OFFICIAL STATEMENT
DATED JANUARY 14, 2009

NEW ISSUE – BOOK-ENTRY-ONLY **RATINGS: Moody's: "Aa2"**
Fitch: "AAA"
(See "RATINGS" herein)

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds (defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, court decisions, and published rulings existing on the date thereof subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax consequences on corporations.

$22,994,575
TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2009

Dated Date: February 1, 2009 **Due: October 15, as shown on the inside cover page**
Interest Accrues: Date of Delivery

The bonds described herein (the "Bonds") are issued by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"). The Bonds are being issued in part as current interest bonds ("CIBs") and in part as premium capital appreciation bonds ("CABs"). The Bonds are payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS (the "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS".

Proceeds of the Bonds, together with other available funds, will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging, or equipping property, buildings, structures, facilities, roads, or related infrastructure, including a campus deferred maintenance reduction plan and the expansion of the school of nursing at the University and (ii) paying the cost of issuance associated with the Bonds. See "PLAN OF FINANCING".

Interest on the CIBs will accrue from the date of delivery, and is payable on April 15, 2009 and each April 15 and October 15 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the CABs will accrete from the date of delivery, compounded semiannually on April 15 and October 15, commencing April 15, 2009, and will be payable only upon maturity. The CIBs will be issued in principal denominations of $5,000 or any integral multiple thereof. The CABs will be issued in denominations of $5,000 of the total amount of principal, plus the initial premium, if any, and accrued interest payable upon maturity (the "Maturity Amount"), or any integral multiple thereof. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Wells Fargo Bank, N.A., Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System".

The Bonds are subject to redemption as set forth herein in the section "DESCRIPTION OF THE BONDS – Redemption".

ASSURED GUARANTY®

The Scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. See "BOND INSURANCE".

MATURITY SCHEDULE
(See Inside Cover Page)

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, Andrews Kurth LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through DTC on or about February 4, 2009.

Morgan Keegan & Company, Inc.

Citi **Edward Jones**
RBC Capital Markets **Siebert Brandford Shank & Co., LLP**

$22,994,575
TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2009

$22,785,000 Current Interest Bonds

Maturity[1] (October 15)	Principal Amount	Interest Rate	Initial Price or Yield	CUSIP[2]
2009[3]	$1,715,000	3.000%	1.250%	882756D55
2009	820,000	3.000%	1.250%	882756D63
***	***	***	***	***
2011	840,000	2.250%	1.880%	882756D89
2012	865,000	2.250%	2.070%	882756D97
2013	885,000	2.500%	2.270%	882756E21
2014	905,000	2.750%	2.480%	882756E39
2015	935,000	2.750%	2.690%	882756E47
2016	960,000	3.000%	2.880%	882756E54
2017	990,000	3.250%	3.090%	882756E62
2018	1,025,000	3.500%	3.330%	882756E70
2019	1,060,000	3.500%	3.580%	882756E88
2020	1,095,000	3.750%	3.880%	882756E96
2021	1,140,000	4.000%	4.140%	882756F20
2022	1,190,000	4.125%	4.300%	882756F38
2023	1,240,000	4.250%	4.470%	882756F46
2024	1,300,000	4.500%	4.620%	882756F53
2025	1,355,000	4.500%	4.740%	882756F61
2026	1,420,000	4.750%	4.840%	882756F79
2027	1,485,000	4.750%	4.940%	882756F87
2028	1,560,000	5.000%	5.040%	882756F95

$209,575 Capital Appreciation Bonds

Maturity (October 15)	Principal Amount	Initial Yield to Maturity	Initial Offering price per $5000 in Maturity Amount	CUSIP[2]
2010	$209,575	1.250%	$4,895.35	882756D71

(Interest to accrue from the date of delivery)

(1) The Bonds are subject to redemption as set forth herein in the section "DESCRIPTION OF THE BONDS – Redemption".
(2) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. Neither the Authority, the Board, the Financial Advisor nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
(3) Bonds mature April 15, 2009.

TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

H.L. Bert Mijares, Jr. - Chair	D. Joseph Meister - Member
Ruth C. Schiermeyer – Vice-Chair	Robert T. Roddy, Jr. - Member
Linda McKenna - Secretary	Gary E. Wood - Member
Gerald Alley - Member	

Certain Appointed Officers

Ms. Judith M. Porras, Interim Executive Director and General Counsel[1]

STEPHEN F. AUSTIN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Mr. Joe Max Green, Chair	Nacogdoches	January 31, 2009[2]
Mr. James A. Thompson, Vice Chair	Sugar Land	January 31, 2011
Mr. Melvin R. White, Secretary	Pflugerville	January 31, 2011
Ms. Valerie E. Ertz	Dallas	January 31, 2009[2]
Mr. Paul G. Pond	Dallas	January 31, 2009[2]
Mr. Richard B. Boyer	The Colony	January 31, 2011
Mr. Carlos Z. Amaral	Plano	January 31, 2013
Mr. James H. Dickerson	New Braunfels	January 31, 2013
Mr. John R. (Bob) Garrett	Tyler	January 31, 2013
Ms. Lacey A. Claver (Student Regent) [3]	Nacogdoches	May 31, 2009

Certain Appointed Officials

Name	Title	Length of Service with the University
Dr. L. Baker Pattillo	President	42 years
Mr. Danny R. Gallant	Vice President for Finance and Administration	25 years
Ms. Dora Fuselier	Controller	12 years
Ms. R. Yvette Clark	General Counsel	16 years

CONSULTANTS

Financial Advisor	**Bond Counsel**
First Southwest Company Dallas, Texas	McCall, Parkhurst & Horton L.L.P. Austin, Texas

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

Mr. Danny R. Gallant	Ms. Mary Williams
Vice President for Finance and Administration	Senior Vice President
Stephen F. Austin State University	First Southwest Company
P.O. Box 6108, SFA Station	325 North St. Paul, Suite 800
Nacogdoches, Texas 75962	Dallas, Texas 75201
(936) 468-2203	(214) 953-4021

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(1) The position of Executive Director is currently vacant.
(2) Regent will continue to serve until the Governor appoints a replacement.
(3) State law does not allow a student regent to vote on matters before the Board.

This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the University since the date hereof.

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

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

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

Neither the Authority, the Board, the University nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system.

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."

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OFFICIAL STATEMENT

relating to

$22,994,575

TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS, SERIES 2009

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide certain information regarding the issuance by the Texas Public Finance Authority (the "Authority"), on behalf of the Board of Regents of Stephen F. Austin State University (the "Board"), of a series of its bonds entitled "Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2009" (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in APPENDIX A, except as otherwise indicated herein.

Stephen F. Austin State University (the "University") was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an institution of higher education. For the 2008 Fall Semester the University had a total enrollment of 11,990 students. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor of the State (the "Governor") with the advice and consent of the State Senate. For a general description of the University, see "STEPHEN F. AUSTIN STATE UNIVERSITY" herein.

The Authority is the issuer of the Bonds for the benefit of the University pursuant to an Act of the Texas Legislature adopted in 1997. This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the University, the Authority, and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President for Finance and Administration, Stephen F. Austin State University, P.O. Box 6108, SFA Station, Nacogdoches, Texas 75963 (936) 468-2350. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5700.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Board's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State, Chapter 55, Texas Education Code, as amended, including particularly Sections 55.13(c), 55.1758 and 55.1768; Chapter 1232, Texas Government Code, as amended (the "Enabling Act"), including particularly, Section 1232.101 ("Section 1232.101"); Chapter 1201, Texas Government Code, as amended; Chapter 1371, Texas Government Code, as amended, and, additionally pursuant to a resolution (the "Resolution") adopted by both the Board and the Authority's governing body.

Purpose

Proceeds of the Bonds, together with other available funds, will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging, or equipping a property, buildings, structures, facilities, roads, or related infrastructure, including a campus deferred maintenance reduction plan and the expansion of the school of nursing at the University and (ii) paying the cost of issuance associated with the Bonds.

Pursuant to Section 1232.101, the Authority has the exclusive authority to issue bonds on behalf of the University, except for constitutional appropriation bonds which are issued by the University. Further, Section 55.13(c) of the Texas Education Code provides that the Authority must exercise the authority of the Board to issue bonds on behalf of the University, and the Authority has all the rights and duties granted or assigned to and is subject to the same conditions as the Board under Chapter 55, Texas Education Code. The University submitted to the Authority, and the Authority approved, a request for financing for the issuance of the Bonds in an amount sufficient to finance approximately $23 million of estimated project costs. The total project costs associated with the nursing facility expansion is expected to be approximately $13 million and the total project costs associated with the campus deferred maintenance reduction plan is expected to be $10 million.

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Bonds	$22,994,575.00
Net Original Issue Premium	491,335.60
Total	$23,485,910.60
Uses of Funds	
Deposit to Construction Fund	$23,000,000.00
Costs of Issuance (1)	485,910.60
Total	$23,485,910.60

(1) Includes Underwriter's Discount and Bond Insurance Premium.

THE AUTHORITY

The Authority is a public authority and body politic and corporate originally created in 1984 by an act of the Texas Legislature as the Texas Public Building Authority. The Authority (formerly known as the Texas Public Building Authority) succeeded to the ownership of all property of and all lease and rental contracts entered into by, the Texas Public Building Authority, and all of the obligations contracted or assumed by the Texas Public Building Authority became obligations of the Authority.

The Authority is currently governed by a board of directors (the "Authority Board") composed of seven members appointed by the Governor with the advice and consent of the State Senate. The Governor designates one member to serve as Chair at the will of the Governor. Board members whose terms have expired continue to serve on the Authority Board, until a successor therefore has qualified for office. The current members of the Authority Board, the office held by each member and the date on which each member's term expires are as follows:

Name	Position	Term Expires (February 1)
H.L. Bert Mijares, Jr.	Chair	2009
Ruth C. Schiermeyer	Vice-Chair	2013
Linda McKenna	Secretary	2011
Gerald Alley	Member	2013
D. Joseph Meister	Member	2013
Robert T. Roddy, Jr.	Member	2013
Gary E. Wood	Member	2009

The Authority employs an Executive Director who is charged with managing the affairs of the Authority, subject to and under the direction of the Authority Board. Currently, the Executive Director position is vacant. Judith M. Porras is serving as Interim Executive Director, and the Board is in the process of recruiting for the Executive Director position. The Authority has a cap of 15 full-time employees, and an annual operating budget of approximately $800,000.

Pursuant to the Enabling Act and Chapters 1401 and 1403, Texas Government Code, as amended, the Authority issues general obligation bonds and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers four commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two General Obligation commercial paper programs for certain general State government construction projects; and a General Obligation commercial paper program for the Colonia Roadway program. In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code, as amended.

The Authority has issued revenue bonds on behalf of the Parks & Wildlife Department, the Building and Procurement Commission, the State Preservation Board, the Texas Department of Criminal Justice, the Health & Human Services Commission, the Texas Department of Agriculture, the Department of State Health Services, the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Facilities Commission, the Texas Historical Commission, Midwestern State University, Texas Southern University and the University. It has also issued general obligation bonds for the Parks & Wildlife Department, the Building and Procurement Commission, the Department of State Health Services, the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services, the Texas Department of Public Safety, the Texas Youth Commission, the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Adjutant General's Department, the Texas Department of Transportation, and the Texas Juvenile Probation Commission.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in *Texas Public Building Authority v. Mattox, 686 S.W.2d 924* (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Enabling Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of any of them.

Sunset Review

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The next scheduled review of the Authority is during the legislative session in 2011. The Enabling Act, as amended by the 75th Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2011; however, the Texas Sunset Act provides that the Authority will exist until September 1 of the following year (September 1, 2012) in order to conclude its business.

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

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Board to carry out its statutory authority, including its authority to construct buildings. The Enabling Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of any of the projects of the University.

Payments on the Bonds are expected to be made solely from the Pledged Revenues. See "SECURITY FOR THE BONDS." Any default in payments on the Bonds will not affect the payment of any other obligations of the Authority. With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Authority, must be approved by the Texas Bond Review Board prior to their issuance. The Texas Bond Review Board is composed of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the Texas Bond Review Board. Each member of the Texas Bond Review Board may, and frequency does, act through a designee. An application was submitted to the Texas Bond Review Board and approved on November 20, 2008. In the case of bonds issued by institutions of higher education, such as the University, the projects to be financed by the bonds are also reviewed or approved by the Texas Higher

Education Coordinating Board (the "Coordinating Board"). The projects to be financed with the proceeds of the Bonds were approved by the Coordinating Board as required by law.

DESCRIPTION OF THE BONDS

General

The Bonds are being issued in part as current interest bonds (the "CIBs") and in part as premium capital appreciation bonds (the "CABs"). The Bonds are dated February 1, 2009, and mature on April 15, 2009 and on October 15 in each of the years and in the amounts shown on the inside front cover page hereof. Interest on the CIBs will accrue from the date of delivery, will bear interest at the per annum rates shown on the inside front cover page hereof, and will be payable April 15 and October 15 of each year, commencing April 15, 2009, until maturity or prior redemption. Interest on the CIBs will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the CABs will accrete from the date of delivery, compounded semi-annually on April 15 and October 15, commencing April 15, 2009, and will be payable only upon maturity. The amount of principal, plus the initial premium, if any and accrued interest paid at maturity with respect to the CABs is hereinafter referred to as the "Maturity Amount." The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount or Maturity Amount, as applicable.

A table of Accreted Values (as defined herein) of the CABs per $5,000 Maturity Amount based on (i) the initial offering price and (ii) the approximate yield set forth on the inside front cover page of this Official Statement is presented in Schedule I attached hereto, and such table of Accreted Values is provided for informational purposes only and may not reflect the prices for the CABs in the secondary market.

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 which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Yield on Premium Capital Appreciation Bonds

The original principal amount of a CAB plus the initial premium, if any, paid therefor with interest thereon compounded semiannually to April 15 or October 15, as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on April 15 or October 15), using the respective yield to maturity stated on the inside front cover page, means the "Accreted Value" for the CABs. Based on the initial offering prices for the CABs, schedules of Accreted Value per $5,000 Maturity Amount on the respective Accretion Dates, using the yields stated on the inside front cover page of this Official Statement, are set forth in Schedule I attached hereto. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the CABs in the secondary market. The respective yields on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuation in the secondary market than securities that pay interest on a periodic basis.

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Payment Office described herein, the Authority will execute, and the Paying Agent/Registrar, initially Wells Fargo Bank, N.A., Dallas, Texas, will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver the Bonds, which the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Record Date for Interest Payment

The regular record date ("Record Date") for the interest payable on any interest payment date means the last business day of the month next preceding each interest payment date.

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

Redemption

The CIBs scheduled to mature on and after October 15, 2018 are subject to redemption prior to maturity at the option of the Authority, upon the request of the Board, on October 15, 2017 or on any date thereafter, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and, if in part within a maturity, the particular Bonds or portion thereof to be redeemed will be selected by the Paying Agent/Registrar) at a price of par plus accrued interest from the most recent interest payment date to the redemption date.

The CABs are not subject to redemption prior to maturity.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of CIBs or portions thereof prior to maturity a written notice of such redemption will be sent by the Paying Agent/Registrar at least 30 days prior to the date fixed for any such redemption, to the registered owner of each CIB to be redeemed at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send or receive such notice, or any defect therein or in the sending thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any CIB. So long as the CIBs remain in DTC's book-entry-only system ("Book-Entry-Only System"), the Paying Agent/Registrar shall only be required to send such notice of redemption to DTC (or its nominee) see "DESCRIPTION OF THE BONDS –Book-Entry Only System").

In addition, the Paying Agent/Registrar will give notice of redemption of CIBs at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any CIB who has not sent the CIBs in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the CIBs to be redeemed, including the complete name of the CIBs, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the CIBs may be redeemed, including a contact person and telephone number.

With respect to any optional redemption of the CIBs, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the CIBs to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Authority will not redeem such CIBs, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the CIBs have not been redeemed.

Paying Agent/Registrar

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

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has

Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 Bonds ("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, but Beneficial Owners are 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 interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the 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 Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

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

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

BOND INSURANCE

The following information is not complete and reference is made to Appendix D for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

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

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" (stable) by Fitch, Inc. ("Fitch") and "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Agreement to Acquire FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement with Dexia SA to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company, Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on November 17, 2008.

