bonds or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;

(10) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution; and

(11) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

“*Outstanding Principal Amount*” means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Resolution.

“*Parity Obligations*” means all Debt of the Board which may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations. For purposes of this definition, the Previously Issued Parity Obligations and the Bonds constitute Parity Obligations.

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

“*Paying Agent/Registrar*”, “*Paying Agent*” or “*Registrar*” means initially, U.S. Bank National Association, appointed pursuant to the Resolution, or any successor to any such agent.

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

“*Previously Issued Parity Obligations*” means the Parity Obligations previously issued by or on behalf of the Board payable from the same source as the Bonds that remain Outstanding.

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

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

“*Prior Resolutions*” means the resolutions adopted by the Board authorizing the issuance of the Previously Issued Parity Obligations.

“*Record Date*” means the last Business Day of the month next preceding each interest payment date.

“*Registration Books*” means the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to the Resolution.

“*Resolution*” means the Resolution authorizing the sale of the Bonds.

“*Revenue Financing System*” or “*Financing System*” means the “Stephen F. Austin State University Revenue Financing System”, currently for the benefit of the University, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a Participant of the Revenue Financing System by specific action of the Board.

“*Revenue Funds*” means the “revenue funds” of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. The term “Revenue Funds” does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, rates, fees, or other charges.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

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

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

“*Term of Issue*” means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

“*University*” means Stephen F. Austin State University, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of Stephen F. Austin State University pursuant to law.

**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*