Ratings

On July 21, 2008, Moody's issued a press release stating that it had placed under review for possible downgrade the "Aaa" insurance financial strength rating of Assured Guaranty. In a press release dated November 14, 2008, Moody's responded to AGL's announcement of its agreement to acquire FSA, stating that "the potential impact of the proposed transaction on the ratings of Assured Guaranty and FSA will be considered in the context of its ongoing rating reviews of both companies; those reviews are now expected to conclude in the near term." Reference is made to the press releases for the complete text of Moody's comments; copies of such documents are available at www.moodys.com.

On November 21, 2008, Moody's issued a press release announcing that it had downgraded the insurance financial strength rating of Assured Guaranty to "Aa2" from "Aaa" and that the status of Assured Guaranty's insurance financial strength rating had been changed to "outlook stable" from "on review for possible downgrade." In the release, Moody's stated that "Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on Assured's exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of [Assured Guaranty]…. The rating agency added that the acquisition of FSA by [AGL] will, if completed as planned, create a combined entity with substantial financial resources and a strong market position." Reference is made to such release for the complete text of Moody's comments; a copy of such document is available at www.moodys.com.

Assured Guaranty's "AAA" (stable) financial strength ratings by S&P and by Fitch were affirmed on June 18, 2008 and December 12, 2007, respectively. On November 14, 2008, Fitch issued a press release responding to AGL's announcement of its agreement to acquire FSA, indicating that they do not expect the acquisition, as presented, to have a negative impact on Assured Guaranty's rating. Reference is made to the press release for the complete text of Fitch's comments; a copy of such press release is available at www.fitchratings.com. On November 17, 2008, S&P issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that the agreement "appears to pose limited rating risk" for Assured Guaranty. Reference is made to the press release for the complete text of S&P's comments; a copy of such press release is available at www.ratingsdirect.com. There can be no assurance as to what impact, if any, Moody's downgrade or the proposed acquisition will have on the company's financial strength ratings from Fitch or S&P.

For more information regarding Assured Guaranty's insurance financial strength ratings, see AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008).

Capitalization of Assured Guaranty Corp.

As of September 30, 2008, Assured Guaranty had total admitted assets of $1,767,134,629 (unaudited), total liabilities of $1,341,373,221 (unaudited), total surplus of $425,761,408 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,106,199,863 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

> The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the SEC on February 29, 2008);
>
> The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008);
>
> The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (which was filed by AGL with the SEC on August 8, 2008);
>
> The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008); and
>
> The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

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DEBT SERVICE REQUIREMENTS

Year Ending 8/31	Outstanding Debt Service[1]			The Bonds			Total Combined Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2009	$5,475,000	$5,768,932	$11,243,932	$1,715,000	$166,653	$1,881,653	$13,125,585
2010	5,710,000	5,540,539	11,250,539	820,000	781,250	1,601,250	12,851,789
2011	5,940,000	5,303,112	11,243,112	209,575	768,950	1,598,950	12,842,062
2012	5,985,000	5,058,880	11,043,880	840,000	759,500	1,599,500	12,643,380
2013	6,245,000	4,802,356	11,047,356	865,000	740,319	1,605,319	12,652,675
2014	6,510,000	4,520,125	11,030,125	885,000	719,525	1,604,525	12,634,650
2015	6,825,000	4,214,801	11,039,801	905,000	696,019	1,601,019	12,640,820
2016	7,135,000	3,893,648	11,028,648	935,000	670,719	1,605,719	12,634,366
2017	7,455,000	3,556,115	11,011,115	960,000	643,463	1,603,463	12,614,578
2018	7,805,000	3,203,143	11,008,143	990,000	612,975	1,602,975	12,611,118
2019	8,165,000	2,836,585	11,001,585	1,025,000	578,950	1,603,950	12,605,535
2020	8,065,000	2,468,525	10,533,525	1,060,000	542,463	1,602,463	12,135,988
2021	8,415,000	2,105,356	10,520,356	1,095,000	503,381	1,598,381	12,118,738
2022	8,790,000	1,731,006	10,521,006	1,140,000	460,050	1,600,050	12,121,056
2023	8,095,000	1,351,781	9,446,781	1,190,000	412,706	1,602,706	11,049,488
2024	8,460,000	981,881	9,441,881	1,240,000	361,813	1,601,813	11,043,694
2025	8,835,000	602,538	9,437,538	1,300,000	306,213	1,606,213	11,043,750
2026	6,880,000	255,719	7,135,719	1,355,000	246,475	1,601,475	8,737,194
2027	1,190,000	78,625	1,268,625	1,420,000	182,263	1,602,263	2,870,888
2028	1,255,000	26,669	1,281,669	1,485,000	113,269	1,598,269	2,879,938
2029	-	-	-	1,560,000	39,000	1,599,000	1,599,000
Total	$133,235,000	$58,300,336	$191,535,336	$22,994,575	$10,305,953	$33,920,953	$225,456,289

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

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SECURITY FOR THE BONDS

The Revenue Financing System

The Resolution confirms the creation in 1998 of the Stephen F. Austin State University Revenue Financing System (the "Revenue Financing System"). The Revenue Financing System was established to provide a financing structure for revenue-supported indebtedness of the University and any research and service agencies or other components of the University which 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. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board or the Authority, on behalf of the Board, may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant which 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 below. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "APPENDIX A – DEFINITIONS".

Pledge Under Resolution

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

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which 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 there from and any fund balances relating thereto (see "SELECTED FINANCIAL INFORMATION - Higher Education Fund Bonds"); and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas (the "Texas Legislature"). All legally available funds of the University, including unrestricted funds and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under "Table 1 Pledged Revenues" and "SELECTED FINANCIAL INFORMATION". See also "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION".

The Board has covenanted in the Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue supported debt obligations which benefit components of the University as Parity Obligations under the Resolution.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS." Also, see "SELECTED FINANCIAL INFORMATION - Financing Programs" for information concerning other indebtedness of the University secured by other sources.

Table 1 - Pledged Revenues

The following table contains a summary of the Pledged Revenues for the Fiscal Years Ending August 31, 2004 through 2008, including pledged unappropriated fund balances available at the beginning of the year. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations, gifts, grants and contracts within the Educational and General Fund Group; and student service fees and private gifts in the Auxiliary Fund Group, as such terms are used in "APPENDIX A -FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY FOR THE YEAR ENDED AUGUST 31, 2008."

	Fiscal Year Ended August 31,				
	2008	2007	2006	2005	2004
Total Revenues[1] -	$ 105,264,453	$ 92,566,133	$ 80,877,816	$ 65,872,054	$ 65,951,171
Pledged Auxiliary Unappropriated Balance -	9,097,617	7,128,016	6,220,183	5,694,837	6,226,427
Total Pledged Revenues -	$ 114,362,070	$ 99,694,149	$ 87,097,999	$ 71,566,891	$ 72,177,598

[1] Includes Student Center Fees and Student Recreational Sports Fees, which may only be used for payment of debt service on bonds issued to finance (and for purposes related to) the student center and student recreational facilities and programs, respectively. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Pledged Revenues". For the fiscal years ending August 31, 2008 and 2007, Pledged Revenues includes (i) Student Center Fees in the amount of $2,108,796 and $2,173,585, respectively, and (ii) Student Recreational Sports Fees in the amount of $2,693,435 and $2,739,872, respectively.

Maximum annual debt service over the life of the Prior Encumbered Obligations, the Outstanding Parity Obligations and the Bonds is $13,125,585.

Additional Obligations

Future Financings

The University anticipates the issuance of approximately $12,000,000 of Parity Obligations in 2009/2010 pursuant to Chapter 55 of the Texas Education Code for parking facilities. Also, see "SELECTED FINANCIAL INFORMATION – Financing Programs" for information concerning the other University financing programs.

Parity Obligations

The Board reserves the right to issue or incur, or request that the Authority, on its behalf, issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board or the Authority acting on behalf of the Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if: (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged

Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System, and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations; and (ii) a Designated Financial Officer delivers to the Board and the Authority a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SELECTED FINANCIAL INFORMATION - Future Capital Improvement Needs and Projected Debt Issuance".

Nonrecourse Debt and Subordinate Debt

Nonrecourse Debt and Subordinated Debt may be incurred by the Board, or the Authority on behalf of the Board, without limitation.

STEPHEN F. AUSTIN STATE UNIVERSITY

General Description

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

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

The main campus includes over 400 acres, part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 699 acres for beef and poultry production; an experimental forest in southwestern Nacogdoches County; and a forestry field station on Lake Sam Rayburn. The main campus hosts 28 major instructional buildings and 16 residence halls, representing an investment of approximately $247 million. The central library houses over 560,000 books and over 1,640,000 general collection items. The University operates a Forestry Library which, in addition to a general forestry collection, contains a highly regarded repository by the Forest History Collection. Other facilities of special interest at the University include the Soils Testing Laboratory, the Forestry Research Laboratory and the Seed Testing Laboratory. At August 31, 2008, the cost value of all University capital assets net of depreciation was over $176 million.

Curriculum

The University is a state-supported coeducational institution of higher learning. It is organized into six separate colleges that include the Colleges of Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts, and Sciences and Mathematics. These colleges currently offer 83 different baccalaureate degrees in over 120 subject areas. In addition, the graduate colleges offers masters degrees in Fine Arts, Arts, Business, Administration, Education, Forestry, and Science in 46 separate programs, and doctoral degrees in Forestry and Education.

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First Time Freshman Statistics

	Fall Semester Enrollment for Fiscal Year:[1]				
	2009	2008	2007	2006	2005
Men	859	858	845	757	632
Women	1,451	1324	1401	1164	1052
Total	2,310	2182	2246	1921	1684
% Change	5.87%	-2.85%	16.92%	14.07%	-3.99%
One Year Retention Rate[2]	63%	64%	64%	67%	66%

(1) Represents Full-Time Enrollment Students.
(2) One-year retention rates for the fall year are return rates for the first-time, full-time freshmen enrolled in the prior fall term.

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

Table 2 – Enrollment Data[1]

	Fiscal Year 2009	Fiscal Year 2008			
Type of Student	Fall 2008	Summer II 2008	Summer I 2008	Spring 2008	Fall 2007
Texas Resident	11,538	3,861	4323	10,623	11,203
Out of State	270	93	69	210	247
Foreign	174	63	63	170	156
Inter-institutional	8	16	39	5	1
Total	11,990	4,033	4494	10,648	11,607
High School scholarship	20	0	0	19	26
Hazlewood Act	48	26	25	39	37
St. Commission Blind/Deaf	56	25	20	47	40
Orphaned Children of Public Employees	5	0	1	4	4
Foster Care	15	7	5	13	14
Distance Education	551	n/a	n/a	n/a	n/a
Other Exemptions and Out of State Waivers	356	105	103	351	397

Source: Stephen F. Austin Bursar Office, Report RFA110, RFA520E and BFA062

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

(1) Includes combined headcount number for Undergraduate and Graduate students.

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

Degrees Awarded by School and Percent of Total

	For Fiscal Year Ended August 31,									
	2008		2007		2006		2005		2004	
Business	306	13.45%	307	13.91%	325	15.01%	311	13.69%	365	16.86%
Education	603	26.51%	598	27.10%	583	26.93%	559	24.61%	541	24.99%
Fine Arts	147	6.46%	102	4.62%	101	4.67%	125	5.50%	89	4.11%
Forestry and Agriculture	83	3.65%	76	3.44%	71	3.28%	117	5.15%	36	1.66%
Liberal and Applied Arts	475	20.88%	480	21.75%	444	20.51%	491	21.62%	498	23.00%
Sciences & Mathematics	198	8.70%	171	7.75%	176	8.13%	182	8.01%	188	8.68%
Graduate	463	20.35%	473	21.43%	465	21.48%	486	21.40%	448	20.69%
Total	2,275	100.00%	2,207	100.00%	2,165	100.00%	2,271	100.00%	2,165	100.00%

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

Faculty Profile

During the fall semester 2008, the University employed 477 full-time instructional faculty and 174 part-time faculty (excludes teaching assistants).

Approximately 82% of the full-time faculty hold academic rank and 42% of full-time faculty are tenured. The following data apply to the full-time faculty:

Academic Credentials	Number	Academic Rank	Number	% Tenured
Doctorate	314	Professor	99	100.00%
Master's Degree (or equivalent)	155	Associate Professor	85	95.29%
Other	8	Assistant Professor	147	.12%
		Instructor	62	.05%
		Lecturer	36	0.00%
		Visiting Professor	8	0.00%
		Adjunct	40	0.00%
Total	477	Total	477	41.93%

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

Deposits and Investments

In 2005, the University implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3. This statement establishes and modifies disclosure requirements related to investment risks: credit risk including custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. The statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign credit risk. See "APPENDIX B – FINANCIAL REPORT OF STEPHEN F. AUSTIN FOR THE YEAR ENDED AUGUST 31, 2008 – 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 October 31, 2008, the carrying amount of the University's deposits was $40,215,841 and total cash balances equaled $45,303,710. Bank balances of $521,663 were covered by federal depository insurance, $44,782,047 was covered by collateral pledged in the University's name and $0 was uninsured and uncollateralized. (In April, 2008, $35,736 of the University's deposits were briefly uninsured and uncollateralized.) The collateral was held in the safekeeping departments of unrelated banks that act as the pledging banks' agents. Cash and Temporary Investments, as reported on the Balance Sheet contained in APPENDIX B.

Investments[(1)]

As of October 31, 2008, the fair value of cash and investments are as presented below:

Bank Deposits:	
Cash in Bank	$32,184,433
Investments:	
Current Assets:	
Cash Equivalents	7,038,692
Short-Term Investments	8,373,599
Restricted Cash Equivalents	988,190
Non-Current Assets	
Restricted:	
Cash Equivalents	303,301
Investments: Endowments	7,907,051
Unrestricted:	
Investments: Quasi-Endowments	4,133,033
Investments: Operating	20,354,252
Subtotal (Investments)	49,098,118
Less: Certificates of Deposit	(8,031,408)
Less: Sweep accounts reported as cash equivalents	(306,503)
Total Investments	40,760,207
Total Temporary Cash and Investments	$72,944,640

Investments by Category:

Business-Type Activities:	Fair Value
U.S. Government	
U.S. Treasury Securities	$18,560,616
U.S. Government Agency Obligations	
(Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	7,675,025
Corporate Obligations	1,871,586
Domestic Equity	2,527,195
International Equity	693,148
International Obligations (Government and Corp)	103,383
Fixed Income Money Market and Bond Mutual Fund	1,865,017
Other commingled Funds (Texpool)	6,158,662
Alternative Investments	1,305,575
Total Investments	40,760,207
Plus: Cash in Bank	$32,184,433
Total Temporary Cash and Investment	$72,944,640

(1) Line items may not add to totals due to rounding.

Endowments

The University's spending policy was revised in fiscal year 2007. The new policy provides for a target distribution rate of between 4% and 5%. If returns permit, an amount equal to the rate of inflation will be added back to each endowment principal balance. Additionally if there are any returns beyond the inflation rate, then this amount will be added to a contingency reserve that may be distributed during years of poor investment performance. In 2008, 4.00% of total earnings were distributed to scholarship accounts and 2.43% were added back to the balance of each individual endowment account. See "SELECTED FINANCIAL INFORMATION - Investment Policy and Procedures – Endowments."

Retirement Plans

The State of Texas has joint contributory retirement plans for all of its benefits-eligible employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas (TRS). The contributory percentages of participant salaries currently provided by the State and by each participant are 6.58% and 6.4%, respectively, of annual compensation. TRS does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in TRS' annual financial report.

The State has also established an optional retirement program (ORP) for institutions of higher education for certain administrative personnel and faculty. Participation in the optional retirement program is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The optional retirement program allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.58% from the ORP appropriation and 1.92% from other funding sources. The 6.58% contribution is mandatory with the other 1.92% being at the discretion of the Board. The Board has approved the additional contributions for these employees. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.58% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

GASB 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2008 fiscal year was $1,930,515.00 and the amount contributed by the University was $2,177,789.00.

The retirement expense to the State for the participants was $2,482,719.95 for the fiscal year ended August 31, 2008. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the University.

SELECTED FINANCIAL INFORMATION

Financial Reports

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

State CAFR

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

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

Stephen F. Austin State University Financial Reports

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

During Fiscal Year 2004, the State and the University implemented GASB Statement No. 39 ("GASB 39") "Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14." GASB 39 requires state and local governments to report legally separate, tax exempt organizations as discrete component units if they meet the following criteria: (1) the economic resources raised and held by the affiliated organization almost entirely are for the benefit of the governmental entity; (2) the governmental entity is entitled to or has the ability to access the funds raised by the affiliated organization; and (3) the funds held by the affiliated organization are material to the governmental entity's financial statements.

Stephen F. Austin State University's financial reports cover all financial operations of Stephen F. Austin State University. The University does not include any blended components in the financial report.

Attached to this Official Statement as "APPENDIX B – FINANCIAL REPORT OF STEPHEN F. AUSTIN FOR THE YEAR ENDED AUGUST 31, 2008" is the most recent unaudited annual financial report for the University. The University's unaudited financial statements consist of the Statement of Net Assets as of August 31, 2008, the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2008 and the Statement of Cash Flows for the Year Ended August 31, 2008.

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

The table on the following pages presents the Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years 2008, 2007, 2006, 2005 and 2004.

	For Fiscal Years Ending August 31,				
	2008	2007	2006	2005[(1)]	2004[(2)]
Operating Revenues:					
Sales of Goods and Services					
Tuition & Fees – Pledged	$67,239,336	$57,443,265	$51,289,442	$44,887,862	$15,109,307
Tuition & Fees – Non-Pledged	3,436,716	3,294,241	3,129,963	3,026,693	25,785,234
Tuition – Discounts / Allowances	(13,392,578)	(12,311,029)	(10,604,734)	(8,663,434)	(9,159,866)
Auxiliary Enterprise – Pledged	30,791,332	28,323,272	22,694,200	20,512,199	23,318,865
Auxiliary Enterprise – Non-Pledged	1,152,567	1,411,209	887,554	945,004	856,109
Auxiliary Enterprise – Discounts/Allowances	(5,420,832)	(5,074,719)	(4,180,322)	(3,708,889)	-
Other Sales of Goods and Svcs – Pledged	4,428,406	3,754,490	3,682,579	3,136,212	3,107,420
Other Sales of Goods and Svcs. – Non-Pledged	1,028,787	1,230,398	1,171,220	815,526	951,007
Interest and Investment Income (PR)	189,529	188,608	183,728	65,316	162,706
Federal Revenue	17,431,335	15,503,620	14,842,223	13,945,060	13,745,946
Federal Pass Through Revenue	3,321,741	3,237,154	4,235,374	849,382	862,899
State Grant Revenue	837,983	786,906	575,061	468,160	526,954
State Grant Pass through Revenue	4,042,864	3,878,375	4,367,220	4,230,341	3,738,735
Local Contracts and Grants	595,523	502,475	238,027	355,812	477,714
Other Contracts and Grants	302,670	416,792	651,246	837,666	1,528,371
Other Operating Revenues	4,108	10,765	21,191	64,011	54,180
Total Operating Revenues	115,989,487	102,595,824	93,185,972	81,766,923	81,065,581
Operating Expenses:					
Cost of Goods Sold	7,793,097	6,570,532	5,811,669	5,376,380	9,306,295
Salaries and Wages	75,959,933	70,782,231	67,752,061	64,118,502	60,891,741
Payroll Related Costs	19,572,226	18,445,775	17,332,491	16,081,665	15,498,873
Professional Fees and Services	1,624,462	1,477,896	1,674,622	1,710,449	2,655,657
Travel	2,278,773	2,026,920	1,924,836	1,934,403	1,648,298
Materials and Supplies	15,038,190	17,184,358	121,129,681[(3)]	5,472,001	4,551,086
Communication and Utilities	11,788,438	11,475,015	10,966,934	9,180,234	7,652,475
Repairs and Maintenance	3,895,941	3,114,489	1,938,882	1,639,948	2,310,878
Rentals and Leases	2,110,336	1,682,376	1,789,196	1,252,072	1,230,924
Printing and Reproduction	698,274	662,366	631,263	550,108	349,959
Federal Pass Through Expenditure	1,056,690	663,595	799,018	75,133	179,102
State Pass Through Expenditure	0	6,374,641	-	-	-
Depreciation	9,939,710	7,715,953	5,724,050	4,058,098	3,554,046
Bad Debt Expense	317,074	212,877	5,645	(5,155)	63,444
Interest Expense	476	944	516	1,624	950
Scholarships	13,152,371	13,125,624	11,191,935	11,138,205	12,520,348
Claims and Settlements	250	45	6,436	-	-
Other Operating Expenses	5,681,633	5,481,912	5,631,531[(3)]	8,472,881	9,455,750
Total Operating Expenses	170,907,876	160,686,656	145,310,764	131,056,548	131,869,826
Operating Income (Loss)	(54,918,389)	(58,090,832)	(52,124,791)	(49,289,625)	(50,804,245)

(1) In 2005, the University began including statutory tuition as pledged tuition.

(2) In 2004, Discounts/Allowances were applied to tuition and fees only.

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

Source: Unaudited Financial Reports for the year ended August 31, 2008, 2007, 2006, 2005 and 2004.

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

	For Fiscal Years Ending August 31,				
	2008	2007	2006	2005[1]	2004[2]
Nonoperating Revenues (Expenses):					
Legislative Revenue	43,677,367	40,045,553	40,092,510	38,026,807	37,875,140
Additional Appropriations	10,756,380	9,824,597	9,590,476	88,886,299	9,083,776
Federal Pass Through Revenue	-	13,611	-	-	-
Gifts – Non Pledged	2,431,850	2,247,463	2,298,280	2,399,512	1,948,462
Gifts – Pledged	35,932	-	-	-	-
Land Income	3,200	100	700	-	-
Other rental Income	2,768	-	-	-	-
Investment Income (Pledged)	2,405,550	2,370,880	1,536,190	1,074,910	848,391
Investment Income (Non-Pledged)	290,619	369,273	291,448	460,561	273,564
Net Increase (Decrease) Fair Value Pledged	325,692	167,467	103,580	(233,699)	(81,412)
Net Increase (Decrease) Fair Value Nonpledged	(496,831)				
Investing Activities Expenses	(80,559)	(16,753)	(90,156)	(107,183)	(16,272)
Income on Loans Receivable	(115,694)	217,006	139,804	144,903	-
Interest on Capital Investments Pledged	34,097	121,310	1,302,184	225,664	308
Interest Expenses and Fiscal Charges	(5,216,737)	(3,487,419)	(1,743,338)	(1,021,076)	(396,692)
Gain (Loss) on Sale of Capital Assets	(119,971)	(16,040)	(123,501)	(42,260)	(467,664)
Unrealized Gain (Loss) on Capital Investments	-	-	-	-	99,154
Settlement of Claims	(12,219)	260,511	4,567	20,000	(359)
Other Nonoperating Revenues	-	-	-	89,152	85,723
Other Nonoperating Expenses	(1,615)	(10,630)	(6,905)	(1,151)	-
Total Nonoperating Revenues (Expenses)	53,919,827	52,106,930	53,431,839	49,922,439	49,252,119
Income (Loss before Other Revenues, Expenses, Gains/Losses and Transfers	(998,562)	(5,983,902)	1,307,048	632,814	(1,552,126)
Other Revenues, Expenses, Gains/Losses and Transfers					
Capital Contributions	372,361	1,795,674	-	-	-
Capital Appropriations (HEF)	7,025,771	4,683,847	4,683,847	6,633,109	6,633,109
Additions to Permanent & Term Endowments	136,678	835,173	551,399	582,393	657,016
Lapsed Appropriations	(550,000)	-	-	-	-
Transfers-In/(Out) to other state agencies	(700,235)	(854,614)	(507,293)	(227,476)	(101,975)
Total Other Revenue, Expenses, Gain/Losses and Transfers	6,284,575	6,460,080	4,727,953	6,988,026	7,188,150
Change in Net Assets	5,286,013	476,178	6,035,001	7,620,840	5,636,024
Beginning Net Assets	113,091,719	112,615,541	108,454,259	115,410,271	107,089,945
Restatements:	(707,515)	-	(1,873,719)	(14,576,852)	2,684,302
Total Net Assets, September 1, as Restated	112,384,205	$112,615,541	$106,580,540	$100,833,419	$109,774,247
Total Net Assets, August 31	$117,670,218	$113,091,719	$112,615,541	$108,454,259	$115,410,271

[1] In 2005, the University began including statutory tuition as pledged tuition.

[2] In 2004, Discounts/Allowances were applied to tuition and fees only.

Source: Unaudited Financial Reports for the year ended August 31, 2008, 2007, 2006, 2005 and 2004.

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2008 consisted of government appropriations; tuition and student fees; gifts, investment and endowment income; sales and services, and other sources; auxiliary enterprises; and other sources. The amounts and the sources of such funding vary from year to year; there is no guarantee that the source or amounts of such funding will remain the same in future years.

Tuition and Fee

Each Texas public university granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Prior to a change in law effective for the Fall 2003 semester, the amount charged by the University for tuition and the designated tuition fee was subject to a per-semester-credit-hour cap set by the Texas Legislature, which permitted undergraduate tuition applicable to State residents to be charged up to up to $96 per semester credit hour for the 2004-2005 academic year, up to $100 per semester credit hour in the 2005-2006 academic year and thereafter. Tuition and fee charges subsequent to deregulation for the 2007-08 academic year are comprised of "State Mandated Tuition" and "Board Designated Tuition," as further described below.

State Mandated Tuition

Section 54.051, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to $50 per semester credit hour for the 2008-09 academic year; and (ii) tuition of a non-resident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the non-resident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than this State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2008-09 academic year, the Coordinating Board computed $331 per semester credit hour for non-resident undergraduate tuition. The tuition rates described above are referred to in this document as "State Mandated Tuition". Section 56.033 of the Texas Education Code requires that not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge be set aside for Texas Public Education Grants. Section 56.095 of the Texas Education Code authorizes each institution to set aside $2 for each semester hour for which a doctoral student is enrolled pursuant to the Doctoral Loan Incentive Program.

Board Designated Tuition

During the regular session of the 78th Texas Legislature that ended June 2, 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to as "Board Designated Tuition") that it considers necessary for the effective operation of the institution. The new legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This new authority offers more opportunity for the University to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board has authorized the Board Designated Tuition rate, beginning with the 2008 fall semester, at $106 per semester credit hour for all University students. No less than 20% of the Board designated tuition charged to resident undergraduate students in excess of $46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated tuition charged to resident graduate students in excess of $46 per semester hour will be set aside to provide financial assistance to resident graduate students, consistent with the provisions of Texas Education Code Section 56.012.

Board Authorized Tuition

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

Set forth below is a table showing the State Mandated tuition, Board Designated tuition, Board Authorized tuition, mandatory fees, and the amount set aside for financial assistance to resident and non-resident students for the 2008-09 academic year based on 15 semester credit hours per semester for undergraduate students and nine semester credit hours per semester for graduate students.

State Mandated Tuition, Board Designated Tuition, Board Authorized Tuition, Mandatory Fees And Financial Set-Aside
2008-2009 Academic year
Based on 15 Undergraduate and 9 Graduate Credit Hours per Fall & Spring Semesters

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside (1)
Resident Undergraduate	$ 750	$ 1,590	$ -	$ 876	$ 3,216	$ 293
Non-resident Undergraduate	4,965	1,590	-	876	7,431	149
Resident Masters	450	954	270	626	2,300	149
Non-resident Masters	2,979	954	270	626	4,829	89
Resident Doctoral	450	954	270	626	2,300	167
Non-resident Doctoral	2,979	954	270	626	4,829	107

(1) Total tuition and fees includes amounts required to be set aside for financial assistance according to Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); $2 for each semester hour for which a doctoral student is enrolled is set aside for the Doctoral Loan Incentive Program (Section 56.095); from Board Designated tuition no less than 20% charged to resident undergraduate students in excess of $46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of $46 per semester hour is set aside for financial assistance (Section 56.012). Of the set-aside from Board Designated tuition for resident undergraduate students, 5% is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465).

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

State Government Appropriations

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

For fiscal years 2008 and 2009, State appropriations comprised approximately 33.59% of the Revenue Funds (as defined in the Resolution) of the University. See ''Table 3 - Statement of Revenues, Expenses and Changes in Net Assets". The State Legislature finished its last regular session on May 28, 2007. State appropriations to most institutions of higher education (including the University) were flat compared to prior years.

Private Financial Support

In Fiscal Years 2006-2008, SFASU received contributions (gifts, grants and contracts) averaging $3.5 million annually from the private sector. Contributions for the Fiscal Year 2008 equaled approximately $3.1 million.

Financing Programs

The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements. The University has another financing program in addition to the Revenue Financing System.

Higher Education Fund Bonds

Pursuant to the Higher Education Fund ("HEF") program, established by Article VII, Section 17 of the Texas Constitution, the University is qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under this program, 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 of and interest on the bonds and notes. On December 18, 2008, the University issued its State of Texas Constitutional Appropriation Bonds (Stephen F. Austin State University), Series 2008 (the "Series 2008 HEF Bonds"), in the aggregate principal amount of $10,200,000 to finance completion of an Early Childhood Research Center. See "Future Capital Improvement Needs and Projected Debt Issuance." The Series 2008 HEF Bonds constitute the University's only outstanding HEF bonds. See – "SECURITY FOR THE BONDS – Additional Obligations."

Table 4 - Outstanding Indebtedness

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

Revenue Financing System Obligations[1]	
Revenue Financing System Revenue Bonds, Series 1998	$ 3,685,000
Revenue Financing System Revenue Bonds, Series 2000	1,000,000
Revenue Financing System Revenue Bonds, Series 2002	10,515,000
Revenue Financing System Revenue Bonds, Series 2002A	375,000
Revenue Financing System Revenue Bonds, Series 2004	22,205,000
Revenue Financing System Revenue Bonds, Series 2004A	4,690,000
Revenue Financing System Revenue Bonds, Series 2005	15,390,000
Revenue Financing System Revenue Bonds, Series 2005A	52,915,000
Revenue Financing System Revenue Bonds, Series 2008	16,985,000
Revenue Financing System Revenue Bonds, Series 2009	22,994,575
TOTAL REVENUE FINANCING SYSTEM OBLIGATIONS	$ 150,754,575
Constitutional Appropriation Obligations	
Constitutional Appropriation Bonds, Series 2008	10,200,000
TOTAL OBLIGATIONS	$ 160,954,575

The University also anticipates the issuance of approximately $12 million in bonds in 2009/2010 for parking facilities on campus. The University has a long range capital improvement plan to maintain and expand the facilities of the campus. However, at this time, the University has not determined the exact amount or timing of additional debt obligations, if any, to implement the capital improvement plan. See "-Other Capital Improvement Needs and Recent Debt Issuance" and "SECURITY FOR THE BONDS – Additional Obligations" herein. Also, see "-Financing Programs" for information concerning the University's other financing programs.

[1] Excludes $5,475,000 of principal paid on October 15, 2008 in respect of fiscal year 2009.

Investment Policy and Procedures

Management of Investments

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

Authorized Investments

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

Investment Programs

The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondarily, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. Diversification maximums and actual investment levels for eligible securities as of August 31, 2008 were:

	Maximum	Actual
United States Treasury or Government securities	100.00%	24.70%
United States Agency securities	50.00%	0.00%
Mortgage-backed securities	25.00%	13.21%
Corporate obligations	50.00%	2.79%
Fully insured or collateralized certificates of deposit	100.00%	11.04%
Bankers' acceptances	25.00%	0.00%
Commercial paper	25.00%	0.00%
Repurchase agreements	100.00%	0.00%
Registered money-market funds	100.00%	5.00%
Local government Investment Pool	100.00%	34.63%
Equities	70.00%	6.01%
Alternative Investments	25.00%	1.97%
Cash at State Treasury	100.00%	0.66%

Endowments

Although not pledged to the payment of debt obligations, the University is benefited by endowments valued at August 31, 2008, of 13,763,203. As of August 31, 2008, endowment funds under the direct control of the University had a book value of $9,154,167 and consisted of marketable securities and investments. As of October 31, 2008, the market value of such endowments was approximately $12,579,999. Since October 31, 2008, the global capital markets have continued to experience extreme volatility. The Board cannot make any representation as to the future performance of the University's endowments or other invested funds.

Other Capital Improvement Needs and Recent Debt Issuance

During the 80th regular session of the Texas Legislature, the legislature approved $30,178,000 in funding for the University through the issuance of Tuition Revenue Bonds for projects previously approved but not funded during the 79th legislative session. These projects included requests for funding for the Education Research Center and deferred maintenance projects. In addition, the 80th Legislature approved $13 million in funding through the issuance of Tuition Revenue Bonds for the expansion of the school of nursing at the University. In March 2008, the University issued its $20,175,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing Revenue Bonds, Series 2008 to provide financing for a portion of the cost to construct the Early Childhood Research Center. The remaining costs associated with the construction of the Early Childhood Research Center are being financed with proceeds of the University's Constitutional Appropriation Bonds, Series 2008 and other lawfully available funds of the University. The Bonds are being issued to finance the $13 million expansion of the nursing school facilities and $10 million of deferred maintenance projects. After issuance of the Bonds, the University will have no authorized but unissued Tuition Revenue Bonds remaining. Additional Tuition Revenue Bond authorization could be considered by future legislatures, including the 81st Legislature convened on January 13, 2009. See "Table 4 - Outstanding Indebtedness."

The University has submitted a request for consideration by the 81st Legislature to obtain $46 million of Tuition Revenue Bond authorization to finance the construction of a molecular science building.

Debt Management

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

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such documents which is summarized elsewhere in this Official Statement under the captions "PLAN OF FINANCING", "DESCRIPTION OF THE BONDS", and "SECURITY FOR BONDS". This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, which may be examined at the offices of the Authority or copies of which may be obtained from the Authority at 300 W. 15th Street, Suite 411, Austin, Texas 78701.

Establishment of Revenue Financing System

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

Security and Pledge; Membership in the Revenue Financing System

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

Certain institutions which may become Participants in the Financing System may be combined or divided and that so long as such combined or divided institutions continue to be governed by the Board such action shall not be in violation of the provisions of the Resolution or require any amendments of the provisions hereof. Subject to the conditions set forth below, any Participant in the Financing System or portion thereof may be closed and abandoned by law or may be removed from the Financing System (thus deleting the revenues, income, funds and balances attributable to said Participant or portion thereof from Pledged Revenues) without violating the terms of the

Resolution provided: (1) the Board approves and delivers to the Authority an Officers' Certificate to the effect that, to the knowledge thereof, after the release of such Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be Outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System; and (2) the Board and the Authority receive an Opinion of Counsel which 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. (C) If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Financing System, or if the Board is required by law to assume the governance of an institution or agency, it may include said institution or agency in the Financing System with the effect set forth in the Resolution by the adoption of a resolution amending the Resolution, which resolution shall be binding upon the Authority.

Annual and Direct Obligation of Participants

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

Pledged Revenues

Tuition and Other Pledged Revenues

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

Student Center Fees

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

Student Recreational Sport Fees

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

Annual Obligation

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

Anticipated Deficit

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

Economic Effect of Adjustments

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

Payment and Funds

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

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

Additional Parity Obligations; Non Recourse Debt and Subordinated Debt

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

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

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

Participants

Combination or Release of Participants

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

(1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be outstanding to meet the financial obligations of the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(2) the Board and the Authority have received an Opinion of Bond Counsel which states that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and

(3) (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations; or (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

Disposition of Assets

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

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

Admission of Participants

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

Certain Covenants

Rate Covenant

In each Fiscal Year, the Board must establish, charge, and use its reasonable efforts to collect from each Participant the Pledged Revenues which, 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 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, 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 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, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities which comprise the University and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property financed through the Revenue Financing System; (vi) not to incur any additional Debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report, to the Authority, appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Special Obligations

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

Waiver of Covenants

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

Remedies

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

Amendment of Resolution

Amendment Without Consent

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

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

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board and the Authority of any approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

(iii) 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 which 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;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of the Parity Obligations;

(v) 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;

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

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

Amendments With Consent

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

(i) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;

(ii) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;

(iv) Make any change in the maturity of the Outstanding Bonds;

(v) Reduce the rate of interest borne by the Outstanding Bonds;

(vi) Reduce the amount of principal payable on the Outstanding Bonds;

(vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; or

(viii) Adversely affect the tax exempt status of the interest on the Outstanding Bonds to the owners thereof.

Defeasance

The Resolution provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Resolution, except to the extent provided below for the Paying Agent to continue payments and for the Authority to retain the right to call (1) Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (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 for such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent for the payment of its services until after all Defeased Obligations 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 Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged as provided in the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (1) (ii) shall be deemed a payment of a Bond 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 may at the discretion of the Authority also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Resolution, and all income from such Defeasance Securities received by the Paying Agent that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Authority.

All money or Defeasance Securities set aside and held in trust pursuant to the 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 Obligations shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Obligations the same as if they had not been defeased, and the Authority shall make proper arrangements to provide and pay for such services as required by the Resolution.

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

To the extent that, upon the defeasance of any Defeased Obligation to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Obligation for redemption in accordance with the provisions of the order authorizing its issuance, the Authority may call such Defeased Obligation for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as through it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Any escrow agreement or other instrument entered into between the Authority and the Paying Agent pursuant to which money and/or Defeasance Securities are held by the Paying Agent for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Authority.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Authority issued on behalf of the University secured by and payable from the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of certain of the Pledged Revenues securing any outstanding Prior Encumbered Obligations, and the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX 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 C. Bond Counsel was engaged by, and only represents, the Authority. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions "PLAN OF FINANCING" (except under the subcaption Sources and Uses of Funds), "DESCRIPTION OF THE BONDS" (except under the subcaption "Book–Entry-Only System"), "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" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior

Agreements") and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds and the Resolution and are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas.

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

Forward Looking Statements

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

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

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) 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 Code. Except as stated above, Bond Counsel 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 C -- FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel will rely upon (i) certain information and representations of the Authority and the University, including information and representations contained in the federal tax certificate of the Authority, and (ii) covenants of the Authority and the University contained in the Bonds and other documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith. Failure by the Authority or the University to observe or comply with 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 is conditioned on compliance by the Authority and the University with such requirements, and Bond Counsel 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 Authority or the University with respect to the Bonds or the property financed with proceeds of the Bonds. No assurances can be given as to whether or not 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 Authority as the taxpayer and the owners of the Bonds 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 is 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"). 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 such 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 (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such 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 owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of 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 modification, 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, owners of interest in a FASIT, 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 investment income, foreign corporations subject to the branch profits tax, 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.

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20% for corporations, or 26% for noncorporate taxpayers (28% for taxable income exceeding $175,000), of the taxpayer’s “alternative minimum taxable income,” if the amount of such alternative minimum tax is greater than the taxpayer’s regular income tax for the taxable year.

Under section 6012 of the Code, holders 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 holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond 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 holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

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 which have adopted investment policies and guidelines in accordance with the Public Funds Investments Act, the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

RATINGS

The Bonds have been assigned ratings of "Aa2" by Moody's Investor Service, Inc. ("Moody's") and "AAA" by Fitch Ratings ("Fitch"), based upon a bond insurance policy to be issued by Assured Guaranty Corp. simutaneously with the delivery of the Bonds. See "BOND INSURANCE". The Bonds and other presently outstanding Parity Obligations are rated "A2" and "A+" by Moody's and Fitch, respectively, without regard to credit enhancement. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations at the time the ratings are given, 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 by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

Moody's and Fitch (collectively referred to hereinafter as the "Rating Agencies") have each released statements on the potential effects of downturns in the market for structured finance instruments, including collateralized debt obligations and residential mortgage backed securities, on the claims-paying ability of the bond insurance companies, including Assured Guaranty. On November 21, 2008, Moody's downgraded Assured Guaranty from "Aaa" to "Aa2" citing concerns about the securities they guarantee and the decreased demand for bond insurance. See "BOND INSURANCE - Recent Developments" herein. Any future downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Bonds. Investors are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including Assured Guaranty.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. Neither the Authority nor the Board assume any responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Board, as the obligated party on the Bonds, has made the following agreement for the benefit of the Authority and the holders and beneficial owners of the Bonds. The Board is required to observe its agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The Board will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS - TABLE 1 - Pledged Revenues", "STEPHEN F. AUSTIN STATE UNIVERSITY" and "SELECTED FINANCIAL INFORMATION" and in APPENDIX B. The Board will update and provide this information within 180 days after the end of each Fiscal Year. The Board will provide the updated information to the Authority and each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

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

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

Material Event Notices

The Board will also provide timely notices of certain events to certain information vendors. The Board will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Resolution make any provision for debt service reserves, credit enhancement or liquidity enhancement. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial reports in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The Board has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State as a SID and the SEC staff has determined that the MAC is a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the Board. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The Board may utilize DisclosureUSA for the filing of information relating to the Bonds.

The SEC has approved amendments to SEC Rule 15c2-12, to become effective July 1, 2009, to designate the MSRB as the sole NRMSIR. To make such continuing disclosure information available to investors free of charge, the MSRB has established the Electronic Municipal Market Access ("EMMA") system. The Board will be required to file its continuing disclosure information using the EMMA system beginning on July 1, 2009. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

NO LITIGATION

Neither the Board nor the University is a party to any litigation or other proceeding pending or, to the Board's knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, 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 which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

UNDERWRITING

Morgan Keegan & Company, Inc., acting as senior manager on behalf of the underwriters named on the cover of this Official Statement (collectively, the "Underwriters"), has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the initial offering price of the Bonds shown on the inside cover page of this Official

Statement less an underwriting discount of $141,307.68. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

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

FINANCIAL ADVISOR

First Southwest Company has contracted as Financial Advisor to the Authority 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. First Southwest Company, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

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

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

/s/ Judith M. Porras	/s/ Dr. L. Baker Pattillo
Interim Executive Director and General Counsel Texas Public Finance Authority	President, Stephen F. Austin State University

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SCHEDULE I – TABLE OF ACCRETED VALUES

Accretion Date	10/15/2010 Maturity Date Yield 1.25%
2/04/2009	$4,895.35
4/15/2009	4,907.40
10/15/2009	4,938.05
4/15/2010	4,968.90
10/15/2010	5,000.00

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APPENDIX A

DEFINITIONS

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

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

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

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

(5) _Variable Rate_. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30 year Tax Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all 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, or the Authority on behalf of the Board, has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or, the Authority on behalf of the Board, as the case may be, or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in 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.

"*Authority*" means the Texas Public Finance Authority, or any successor thereto.

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

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

"*Bonds*" means the Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2009, issued in the aggregate principal amount of $22,994,575 pursuant to the terms of the Resolution, 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.

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

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

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

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

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

"*Debt*" means all:

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

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

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

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

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

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

"*Designated Trust Office*" means Wells Fargo Bank, N.A., Dallas, Texas, for the initial Paying Agent/Registrar.

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

"*Executive Director*" means the duly acting Executive Director of the Authority, and any person authorized by the Board of Directors of the Authority to serve in the capacity of and perform the duties and obligations of the Executive Director.

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

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

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

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

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

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*NRMSIR*" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"*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 Bond Counsel*" means a written opinion of counsel, which counsel shall be acceptable to the Authority and the Board.

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

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

(2) Parity Obligations deemed paid pursuant to the provisions of Section 19 of the Resolution or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;

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

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

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

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

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

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

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

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

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

"*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.

"*Record Date*" means, with respect to the Bonds, the last business day of each month preceding an 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. To the extent authorized by law, the definition of "Revenue Funds" includes student center fees authorized by Section 54.520, Texas Education Code, and student recreational sports fees authorized by section 54.5201, Texas Education Code. 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.

"*SID*" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"*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 B

FINANCIAL REPORT OF STEPHEN F. AUSTIN STATE UNIVERSITY
FOR THE YEAR ENDED AUGUST 31, 2008

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Stephen F. Austin State University

Unaudited Financial Report
For the Year Ended
August 31, 2008

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STEPHEN F. AUSTIN STATE UNIVERSITY

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

November 20, 2008

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

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of Stephen F. Austin State University for the year ended August 31, 2008, in compliance with Texas Government Code Annotated, Section 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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

Sincerely,

Baker Pattillo
President

Stephen F. Austin State University

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

November 20, 2008

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

Dear Dr. Pattillo:

Submitted herein is the Annual Financial Report of Stephen F. Austin State University for the fiscal year ended August 31, 2008.

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

The accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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

Sincerely,

Dora Fuselier

Dora Fuselier, C.P.A.
Controller

Approved:

Danny R. Gallant

Danny Gallant
Vice President for Finance and Administration

STEPHEN F. AUSTIN STATE UNIVERSITY
ORGANIZATIONAL DATA
August 31, 2008

Board of Regents

Officers

Joe Max Green, Chair
James A. Thompson, Vice-Chair
Melvin R. White, Secretary

Members

Name	Town	Term Expires January 31,
Valerie E. Ertz	Dallas, Texas	2009
Joe Max Green	Nacogdoches, Texas	2009
Paul G. Pond	Dallas, Texas	2009
Richard B. Boyer	The Colony, Texas	2011
James A. Thompson	Sugar Land, Texas	2011
Melvin R. White	Pflugerville, Texas	2011
Carlos Z. Amaral	Plano, Texas	2013
James H. Dickerson	New Braunfels, Texas	2013
John R. Garrett	Tyler, Texas	2013
Lacy A. Claver (student)	Nacogdoches, Texas	2009

President

Baker Pattillo, Ed.D

Finance and Administration

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

STEPHEN F. AUSTIN STATE UNIVERSITY

Management's Discussion and Analysis
Unaudited
For the Year Ended August 31, 2008

INTRODUCTION

Stephen F. Austin State University (the University) is a comprehensive regional public institution of higher education and an agency of the State of Texas. Named for the "Father of Texas", the University was founded in 1921. It is located in Nacogdoches in the Pineywoods area of East Texas. The University enrolls nearly 12,000 students in 6 colleges and 35 academic units and awards degrees at the bachelor's, master's and doctoral levels. The main campus includes 406 acres, part of the original homestead of Thomas J. Rusk, early Texas patriot and United States Senator.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

Stephen F. Austin State University presents in this discussion and analysis the Financial Statements for fiscal year 2008 with comparative information for 2007. This discussion, prepared by management, will focus on the University's current year data, trends in data, and overview of the financial activities for the year. It should be read in conjunction with the accompanying Financial Statements and Notes, which offer various financial definitions and accounting information.

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

FINANCIAL HIGHLIGHTS

- Tuition revenue bonds were issued for $20.175 million for an Early Childhood Research Center in March 2008.
- Construction expenditures for new and renovated facilities totaled approximately $16.3 million.
- An application for a University Charter School was approved by the Texas Education Agency.
- A comprehensive multi-year project to upgrade the finance, student, financial aid and human resources computer software system began in February 2008.

CONDENSED FINANCIAL INFORMATION AND FINANCIAL HIGHLIGHTS

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University at a specific point in time, in this case August 31, 2008. Net assets are the difference between total assets and total liabilities and represent the residual interest in the University's assets after liabilities are deducted. "Net Assets" are presented in three major categories: Invested in Capital Assets, Net of Related Debt; Restricted Net assets; and Unrestricted Net Assets. The Invested in Capital Assets, Net of Related Debt category identifies the equity in property, plant and equipment owned by the University. Restricted net assets are either expendable or non-expendable. Expendable restricted net assets may be expended only for the purposes designated by the external donor or provider of the assets. Non-Expendable net assets are comprised entirely of funds held as permanent endowments. Unrestricted net assets are available for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed stipulations, these assets may have other commitments for various future uses in support of the University's mission. These include commitments for encumbrances outstanding at year end. Also, recognized in unrestricted net assets are unspent Higher Education Funds (HEF), which have restrictions imposed by the State of Texas. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less an allowance for depreciation.

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

A summarized comparison of the University's Statement of Net Assets at August 31, 2008 and 2007 follows:

Statement of Net Assets

	2008	**2007 (as restated)**
Assets		
Current Assets	$115,613,208.72	$103,054,862.97
Non-Current Assets		
Other Non-Current Assets	40,466,523.46	38,689,506.06
Capital Assets, Net of Depreciation	176,191,173.84	167,299,079.67
Total Assets	332,270,906.02	309,043,448.70
Liabilities		
Current Liabilities	82,984,550.77	77,677,069.27
Non-Current Liabilities	131,616,137.07	118,982,174.64
Total Liabilities	214,600,687.84	196,659,243.91
Net Assets		
Invested in Capital Assets, Net of Related Debt	51,007,200.01	47,963,435.32
Restricted		
Expendable	19,169,309.22	19,451,117.01
Non-Expendable	6,434,474.01	6,297,795.55
Unrestricted	41,059,234.94	38,671,856.91
Total Net Assets	$117,670,218.18	$112,384,204.79

In fiscal year 2008, total assets of the University increased approximately $23.2 million from the previous fiscal year. Current assets increased approximately $12.6 million. This change is primarily attributed to the influx of cash from the proceeds of the $20.175 million bond sale offset by expenditures related to the bond financed project of approximately $9.6 million. Capital assets, net of depreciation increased approximately $8.9 million. This is attributed to capital outlay expenditures, including new construction projects, of $19 million offset by depreciation expenditures of $9.9 million. Other non-current assets increases of $1.8 million were primarily attributed to increased student loans receivables and student accounts receivables, net of the allowances for doubtful accounts.

Total liabilities increased by approximately $18 million. Current liabilities increased by approximately $5.3 million. This change is attributed to the increase in deferred revenues related to tuition and fees and room and board rate increases and increased enrollment for fall 2008. These charges to students prior to year end are not recognized as fiscal year 2007-2008 revenues but are instead recognized as deferred revenues. The increase of approximately $12.6 million in non-current liabilities is attributed primarily to the net change in bonds payable, which includes the $20.175 million bond proceeds offset by current year principal payments of $7.1 million.

Net assets, invested in capital assets, net of related debt increased approximately $3 million. As discussed above, this is attributed to capital outlay expenditures of approximately $19 million offset by both expensed depreciation and net changes in bonds payable.

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

A summarized comparison of the University's Statement of Revenues, Expenses, and Changes in Net Assets at August 31, 2008 and 2007 follows:

Statement of Revenues, Expenses, and Changes in Net Assets

	2008	2007
Operating Revenues:		
Net Student Tuition and Fees	$ 57,283,473.97	$ 48,426,477.78
Net Auxiliary Enterprise Revenues	26,523,065.92	24,659,762.37
Grants and Contracts	26,532,117.00	24,325,322.26
Other Operating Revenues	5,650,830.25	5,184,261.74
Total Operating Revenues	115,989,487.14	102,595,824.15
Total Operating Expenses	170,907,876.31	160,686,655.96
Operating Income (Loss)	(54,918,389.17)	(58,090,831.81)
Non-Operating Revenues (Expenses):		
Legislative Revenue (State)	43,677,367.00	40,045,552.50
Additional Appropriations	10,756,380.31	9,824,597.22
Gifts	2,467,781.75	2,247,463.40
Net Investment Income (Loss)	2,534,013.79	3,061,716.91
Net Increase (Decrease) in Fair Value of Investments	(171,139.60)	167,467.21
Interest Expenses and Fiscal Charges	(5,216,737.93)	(3,487,419.12)
Net Other Non-Operating Revenues (Expenses)	(127,838.09)	247,551.97
Total Non-Operating Revenues (Expenses)	53,919,827.23	52,106,930.09
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(998,561.94)	(5,983,901.72)
Other Revenues, Expenses, Gains (Losses) and Transfers	6,284,575.33	6,460,080.20

Change in Net Assets	5,286,013.39	476,178.48
Net Assets, Beginning of Year	113,091,719.44	112,615,540.96
Restatements	(707,514.65)	
Restated Net Assets, Beginning of Year	112,384.204.79	112,615,540.96
Net Assets, End of Year	$117,670,218.18	$113,091,719.44

Some of the fiscal year 2008 highlights presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Net student tuition and fees increased by approximately $8.9 million in 2008. This is due to increased tuition and fees of $32 per semester credit hour.
- Net auxiliary enterprise revenues increased approximately $1.9 million. This is attributed to increased room and board charges and the increased demand because of the new housing facilities.
- Grants and Contracts income increased by $2.2 million. This is primarily attributed to an increase in Pell grants revenue of $1 million and increased revenue for the University's Columbia Regional Geospatial Service Center.
- Legislative Revenue increased by $3.6 million. This is primarily attributed to the additional appropriations available for payments of Tuition Revenue Bonds of $3.2 million. $550,000 associated with the special tuition revenue bond appropriation is included in both legislative appropriations as revenue and lapsed appropriations as an expense.
- Interest expenses and fiscal charges increased approximately $1.7 million. While the amounts paid for bond interest did not change significantly from that paid in 2007, the difference is related to the amounts capitalized in 2007 since interest paid in that year for bonds issued to finance the recreation and student centers was included as capitalized interest.

The following data summarizes the operating expenses in the natural classification expense categories for the fiscal years ended August 31, 2008 and 2007:

Operating Expenses:	**2008**	**2007**
Cost of Goods Sold	$7,793,097.40	$6,570,531.92
Salaries and Wages	75,959,932.65	70,782,231.07
Payroll Related Costs	19,572,226.46	18,445,775.37
Professional Fees and Services	1,624,462.25	1,477,896.43
Travel	2,278,772.90	2,026,919.96
Materials and Supplies	15,038,190.40	17,184,358.00
Communications and Utilities	11,788,437.97	11,475,014.90
Repairs and Maintenance	3,895,941.33	3,114,488.84
Rentals and Leases	2,110,335.99	1,682,376.41
Printing and Reproduction	698,274.37	662,365.70
Federal and State Pass-Through Expenses	1,056,689.99	727,341.29
Depreciation	9,939,710.39	7,715,953.32
Bad Debt Expense	317,074.39	212,877.49
Scholarships	13,152,370.79	13,125,624.35
Other Operating Expenses	5,682,359.03	5,482,900.91
Total Operating Expenses	$170,907,876.31	$160,686,655.96

Some of the 2008 fiscal year highlights presented in the Operating Expenses are:

- Cost of Goods Sold increased approximately $1.2 million. This is attributed to increased food costs for meals served to students.
- Salaries and benefits increased by approximately $6.4 million. This increase is due to 3% merit pool raises and equity adjustments given to employees.
- Materials and supplies decreased approximately $2.1 million. In 2007, this category included purchases of furniture and equipment related to both the new Baker Pattillo Student Center and the Student Recreation Center that did not meet capitalization thresholds. While new construction costs were incurred in 2008 associated with the Early Childhood Research Center, the project had not progressed to the stage of completion where costs are incurred associated with furniture and equipment purchases.
- Depreciation increased approximately $2.2 million. This is attributed to completion of the Baker Pattillo Student Center and the Student Recreation Center, which were moved from the non-depreciable category of construction in progress to depreciable capital assets.

Statement of Cash Flows

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

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

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

The final section of the Statement of Cash Flows reconciles the Net Cash Provided (Used) by Operating Activities to the Operating Income (Loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. A summarized comparison of the Statement of Cash Flows at August 31, 2008 and 2007 follows:

Statement of Cash Flows

	2008	2007
Net Cash Provided (Used) by:		
Operating Activities	$(44,148,037.15)	$(45,392,669.46)
Non-Capital Financing Activities	58,538,156.92	56,210,426.77
Capital and Related Financing Activities	(3,482,477.66)	(31,355,738.83)
Investing Activities	(8,331,429.66)	4,796,139.27
Increase (Decrease) in Cash and Cash Equivalents	2,576,212.45	(15,741,842.25)
Cash and Cash Equivalents, Beginning of Year	67,639,266.16	83,381,108.41
Cash and Cash Equivalents, End of Year	$ 70,215,478.61	$ 67,639,266.16

Net Cash Provided (Used) by Operating Activities should be viewed together with Net Cash Provided (Used) by Non-Capital Financing Activities. State appropriations are significant sources of recurring revenue in support of operating expenses, but under Governmental Accounting Standards Board (GASB) Statement No. 35, they must be classified as Non-Capital Financing Activities instead of Operating Activities.

While there was not a significant change in cash used for Operating Activities or Non-Capital Financing Activities, there was a change of approximately $27.8 million in Capital and Related Financing Activities. The change in this category is primarily attributed to the proceeds from the 2008 bond sale of $20.175 million for the Early Childhood Research Center. Also, a portion of this change can be attributed to the reduction in capital outlay expenditures of approximately $10.3 million from that of 2007, since both the student and recreation centers were substantially completed in 2007. In addition, the state capital appropriations for Higher Education Funds (HEF) increased in 2008 by $2.3 million.

The $13.1 million change reported in cash used for investing activities is primarily attributed to the balance of the investment of the unspent 2008 bond proceeds offset by the use of the balance of the invested bond proceeds from the 2005 issue for completion of the Student Recreation Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

In fiscal year 2007, the Texas Legislature approved tuition revenue bond funding for $30.178 million for University educational projects previously authorized but not funded in the 2005 legislative session. These projects included funding for the Early Childhood Research Center and deferred maintenance projects. Tuition revenue bonds of $20.175 million were issued in March 2008 partially to finance the Early Childhood Research Center. The University anticipates issuing the balance of the approved funding of $10 million for the deferred maintenance projects in fiscal year 2009. Debt was structured to use approximately $2.6 million of appropriations committed to this issue with the payment made in April 2008. The University was able to structure the first bond payment of the 2008 issue to use $2.6 million of these appropriated amounts.

Credit ratings assigned to the bonds issued in March 2008 were Aaa from Moody's Corporation (unchanged from the previous issues) and AAA from Fitch Ratings. The outlook from Fitch Ratings was upgraded from negative to stable.

In addition, during 2007, the Texas Legislature authorized $13 million of special tuition revenue bond funding for the University to construct the Richard and Lucille Dewitt School of Nursing facility on property donated by the family to the University. The gift was formally acknowledged by the University on June 20, 2007, but as a condition of the gift, the business remained on the property until October 1, 2008. Because of the timing of the business relocation and construction program requirements, bonds were not issued in fiscal year 2008. In 2008, $550,000 of appropriations that could be used only for debt service for these bonds lapsed because the bonds were not issued prior to year end and no debt service expenses were incurred. The University anticipates issuing tuition revenue bonds for this project in fiscal year 2009.

In fiscal year 2005, the University hired an architect to design a multi-million dollar baseball and softball stadium complex. The project was re-evaluated in January 2008 based on donations received at that time, and the decision was made not to construct the stadium. Donors were given the option to have their donations applied to other University projects or have their money returned. Because amounts spent on the project of $707,514 were previously capitalized, a restatement of the prior fund balance was made to adjust the net assets, invested in capital assets, net of related debt and the construction in progress asset accounts.

Two parcels of real estate adjacent to the University campus were purchased during the year. Total cost for these additions was approximately $500,000.

Other gifts and pledges of approximately $400,000 will be used to enhance the City of Nacogdoches baseball park and were used to make renovations to the Department of Accounting. Pledges made in previous years of $400,000 were used to build a field house at the tennis complex in 2008.

ECONOMIC OUTLOOK

Management is not aware of any known facts, decisions, or conditions that are expected to have a material effect on the financial position or results of operations during the fiscal year 2009. The University plans to issue HEF General Obligation bonds in December 2008 for approximately $10.6 million for completion of the Early Childhood Research Center. Additionally, in spring 2009, the University plans to issue $23 million of tuition revenue bonds, combining the commitments for the nursing facility and deferred maintenance projects.

Initial indicators for fall 2008 looked positive with fall enrollment showing an increase in reported semester credit hours. The fall 2008 enrollment of 11,990 was the highest headcount in ten years. Campus improvements and increased marketing efforts are expected to have a continued positive impact on enrollment.

SIGNIFICANT EVENTS

Mr. Danny Gallant was named Vice President of Finance and Administration in 2008.

UNAUDITED

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2008

	2008	2007 as restated
ASSETS		
Current Assets		
Cash and Cash Equivalents:		
Cash on Hand	$ 871,812.74	$ 520,001.50
Cash in Bank	4,233,332.56	7,087,516.93
Cash in Transit/Reimburse from Treasury	99,271.31	487,706.52
Cash in State Treasury	481,282.27	430,903.08
Cash Equivalents	54,445,434.09	45,732,078.12
Short Term Investments	0.00	83,350.58
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	6,986,059.24	7,777,773.26
Cash Equivalents	2,807,476.80	5,293,513.28
Short Term Investments:		
Proceeds from Bond Sales	9,707,334.88	0.00
Legislative Appropriations	3,610,014.16	5,802,594.98
Receivables:		
Intergovernmental Receivables:		
Federal	1,222,141.47	1,889,221.41
State	996,177.47	910,913.04
Interest and Dividends	252,750.28	167,034.69
Student Receivable	8,038,232.97	7,621,658.46
Accounts Receivable	2,289,664.02	1,848,481.92
Gifts/Pledges Receivables	253,550.00	450,000.00
Due From Other Agencies:		
Federal	1,425,621.96	0.00
State	0.00	72,211.89
Consumable Inventories	544,637.83	498,488.59
Prepaid Items	14,739,801.17	13,539,851.55
Student Loans Receivables	2,608,613.50	2,841,563.17
Total Current Assets	115,613,208.72	103,054,862.97

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2008

	2008	2007 as restated
Noncurrent Assets		
Restricted:		
Cash Equivalents	290,809.60	309,773.47
Investments		
Endowments	9,181,498.97	9,752,936.66
Student Loans Receivables	6,086,764.84	5,277,188.75
Allowance for Doubtful Accounts	(704,718.49)	(387,644.10)
Unrestricted:		
Investments:		
Operating	20,114,261.56	19,117,412.45
Quasi-Endowments	4,082,180.20	3,841,688.73
Student Accounts Receivables	5,426,100.84	4,364,905.21
Allowance for Doubtful Accounts	(4,010,374.06)	(3,586,755.11)
Capital Assets, Non-depreciable:		
Land and Land Improvements	6,928,322.11	6,692,351.91
Construction in Progress	11,415,080.37	48,326,253.57
Other Capital Assets	650,144.27	650,144.27
Capital Assets, Depreciable:		
Buildings and Building Improvements	283,414,626.65	230,725,818.00
Less Accumulated Depreciation	(142,589,339.97)	(136,048,182.71)
Infrastructure	10,183,040.07	10,183,040.07
Less Accumulated Depreciation	(4,635,297.38)	(4,049,557.94)
Facilities and Other Improvements	6,393,859.30	6,607,889.30
Less Accumulated Depreciation	(3,612,359.40)	(3,524,502.84)
Furniture and Equipment	18,567,887.95	17,440,931.86
Less Accumulated Depreciation	(13,769,787.70)	(13,059,908.44)
Vehicles, Boats, and Aircraft	4,330,492.63	4,286,074.68
Less Accumulated Depreciation	(3,406,301.20)	(3,415,081.66)
Other Capital Assets	15,220,787.14	15,076,416.59
Less Accumulated Depreciation	(12,899,981.00)	(12,592,606.99)
Total Noncurrent Assets	216,657,697.30	205,988,585.73
Total Assets	$ 332,270,906.02	$ 309,043,448.70

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Net Assets
For the Fiscal Year Ended August 31, 2008

	2008	2007 as restated
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	2,989,728.36	4,215,953.96
Payroll Payable	5,784,403.74	5,610,550.55
Deposits	385,862.00	284,100.85
Benefits Payable	1,592,852.47	1,388,898.55
Due to Other Agencies	75,472.87	0.00
Deferred Revenues:		
Tuition and Fees	33,546,338.91	31,557,048.09
Sales and Services	16,332,284.24	14,810,081.63
Grants and Contracts	664,907.87	547,008.34
Employees' Compensable Leave	397,563.43	323,897.38
Capital Lease Obligations	18,175.27	73,577.38
Revenue Bonds Payable	4,000,000.00	3,705,000.00
Tuition Revenue Bonds Payable	1,475,000.00	820,000.00
Accrued Bond Interest Payable	2,205,051.12	1,996,701.10
Funds Held for Others	10,609,743.24	10,155,974.48
Payable From Restricted Assets	2,907,167.25	2,188,276.96
Total Current Liabilities	82,984,550.77	77,677,069.27
Noncurrent Liabilities:		
Deposits	1,031,018.99	709,163.37
Capital Lease Obligations	27,798.35	38,216.94
Employees' Compensable Leave	2,797,319.73	2,604,794.33
Revenue Bonds Payable	96,575,000.00	100,575,000.00
Tuition Revenue Bonds Payable	31,185,000.00	15,055,000.00
Total Noncurrent Liabilities	131,616,137.07	118,982,174.64
Total Liabilities	$ 214,600,687.84	$ 196,659,243.91
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	51,007,200.01	47,963,435.32
Restricted for:		
Capital Projects	2,620,479.94	2,218,218.42
Funds Held as Permanent Investments:		
Non-Expendable	6,434,474.01	6,297,795.55
Expendable	2,719,692.56	3,465,590.84
Other	13,829,136.72	13,767,307.75
Unrestricted	41,059,234.94	38,671,856.91
Total Net Assets	$ 117,670,218.18	$ 112,384,204.79

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2008

	2008	2007
Operating Revenues:		
Sales of Goods and Services		
Tuition & Fees - Pledged	$ 67,239,335.84	$ 57,443,265.35
Tuition & Fees - Non-Pledged	3,436,715.83	3,294,241.01
Discounts and Allowances	(13,392,577.70)	(12,311,028.58)
Auxiliary Enterprise - Pledged	30,791,331.57	28,323,272.44
Auxiliary Enterprise - Non-Pledged	1,152,566.59	1,411,209.41
Discounts and Allowances	(5,420,832.24)	(5,074,719.48)
Other Sales of Goods and Svcs - Pledged	4,428,406.35	3,754,490.44
Other Sales of Goods and Svcs - Non-Pledged	1,028,787.38	1,230,398.42
Interest and Investment Income	189,528.85	188,607.69
Federal Revenue	17,431,335.02	15,503,619.93
Federal Pass-Through Revenue	3,321,741.43	3,237,153.76
State Grant Revenue	837,983.13	786,906.25
State Grant Pass-Through Revenue	4,042,864.40	3,878,375.45
Local Contracts and Grants	595,523.14	502,474.77
Other Contracts and Grants	302,669.88	416,792.10
Other Operating Revenues - Pledged	4,107.67	10,765.19
Total Operating Revenues	115,989,487.14	102,595,824.15
Operating Expenses:		
Cost of Goods Sold	7,793,097.40	6,570,531.92
Salaries and Wages	75,959,932.65	70,782,231.07
Payroll Related Costs	19,572,226.46	18,445,775.37
Professional Fees and Services	1,624,462.25	1,477,896.43
Travel	2,278,772.90	2,026,919.96
Materials and Supplies	15,038,190.40	17,184,358.00
Communication and Utilities	11,788,437.97	11,475,014.90
Repairs and Maintenance	3,895,941.33	3,114,488.84
Rentals and Leases	2,110,335.99	1,682,376.41
Printing and Reproduction	698,274.37	662,365.70
Federal Pass-Through Expenditure	1,056,689.99	663,594.88
State Pass-Through Expenditure	0.00	63,746.41
Depreciation	9,939,710.39	7,715,953.32
Bad Debt Expense	317,074.39	212,877.49
Interest Expense	476.06	943.66
Scholarships	13,152,370.79	13,125,624.35
Claims and Settlements	250.00	45.00
Other Operating Expenses	5,681,632.97	5,481,912.25
Total Operating Expenses	170,907,876.31	160,686,655.96
Operating Income (Loss)	(54,918,389.17)	(58,090,831.81)

See accompanying Notes to the Financial Statements

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2008

	2008	2007
Non-Operating Revenues (Expenses):		
Legislative Revenue	43,677,367.00	40,045,552.50
Additional Appropriations	10,756,380.31	9,824,597.22
Federal Pass Through Revenue	0.00	13,611.22
Gifts - Nonpledged	2,431,849.99	2,247,463.40
Gifts - Pledged	35,931.76	0.00
Land Income	3,200.00	100.00
Other Rental Income	2,767.59	0.00
Investment Income - Pledged	2,405,550.47	2,370,880.14
Investment Income - Non-Pledged	290,619.25	369,273.39
Net Increase (Decrease) Fair Value - Pledged	325,691.67	167,467.21
Net Increase (Decrease) Fair Value - Nonpledged	(496,831.27)	0.00
Investing Activities Expenses	(80,558.91)	(16,753.30)
Income on Loans Receivable	(115,694.24)	217,006.40
Interest Income on Capital Investments-Pledged	34,097.22	121,310.28
Interest Expenses and Fiscal Charges	(5,216,737.93)	(3,487,419.12)
Gain (Loss) on Sale of Capital Assets	(119,971.47)	(16,040.01)
Settlement of Claims	(12,219.21)	260,510.76
Other Non-Operating Expenses	(1,615.00)	(10,630.00)
Total Non-Operating Revenues (Expenses)	53,919,827.23	52,106,930.09
Income (Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	(998,561.94)	(5,983,901.72)
Other Revenues, Expenses, Gains/Losses and Transfers		
Capital Contributions	372,360.77	1,795,674.26
Capital Appropriations (Higher Education Fund)	7,025,771.00	4,683,847.00
Additions to Permanent and Term Endowments	136,678.46	835,173.22
Lapsed Appropriations	(550,000.00)	0.00
Transfers In	0.00	0.00
Transfers Out	(700,234.90)	(854,614.28)
Total Other Revenue, Expenses, Gain/Losses and Transfers	6,284,575.33	6,460,080.20
Change in Net Assets	5,286,013.39	476,178.48
Net Assets, Beginning of Year	113,091,719.44	112,615,540.96
Restatements	(707,514.65)	0.00
Net Assets, Beginning of Year, as Restated	112,384,204.79	112,615,540.96
Net Assets, August 31, 2008	$ 117,670,218.18	$ 113,091,719.44

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Matrix of Operating Expenses by Function
For the Fiscal Year Ended August 31, 2008

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Cost of Goods Sold	$ 632.95	$ 0.00	$ 2,221.58	$ 65,546.92	$ 15,850.12	$ (327.84)
Salaries and Wages	38,751,660.13	3,561,451.75	426,096.06	6,184,632.04	4,951,944.81	6,869,671.79
Payroll Related Costs	8,274,255.47	723,032.59	71,343.08	1,377,327.52	1,013,592.58	3,663,892.87
Professional Fees and Services	293,669.40	248,577.76	101,491.06	124,841.68	170,650.55	119,195.79
Travel	508,973.48	216,292.08	24,370.95	360,387.19	181,292.48	125,012.29
Materials and Supplies	3,066,852.43	817,931.94	254,737.10	1,532,608.31	1,484,551.10	2,101,364.69
Communications and Utilities	134,197.94	18,179.96	1,756.32	905,217.43	84,341.02	(199,603.44)
Repairs and Maintenance	261,790.42	90,980.71	12,037.60	177,565.78	148,930.33	715,037.35
Rentals and Leases	533,408.90	211,008.86	105,079.35	47,284.76	267,832.46	170,717.31
Printing and Reproduction	147,978.04	14,567.48	97,639.40	99,476.89	339,214.67	(255,815.65)
Federal Pass-Through Expense	0.00	1,055,193.64	1,496.35	0.00	0.00	0.00
State Pass-Through Expense	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00	317,074.39	0.00
Interest	0.00	0.00	0.00	0.00	0.00	360.26
Scholarships	0.00	0.00	0.00	0.00	0.00	0.00
Claims and Judgments	0.00	0.00	0.00	0.00	0.00	0.00
Other Operating Expenses	1,441,749.40	182,741.05	75,014.26	350,613.72	350,160.86	1,382,462.99
	$ 53,415,168.56	$ 7,139,957.82	$ 1,173,283.11	$ 11,225,502.24	$ 9,325,435.37	$ 14,691,968.41

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Matrix of Operating Expenses by Function
For the Fiscal Year Ended August 31, 2008

Operating Expenses	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	$ 6,970.20	$ 0.00	$ 7,702,203.47	$ 0.00	$ 7,793,097.40
Salaries and Wages	4,611,217.50	0.00	10,603,258.57	0.00	75,959,932.65
Payroll Related Costs	1,352,069.43	0.00	3,096,712.92	0.00	19,572,226.46
Professional Fees and Servic	225,171.80	0.00	340,864.41	0.00	1,624,462.25
Travel	11,641.37	0.00	850,803.06	0.00	2,278,772.90
Materials and Supplies	2,862,928.61	0.00	2,917,216.22	0.00	15,038,190.40
Communications and Utilities	6,057,401.31	0.00	4,786,947.43	0.00	11,788,437.97
Repairs and Maintenance	46,211.70	0.00	2,443,387.44	0.00	3,895,941.33
Rentals and Leases	54,253.31	0.00	720,751.04	0.00	2,110,335.99
Printing and Reproduction	1,964.65	0.00	253,248.89	0.00	698,274.37
Federal Pass-Through Expen	0.00	0.00	0.00	0.00	1,056,689.99
State Pass-Through Expense	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	9,939,710.39	9,939,710.39
Bad Debt Expense	0.00	0.00	0.00	0.00	317,074.39
Interest	115.80	0.00	0.00	0.00	476.06
Scholarships	0.00	13,152,370.79	0.00	0.00	13,152,370.79
Claims and Judgments	0.00	0.00	250.00	0.00	250.00
Other Operating Expenses	686,829.50	0.00	1,212,061.19	0.00	5,681,632.97
	$ 15,916,774.98	$ 13,152,370.79	$ 34,927,704.64	$ 9,939,710.39	$ 170,907,876.31

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2008

	2008	2007
Cash Flows From Operating Activities		
Proceeds Received from Tuition and Fees	$ 58,218,613.60	$ 51,280,878.87
Proceeds Received from Auxiliary Services	28,045,268.53	26,257,550.71
Proceeds Received from Other Sales and Services	5,411,044.49	4,986,997.57
Proceeds from Grants and Contracts	25,616,095.14	23,982,124.28
Proceeds from Interest Income	189,528.85	631,202.73
Proceeds from Other Revenues	4,107.67	10,765.19
Payments to Suppliers for Goods and Services	(52,576,553.28)	(50,138,407.58)
Payments to Employees for Salaries	(75,519,888.01)	(70,502,991.55)
Payments to Employees for Benefits	(19,368,272.54)	(18,429,018.97)
Payments for Loans Issued to Students and Employees	(692,320.66)	1,692,826.38
Proceeds from Other Activities	321,605.62	(58,097.28)
Payments to Students for Scholarships	(13,796,790.50)	(15,105,556.15)
Payments for Interest Expense	(476.06)	(943.66)
Net Cash Provided (Used) by Operating Activities	(44,148,037.15)	(45,392,669.46)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	56,076,328.13	54,627,928.24
Proceeds from Gifts	2,467,781.75	2,247,463.40
Payments of Transfers to Other Agencies	(700,234.90)	(540,080.44)
Payments for Claims and Settlements	(12,219.21)	260,510.76
Payments for Other Expenses	(1,615.00)	(10,630.00)
Proceeds from the Sale of Endowment Investments	708,116.15	(374,765.19)
Net Cash Provided (Used) by Noncapital Financing Activities	58,538,156.92	56,210,426.77
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	43,142.50	-
Proceeds from Debt Issuance	20,182,756.68	-
Proceeds from State Appropriatons-Higher Education Funds (HEF)	7,025,771.00	4,683,847.00
Proceeds from Capital Grants and Gifts	568,810.77	39,285.48
Procceds from Other Financing Activities	3,200.00	100.00
Proceeds from Other Rental Income	2,767.59	-
Payments for Net Increase (Decrease) in Fair Value	(171,139.60)	-
Proceeds from Interest on Capital Investments	34,097.22	121,310.28
Payments for Additions to Capital Assets	(18,994,918.53)	(27,900,800.66)
Payments of Principal on Capital Debt	(7,168,577.38)	(4,734,970.23)
Payments of Interest on Capital Debt	(5,008,387.91)	(3,564,510.70)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,482,477.66)	(31,355,738.83)
Cash Flows from Investing Activities		
Payments for the Purchase of Investments	(1,153,990.00)	912,186.83
Proceeds from Interest Income from Investments	2,529,895.22	2,890,867.44
Payments for the Purchase of Investments with Bond Proceeds	(9,707,334.88)	993,085.00
Net Cash Provided (Used) by Investing Activities	(8,331,429.66)	4,796,139.27
Increase (Decrease) in Cash and Cash Equivalents	$ 2,576,212.45	$ (15,741,842.25)

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2008

	2008	2007
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (54,918,389.17)	$ (58,090,831.81)
Amortization and Depreciation	9,939,710.39	7,715,953.32
Bad Debt Expense	317,074.39	212,877.49
Operating Income and Cash Flow Categories		
Changes in Current Assets and Liabilities		
(Increase) Decrease in Legislative Appropriations	2,192,580.82	4,757,778.52
(Increase) Decrease in Receivables	(79,491.01)	(4,146,657.01)
(Increase) Decrease in Inventories	(46,149.24)	2,108.71
(Increase) Decrease in Loans to Students	117,255.43	516,536.99
(Increase) Decrease in Prepaid Expenses	(1,199,949.62)	(1,427,256.26)
(Increase) Decrease in Due from Other Agencies	(1,353,410.16)	30,408.94
Increase (Decrease) in Payables	(27,767.05)	1,282,819.26
Increase (Decrease) in Due to Other Agencies	75,472.87	-
Increase (Decrease) in Deferred Income	3,629,392.96	5,997,652.40
Increase (Decrease) in Compensated Absences	73,666.05	33,813.56
Increase (Decrease) in Current Portion of Bonds Payable	1,158,350.02	106,438.04
Increase (Decrease) in Assets Held for Others	453,768.76	(594,708.23)
Changes in Non-Current Assets and Liabilities		
Increase (Decrease) in Compensated Absences	192,525.40	203,209.24
Increase (Decrease) in Deposits Payable	321,855.62	(58,052.28)
(Increase) Decrease in Student Receivables	(637,576.68)	1,303,166.83
(Increase) Decrease in Loans to Students	(809,576.09)	1,176,289.39
Cash Reported in Other Categories		
Increase (Decrease) in Legislative Appropriations	(2,192,580.82)	(4,757,778.52)
Increase (Decrease) of Gifts Receivable	(196,450.00)	450,000.00
(Increase) Decrease in Current Portion of Bonds Payable	(1,158,350.02)	(106,438.04)
Net Cash Provided (Used) by Operating Activities	$ (44,148,037.15)	$ (45,392,669.46)
Cash and Cash Equivalents, August 31, 2007	$ 67,639,266.16	$ 83,381,108.41
Increase (Decrease) in Cash and Cash Equivalents	2,576,212.45	(15,741,842.25)
Cash and Cash Equivalents, August 31, 2008	$ 70,215,478.61	$ 67,639,266.16
Displayed as:		
Cash on Hand	$ 871,812.74	$ 520,001.50
Cash in Bank	4,233,332.56	7,087,516.93
Cash in Transit/Reimb. Due from Treasury	99,271.31	487,706.52
Cash in State Treasury	481,282.27	430,903.08
Cash Equivalents	54,445,434.09	45,732,078.12
Cash in Bank, Restricted	6,986,059.24	7,777,773.26
Cash Equivalents, Restricted	2,807,476.80	5,293,513.28
Non-Current Cash Equivalents, Restricted	290,809.60	309,773.47
	$ 70,215,478.61	$ 67,639,266.16

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NOTE 1: Summary of Significant Accounting Policies

Entity

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

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

The University has six related entities. The University has determined no related entity is a reportable component unit of Stephen F. Austin State University. These related entities are listed in Note 15.

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

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

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities,* the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in these Statements. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Fund Structure

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

Proprietary Fund Type

Enterprise Funds

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

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

Fiduciary Fund Types

Fiduciary Funds account for assets held by the University in a trustee capacity or as an agent for individuals, private organizations, and/or other governments.

Agency Funds

Agency Funds are used to account for assets the University holds on behalf of others in a purely custodial capacity. Agency Funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. These funds are recognized on the Statement of Net Assets in Restricted Cash and Funds Held for Others.

Basis of Accounting

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

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

Budget and Budgetary Accounting

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

Assets, Liabilities, and Net Assets

ASSETS

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

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

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

Deferred Charges
Deferred charges include prepaid expenses attributable to a subsequent fiscal year, including scholarships attributed to the 2008 fall semester.

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

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

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

LIABILITIES

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

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

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

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

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

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

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

NET ASSETS

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

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

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

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

INTERFUND ACTIVITIES AND BALANCES

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

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

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

The composition of the University's Interfund activities and balances are presented in Note 8.

NOTE 2: Capital Assets

Revenue received from the sale of surplus property has been transferred to Unappropriated General Revenue in accordance with HB7, Sec. 20.

A summary of changes in Capital Assets for the year ended August 31, 2008, is presented below:

	Balance 09/01/07	Adj.	Reclassifications Completed CIP	Additions	Deletions	Balance 08/31/08
BUSINESS-TYPE ACTIVITIES						
Non-Depreciable Assets						
Land and Land Improvements	$ 6,692,351.91	$ -	$ -	$ 235,970.20	$ -	$ 6,928,322.11
Construction in Progress	49,033,768.22	(707,514.65)	(53,257,760.21)	16,346,587.01	-	11,415,080.37
Other Assets	650,144.27	-	-	-	-	650,144.27
Total Non-Depreciable Assets	56,376,264.40	(707,514.65)	(53,257,760.21)	16,582,557.21	-	18,993,546.75
Depreciable Assets						
Buildings and Bldg Improvements	230,725,818.00	-	53,257,760.21	198,923.44	(767,875.00)	283,414,626.65
Infrastructure	10,183,040.07	-	-	-	-	10,183,040.07
Facilities & Other Improvements	6,607,889.30	-	-		(214,030.00)	6,393,859.30
Furniture and Equipment	17,440,931.86	-	-	1,680,716.13	(553,760.04)	18,567,887.95
Vehicle, Boats & Aircraft	4,286,074.68	-	-	345,195.67	(300,777.72)	4,330,492.63
Other Assets	15,076,416.59	-	-	187,526.08	(43,155.53)	15,220,787.14
Total Depreciable Assets at Historical Costs	284,320,170.50	-	53,257,760.21	2,412,361.32	(1,879,598.29)	338,110,693.74
Less Accumulated Depreciation for:						
Buildings and Improvements	(136,048,182.71)	-	-	(7,270,638.51)	729,481.25	(142,589,339.97)
Infrastructure	(4,049,557.94)	-	-	(585,739.44)	-	(4,635,297.38)
Facilities & Other Improvements	(3,524,502.84)	-	-	(205,409.51)	117,552.95	(3,612,359.40)
Furniture and Equipment	(13,059,908.44)	-	-	(1,255,930.56)	546,051.30	(13,769,787.70)
Vehicles, Boats & Aircraft	(3,415,081.66)	-	-	(279,320.11)	288,100.57	(3,406,301.20)
Other Capital Assets	(12,592,606.99)	-	-	(342,672.26)	35,298.25	(12,899,981.00)
Total Accumulated Depreciation	(172,689,840.58)	-	-	(9,939,710.39)	1,716,484.32	(180,913,066.65)
Depreciable Assets, Net	111,630,329.92	-	53,257,760.21	(7,527,349.07)	(163,113.97)	157,197,627.09
Business-Type Activities Capital Assets, Net	$ 168,006,594.32	$(707,514.65)	$ -	$ 9,055,208.14	$ (163,113.97)	$ 176,191,173.84

NOTE 3: Deposits, Investments and Repurchase Agreements

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

Deposits of Cash in Bank

As of August 31, 2008, the carrying amount of deposits was $19,185,820.37 as presented below:

Business-Type Activities

CASH IN BANK – CARRYING VALUE	$19,185,820.37
Less: Certificates of Deposit included in carrying value and reported as non-current investments	7,966,428.57
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Cash in Bank per AFR	$11,219,391.80

Proprietary Funds Current Assets Cash in Bank	$4,233,332.56
Proprietary Funds Current Assets Restricted Cash in Bank	6,986,059.24
Proprietary Funds Non-Current Restricted Cash in Bank	0.00
Cash in Bank per AFR	$11,219,391.80

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

As of August 31, 2008, the total bank balance was as follows:

Business-Type Activities	$20,539,358.15	Fiduciary Funds	$0.00

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

Amounts insured by the FDIC were $517,216.81. Although there were no significant violations of legal provisions during the fiscal year, in April, 2008 $35,736 of the University's deposits were briefly uninsured and uncollateralized. The bank balances at August 31, 2008 that are exposed to custodial credit risks are as follows:

Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name
$0.00	$20,022,141.34	$0.00

Investments

The fair value of the University's investments as of August 31, 2008 is presented below:

Business-Type Activities	Fair Value
U.S. Government	
U.S. Treasury Securities	$17,766,464.23
U.S. Treasury Strips	0.00
U.S. Treasury TIPS	0.00
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc)	9,550,131.16
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00
Corporate Obligations	1,911,328.59
Corporate Asset and Mortgage Backed Securities	0.00
Equity	3,426,106.00
International Obligations (Government and Corp)	103,930.00
International Equity	930,741.03
Repurchase Agreement	0.00
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	0.00
Fixed Income Money Market and Bond Mutual Fund	3,591,888.07
Other Commingled Funds	0.00
International Other Commingled Funds	0.00
Other Commingled Funds (Texpool)	25,109,242.35
Commercial Paper	0.00
Securities Lending Collateral Investment Pool	0.00
Real Estate	0.00
Alternative Investments	1,430,146.33
Miscellaneous (political subdivision, bankers' acceptance, negotiable CD)	0.00
Total	$63,819,977.76

Displayed on Statement of Net Assets as:	
Current Assets:	
Cash Equivalents	$54,445,434.09
Short-Term Investments: Proceeds from Bond Sales	9,707,334.88
Restricted Cash Equivalents	2,807,476.80
Non-Current Assets:	
Restricted:	
Cash Equivalents	290,809.60
Investments: Endowments	9,181,498.97
Unrestricted:	
Investments: Quasi-Endowments	4,082,180.20
Investments: Operating	20,114,261.56
Subtotal	100,628,996.10
Less: Certificates of Deposit	7,966,428.57
Less: Sweep accounts reported as current cash equivalents	28,842,589.77
Total	$63,819,977.76

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

As of August 31, 2008, the University's credit quality distribution for securities with credit risk exposure was as follows:

Standard & Poor's

Investment Type	AAA	AA	A	NR
U.S. Government Agency Obligations (Excludes obligations explicitly guaranteed by the U.S. Government)	$9,550,131.16	$0.00	$0.00	$0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00	0.00	0.00	0.00
Corporate Obligations	1,636,864.00	171,599.12	102,865.47	0.00
Corporate Asset and Mortgage Backed Securities	0.00	0.00	0.00	0.00
International Obligations	0.00	103,930.00	0.00	0.00
Repurchase Agreements	0.00	0.00	0.00	0.00
Alternative Investments	0.00	0.00	0.00	1,430,146.33
	AAAf	**AAf**	**Unrated**	
Fixed Income Money Market and Bond Mutual Fund	$0.00	$0.00		$3,591,888.07
	A-1	**A-2**	**A-3**	
Commercial Paper	$0.00	$0.00		$0.00

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2008, the University's concentration of credit risk is immaterial to any single issuer.

Reverse Repurchase Agreements

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

As of August 31, 2008, the University was not participating in reverse repurchase agreements.

Securities Lending

The University did not participate in securities lending transactions during fiscal year 2008.

Derivative Investing

The University did not participate in derivative investing transactions during fiscal year 2008.

NOTE 4: Short-Term Debt

The University had no short-term debt as of August 31, 2008.

NOTE 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities
During the year ended August 31, 2008, the following changes occurred in liabilities:

Business-Type Activities	Balance 09/01/07	Additions	Reductions	Balance 08/31/08	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	$104,280,000.00	$0.00	$3,705,000.00	$100,575,000.00	$4,000,000.00	$96,575,000.00
Tuition Revenue Bonds Payable	15,875,000.00	20,175,000.00	3,390,000.00	32,660,000.00	1,475,000.00	31,185,000.00
Capital Lease Obligations	111,794.32	7,756.68	73,577.38	45,973.62	18,175.27	27,798.35
Employees' Compensable Leave	2,928,691.71	549,984.32	283,792.87	3,194,883.16	397,563.43	2,797,319.73
Total Business-Type Activities	$123,195,486.03	$20,732,741.00	$7,452,370.25	$136,475,856.78	$5,890,738.70	$130,585,118.08

Deposits Payable
Deposits payable are also included in long term liabilities, but are not presented on this table. This liability includes both students' general deposits and housing deposits. A calculation is made of the estimated amounts that will be refunded within the next year. The portion that is estimated to be paid within one year is included in current liabilities.

Claims and Judgments
The University had no unpaid settlements or judgments as of August 31, 2008.

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

NOTE 6: Capital Leases

The University has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under lease as well as the accumulated depreciation as of August 31, 2008:

Assets Under Capital Leases	Business-Type Activities
Furniture and Equipment	$889,917.94
Less: Accumulated Depreciation	810,763.10
Vehicles	375,000.00
Less: Accumulated Depreciation	193,750.00
Total	$260,404.84

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

Future Minimum Lease Payments	Business-Type Activities		
	Principal	**Interest**	**Total**
2009	$18,175.27	$1,581.16	$19,756.43
2010	13,982.81	1272.87	15,255.68
2011	10,474.83	568.87	11,043.70
2012	1,625.11	130.13	1,755.24
2013	1,715.60	46.99	1,762.59
2014-2018	0.00	0.00	0.00
Total Minimum Lease Payments	$45,973.62	$3,600.02	$49,573.64
Less: Amount Representing Interest at Various Rates			3,600.02
Present Value of Net Minimum Lease Payments			$45,973.62

NOTE 7: Operating Lease Obligations

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

Fund Type	Amount
Enterprise Fund	$392,681.61

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

Year Ended August 31	
2009	$331,439.39
2010	260,183.66
2011	157,308.08
2012	101,101.96
2013	24,469.50
2014-2018	0.00

NOTE 8: Interfund Balances/Activities

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

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

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

Individual balances and activity at August 31, 2008, follows:

	Due From Other Agencies	Due To Other Agencies	Source
ENTERPRISE FUND (05)			
Appd Fund 5015, D23 Fund 5015			
Agency 601, D23 Fund 5015	$3,807.73	-	State Pass Through
ENTERPRISE FUND (05)			
Appd Fund 9999, D23 Fund 7999 Agency 721, D23 Fund 7999		$5,564.08	Federal Pass Through
Agency 781, D23 Fund 0001		41,759.68	State Pass Through
Agency 781, D23 Fund 0001		28,149.11	Federal Pass Through
Agency 771, D23 Fund 0148	86,744.97		Federal Pass Through
Agency 723, D23 Fund 7999	16,822.96		Federal Pass Through
Agency 401, D23 Fund 0449	1,186,720.31		Federal Pass Through
Agency 530, D23 Fund 0001	90,598.66		Federal Pass Through
Agency 580, D23 Fund 4831	8,224.13		State Pass Through
Agency 582, D23 Fund 1531	1,064.82		State Pass Through
Agency 701, D23 Fund 0148	11,239.42		Federal Pass Through
Agency 721, D23 Fund 7999	3,973.45		Federal Pass Through
Agency 781, D23 Fund 0824	3,566.78		State Pass Through
Agency 802, D23 Fund 0920	10,414.86		State Pass Through
Agency 907, D23 Fund 0224	2,443.87		Federal Pass Through
Total Due From/To Other Agencies	$1,425,621.96	$75,472.87	

	Transfer In	Transfer out	Purpose (Disclosure Required)
ENTERPRISE FUND (05)			
Agency 781, D23 Fund 0001		$1,786.00	Doctoral Set-Aside
Total Transfers for Fund 0261		1,786.00	
ENTERPRISE FUND (05)			
Appd Fund 5103, D23 Fund 5103			
Agency 781, D23 Fund 5103		698,448.90	Texas B-On-Time
Total Transfers for Fund 5103		698,448.90	
Total Transfers		$700,234.90	

The detailed State Grant Pass-Through information is listed on Schedule 1B - Schedule of State Grant Pass-Through From/To State Agencies.

NOTE 9: Contingent Liabilities

As of August 31, 2008, there were no lawsuits pending; however, some miscellaneous claims involving the University were pending. While the ultimate liability with respect to pending claims asserted against the University cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the University.

NOTE 10: Continuance Subject to Review (Not Applicable)

NOTE 11: Risk Financing and Related Insurance

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; losses resulting from providing health and other medical benefits to employees; and natural disasters. It is the University's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The methods the University uses to handle each of these risks are summarized below.

Injuries to Employees: Employees of the University are covered by a workers' compensation insurance policy provided by the State Office of Risk Management (SORM). SORM assesses the University an amount for the insurance coverage in accordance with 28 T.A.C. 251.507. An Interagency Contract in the amount of $274,608.20 was executed on behalf of the University for Worker's Compensation Insurance during the year ended August 31, 2008. A mid-year assessment adjustment in the amount of $12,911.49 for 2008 was paid in April 2008 and recorded as an increase in current year expenditures.

Provision for Health and Other Medical Benefits: Employees of the University are eligible for health insurance and optional coverage(s) if they are employed at least 50 percent time. The coverages are provided through the State, under the Texas Employees Group Benefits Program (GBP), which is administered by Blue Cross Blue Shield of Texas. Eligible employees may select health, dental, life, accidental death and dismemberment, dependent life, and long and short-term disability coverage. All risks associated with these benefits are passed to the GBP. The costs of health insurance coverage are jointly paid by the State and the University as follows: 100% for full-time employees and 50% for their dependents; 50% for part-time employees and 25% for their dependents. Employees hired on or after September 1, 2003 have a 90-day waiting period to participate in health insurance coverage. Contributions made by the State on behalf of the University for health and other medical benefits were $5,582,606.27 for the year ended August 31, 2008.

Damage to Property: The University is required by certain bond covenants to carry fire and extended coverage and boiler insurance on buildings financed through the issuance of bonds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. In fiscal year 2008, there were no damage claims.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of $25,000 per injured person, up to a total of $50,000 for everyone injured in an accident (bodily injury) and $25,000 for property damage. However, the University has chosen to carry liability insurance on its licensed vehicles in the amount of $500,000 combined single limit for bodily injury and property damage. One vehicle, a 56-passenger bus, carries a $1,000,000 limit per contractual requirements. The annual premium was $67,131.00 with a deductible paid of $5,187.16.

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

NOTE 12: Segment Information (Not Applicable)

NOTE 13: Bonded Indebtedness

Bonds Payable

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

General information related to bonds payable is summarized below:

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

- To provide funds for renovations to Miller Science Building.
- Issued 9-1-98.
- $6,000,000; all authorized bonds have been issued.
- Source of revenue for debt service:
  - Pledged Student Tuition
  - Other Pledged Revenues
- Changes in Debt: Paid during fiscal year $270,000; Outstanding at year end $3,965,000.

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

- To provide funds for improvements to residence halls and student apartments.
- Issued 3-1-00.
- $7,000,000; all authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Paid during fiscal year $1,000,000; Outstanding at year end $2,000,000.

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

- To provide funds for construction of a facility to replace the Birdwell Building, construction of a new Telecommunications and Networking building, renovations to Power Plant, and renovations to existing structures at the University.
- Issued 7-9-02.
- $14,070,000; all authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Paid during fiscal year $550,000; Outstanding at year end $11,090,000.

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

- To provide funds for renovation of the stadium press box.
- Issued 12-19-02.
- $1,320,000; all authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Other Pledged Revenues
- Changes in Debt: Paid during fiscal year $170,000; Outstanding at year end $555,000.

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

- To provide funds for renovation and expansion, and equipment for, the Student Center.
- Issued 2-18-04.
- $26,030,000; all authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Pledged Student Center Fees
  Other Pledged Revenues
- Changes in Debt: Paid during fiscal year $965,000; Outstanding at year end $23,195,000.

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

- To provide funds to construct a 400-space parking garage adjacent to the Student Center.
- Issued 8-17-04.
- $5,460,000; all authorized bonds have been issued.
- Source of revenue for debt service:
  Pledged Student Tuition
  Pledged Student Center Fees
  Other Pledged Revenues
- Changes in Debt: Paid during fiscal year $195,000; Outstanding at year end $4,895,000.

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

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

- Issued 6-23-05.
- $17,215,000; all authorized bonds have been issued.
- Source of revenue for debt service: Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Paid during fiscal year $610,000; Outstanding at year end $16,020,000.

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

- To provide funds to construct a new student residence hall and associated parking garage; to construct a new student recreational center and to pay the costs related to the issuance of the Bonds.
- Issued 11-02-05.
- $55,365,000; all authorized bonds have been issued.
- Source of revenue for debt service: Pledged Recreational Sports Fee
- Other Pledged Revenues consisting of Unrestricted Current Funds Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Paid during fiscal year $765,000; Outstanding at year end $53,910,000.

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

- To provide funds to construct a new educational resource center facility which will provide an Early Childhood laboratory for the College of Education and a charter school campus.
- Issued 03-04-08.
- $20,175,000; all authorized bonds have been issued.
- Source of revenue for debt service: Pledged revenues consisting of Unrestricted Current Fund Revenues excluding: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group; Higher Education Funds; and student service fees and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Issued during fiscal year $20,175,000; Paid during fiscal year $2,570,000; Outstanding at year end $17,605,000.

Advance Refunding Bonds

No bonds were advance refunded during the year.

NOTE 14: Subsequent Events

During the 80th regular session of the Texas Legislature, legislators approved $30,178,000 in funding for the University for Tuition Revenue Bonds for projects previously approved but not funded during the 79th legislative session. These projects included requests for funding for the Education Research Center and deferred maintenance projects. The Board of Regents asked for authorization to build an Education Research Center at a project cost not to exceed $28,000,000. Bonds were issued in 2008 for $20,175,000 for the Education Research Center. The balance of the project will be funded with general obligation (HEF) bonds. The University plans to issue those remaining bonds in December 2008.

Also, during the 80th regular session, legislators authorized $13,000,000 of additional Tuition Revenue Bond funding for the University to construct a nursing facility on property donated to the University. This gift is contingent on the University's ability to use the building as a nursing facility within three years after the donor vacates the property. In October, 2007, the Board of Regents authorized the University to seek approval from the Texas Higher Education Coordinating Board for the construction of a nursing facility at a project cost not to exceed $13,000,000. The University plans to issue those bonds with the balance of the $10,000,000 approved for deferred maintenance projects in 2009.

NOTE 15: Related Parties

Six entities exist to benefit the University: Stephen F. Austin State University Foundation, Inc.; SFA Real Estate Foundation, Inc.; Stephen F. Austin State University Alumni Association, Inc.; Stephen F. Austin State University Alumni Foundation, Inc.; Stephen F. Austin State University Tip-In Club; and, Stephen F. Austin State University

Quarterjack Club. Since the University's Board of Regents is not financially accountable for these entities and does not appoint their board members, they are not considered Related Parties per GASB Statement 14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*. Accordingly, their financial data are not included in this financial report.

The Stephen F. Austin State University Foundation, Inc. is a non-profit organization with the sole purpose of supporting the educational and other activities of the University. The Foundation solicits donations and acts as coordinator of gifts made by other parties for the use and benefit of the University. The University's Vice President for Development serves as the Executive Director of the Foundation and the University's President may serve as an ex officio, non-voting member of the Foundation's Board of Trustees. The University provides personnel, office space, equipment and supplies as necessary for the Foundation to carry out its responsibilities and activities.

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

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

The Stephen F. Austin State University Alumni Foundation, Inc. is a non-profit organization which exists to award scholarships to students at the University. The Alumni Foundation is housed within the Alumni Association. Therefore, the University provides the same office space, utilities, staff assistance and custodial services for the Alumni Foundation as it does for the Alumni Association.

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

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

NOTE 16: Stewardship, Compliance, and Accountability

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

NOTE 17: The Financial Reporting Entity and Joint Ventures

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

NOTE 18: Restatement of Net Assets

In 2008, the University discontinued plans to construct a baseball stadium. Capitalized costs of $707,514.65 associated with architect fees and flood plain studies included in the prior year Construction in Progress were reclassified as a restatement of Net Assets, Invested in Capital Assets, Net of Related Debt.

NOTE 19: Employees Retirement Plans

The State of Texas has joint contributory retirement plans for all of its benefits-eligible employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas (TRS). The contributory percentages of participant salaries currently provided by the State and by each participant are 6.58% and 6.4 %, respectively, of annual compensation. TRS does not separately account for each of its component government agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in TRS' annual financial report.

The State has also established an optional retirement program (ORP) for institutions of higher education for certain administrative personnel and faculty. Participation in the optional retirement program is in lieu of participation in TRS, and the selection to participate in ORP must be made in the first 90 days of eligibility. The optional retirement program allows participants to select from a variety of companies for the purchase of annuity contracts or to invest in mutual funds. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.58% from the ORP appropriation and 1.92% from other funding sources. The 6.58% contribution is mandatory with the other 1.92% being at the discretion of the Board. The Board has approved the additional contributions for these employees. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.58% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts or mutual fund investments, the University has no additional or unfunded liability for this program.

GASB 27, paragraph 27(d) requires that university system offices and independent universities that administer the ORP must disclose the amounts contributed by members and by the employer for that plan. The amount contributed by the University employees for the 2008 fiscal year was $1,930,515.00 and the amount contributed by the University was $2,177,789.00.

NOTE 20: Deferred Compensation

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec 609.001. Two plans are available for employees: the 403(b) Tax Sheltered Annuity (TSA) plan and the Texasaver 457(b) plan. The TSA is administered by Stephen F. Austin State University. The 457(b) plan is administered by the Employees Retirement System of Texas.

NOTE 21: Donor-Restricted Endowments

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	$2,712,406.86	Funds Held as Permanent Endowments, Expendable
Term Endowments	7,285.70	Funds Held as Permanent Endowments, Expendable
Total	$2,719,692.56	

The University spending policy was revised in 2007. The policy provides for a target distribution rate of between 4 and 5 percent. If returns permit, an amount equal to the rate of inflation will be added back to each endowment principal balance. Additionally if there are any returns beyond the inflation rate, then this amount will be added to a contingency reserve that may be distributed during years of poor investment performance. In 2008, 4% of total earnings was distributed to scholarship accounts and 2.4% was added back to the balance of each individual endowment account. No amounts were added to the contingency reserve account.

NOTE 22: Management Discussion and Analysis

See Pages 4-10.

NOTE 23: Post Employment Health Care and Life Insurance Benefits (Not Applicable)

NOTE 24: Special or Extraordinary Items (Not Applicable)

NOTE 25: Disaggregation of Receivable and Payable Balances

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

Accounts Receivables Category	Current Amount
3rd Party Contracts on Student Receivables	$1,598,974.06
Private Grants and Contracts Receivables	191,360.26
Miscellaneous Receivables	499,329.70
Total	$2,289,664.02

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

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

Accounts Payables Category	Current Amount
Payables on Construction Activity	$62,629.41
Utility Payables	762,892.39
Bookstore Payables	576,955.81
Procurement Card Payables	503,180.17
Miscellaneous	1,084,070.58
Total	$2,989,728.36

NOTE 26: Termination Benefits – Not Applicable

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2008

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ #	Pass-Through From: Agencies Or Univ Amount	Pass-Through From: Non-State Entities Amount
U.S. Department of Agriculture				
Direct Programs:				
Forestry Research	10.652		$ 0.00	$ 0.00
Cooperative Forestry Assistance	10.664			
Total U. S. Department of Agriculture			0.00	0.00
U.S. Department of Defense				
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			
Pass-Through From:				
Readiness Sustainment Maintenance Program	12.402			
Pass-Through From:				
Adjutant General's Department		401	1,490,320.64	
Readiness Sustainment Maintenance Program	12.402			
Pass-Through From:				
Adjutant General's Department		401	935,502.06	
Pass Through To:				
University of Texas at El Paso				
Readiness Sustainment Maintenance Program	12.402			
Pass-Through From:				
Adjutant General's Department		401	99,998.11	
Pass Through To:				
Texas Tech University				
Total U.S. Department of Defense			2,525,820.81	0.00
U.S. Department of the Interior				
Direct Programs:				
National Natural Landmarks Program	15.910			
Total U.S. Department of the Interior			0.00	0.00
U.S. Department of State				
Educational Exchange Scholar-in-Residence	19.431			
Total U.S. Department of State			0.00	0.00
Office of Personnel Management				
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			
Total Office of Personnel Management			0.00	0.00
National Foundation on the Arts and the Humanities				
Promotion of the Arts--Partnership Agreements	45.025			
Promotion of the Humanities--Division of Preservation and Access	45.149			
National Leadership Grants	45.312			
Total National Foundation on the Arts and the Humanities			0.00	0.00
National Science Foundation				
Education and Human Resources	47.076			
Total National Science Foundation			0.00	0.00
Enviromental Protection Agency				
Pass-Through From:				
Water Protection Coordination Grants to States	66.474			
Pass-Through From:				
Texas Commission on Environmental Quality		582	177.81	
Water Protection Coordination Grants to States	66.474			
Texas Commission on Environmental Quality		582	1,496.35	
Pass-Through To:				
University of Texas at El Paso				
Total Environmental Protection Agency			1,674.16	0.00
U.S. Department of Energy				
Renewable Energy Research and Development	81.087			1,092.83
Pass-Through From:				
State Energy Program	81.041		-	
Pass-Through From:				
Comptroller-State Energy Conservation Office		907	21,624.88	
Total U.S. Department of Energy			21,624.88	1,092.83

Direct Program Amount	Total PT From & Direct Program	Agy #/ Univ. #	Pass-Through To State Agy Or Univ. Amount	Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
$ 45,967.88	$ 45,967.88		$ 0.00	$ 0.00	$ 45,967.88	$ 45,967.88
4,970.14	4,970.14				4,970.14	4,970.14
50,938.02	50,938.02		0.00	0.00	50,938.02	50,938.02
20,966.03	20,966.03				20,966.03	20,966.03
	1,490,320.64				1,490,320.64	1,490,320.64
	935,502.06					935,502.06
						0.00
		724	935,502.06			
	99,998.11					99,998.11
		733	99,998.11		0.00	
20,966.03	2,546,786.84		1,035,500.17	0.00	1,511,286.67	2,546,786.84
4,997.70	4,997.70				4,997.70	4,997.70
4,997.70	4,997.70		0.00	0.00	4,997.70	4,997.70
81,376.73	81,376.73		0.00	0.00	81,376.73	81,376.73
81,376.73	81,376.73		0.00	0.00	81,376.73	81,376.73
13,249.34	13,249.34				13,249.34	13,249.34
13,249.34	13,249.34		0.00	0.00	13,249.34	13,249.34
1,500.00	1,500.00				1,500.00	1,500.00
5,000.00	5,000.00				5,000.00	5,000.00
233,543.41	233,543.41				233,543.41	233,543.41
240,043.41	240,043.41		0.00	0.00	240,043.41	240,043.41
227,299.97	227,299.97				227,299.97	227,299.97
227,299.97	227,299.97		0.00	0.00	227,299.97	227,299.97
	177.81				177.81	177.81
	1,496.35					1,496.35
					0.00	0.00
		724	1,496.35		0.00	
0.00	1,674.16		1,496.35	0.00	177.81	1,674.16
	1,092.83				1,092.83	1,092.83
	0.00				0.00	0.00
	0.00				0.00	0.00
	0.00				0.00	0.00
	21,624.88				21,624.88	21,624.88
0.00	22,717.71		0.00	0.00	22,717.71	22,717.71

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2008

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ. #	Pass-Through From: Agencies Or Univ. Amount	Pass-Through From: Non-State Entities Amount
U.S. Department of Education				
Tech-Prep Education	84.243			3,751.92
Direct Programs:				
Undergraduation International Studies and Foreign Language Program	84.016			
Perkins Loan Cancellations	84.037			
Rehabilitation Long-Term Training	84.129			
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			
Transition Teaching	84.350			
School Leadership	84.363			
Pass-Through From,				
Vocational Education--Basic Grants to States	84.048			
Pass-Through From:				
Texas Education Agency		701	112,238.36	
Vocational Education--Basic Grants to States	84.048			
Pass-Through From,				
Texas Higher Education Coordinating Board		781	(895.07)	
Improving Teacher Quality State Grants	84.367			
Pass-Through From:				
University of Texas at Austin		721	52,895.19	
Improving Teacher Quality State Grants	84.367			
Pass-Through From:				
Texas Higher Education Coordinating Board		781	19,677.54	
Total U.S. Department of Education			183,916.02	3,751.92
U.S. Department of Health and Human Services				
Direct Programs:				
Geriatric Education Centers	93.969			
Pass-Through From:				
Model State-Supported Area Health Education Centers	93.107			
Pass-Through From:				
University of Texas Medical Branch Galveston		723	82,330.20	
Foster Care--Title IV-E	93.658			
Pass-Through From,				
Department of Family and Protective Services		530	159,060.75	
Geriatric Education Centers	93.969			
Pass-Through From:				
University of Texas Medical Branch at Galveston		723	6,779.52	
Total U.S. Department of Health & Human Services			248,170.47	0.00
RESEARCH & DEVELOPMENT CLUSTER				
U.S. Department of Agriculture				
Direct Programs:				
Agricultural Research--Basic and Applied Research	10.001			
Forestry Research	10.652			
Plant Materials for Conservatoln	10.905			
Wildlife Habitat Incentive Program	10.914			
Total U. S. Department of Agriculture			0.00	0.00
U.S. Department of Defense				
Military Medical Research and Development	12.420			
Total U.S. Department of Defense			0.00	0.00
U.S. Department of the Interior				
Fish and Wildlife Management Assistance	15.608			
Migratory Bird Joint Ventures	15.637			
Migratory Bird Conservation	15.647			
U.S. Geological Survey--Research and Data Acquisition	15.808			
U.S. Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To:				
University of Texas at Austin				

Direct Program Amount	Total PT From & Direct Program	Pass-Through To: Agy #/ Univ. #	Pass-Through To: State Agy. Or Univ Amount	Pass-Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
	3,751.92				3,751.92	3,751 92
34,023.91	34,023.91				34,023.91	34,023.91
165,113.00	165,113.00				165,113.00	165,113.00
316,118.22	316,118.22				316,118.22	316,118.22
					0.00	0.00
132,094.19	132,094.19				132,094.19	132,094.19
1,009,399.75	1,009,399.75				1,009,399.75	1,009,399.75
579,929.59	579,929.59				579,929.59	579,929.59
239,905.49	239,905 49				239,905 49	239,905 49
	112,238.36				112,238.36	112,238.36
	(895.07)				(895.07)	(895.07)
	52,895 19				52,895 19	52,895 19
	19,677.54				19,677.54	19,677 54
					0.00	
2,476,584 15	2,664,252.09		0.00	0.00	2,664,252.09	2,664,252.09
0.09	0.09				0.09	0.09
	82,330.20				82,330.20	82,330.20
	159,060.75				159,060.75	159,060.75
	6,779.52				6,779.52	6,779.52
					0.00	0.00
0.09	248,170.56		0.00	0.00	248,170.56	248,170.56
115,491.72	115,491.72				115,491 72	115,491.72
495,952.01	495,952.01				495,952.01	495,952.01
2,490.19	2,490.19				2,490.19	2,490.19
(157.89)	(157 89)				(157 89)	(157 89)
613,776.03	613,776.03		0.00	0.00	613,776.03	613,776.03
19,219.58	19,219.58				19,219.58	19,219.58
19,219.58	19,219.58		0.00	0.00	19,219.58	19,219.58
1,662.73	1,662.73				1,662.73	1,662.73
18,813.23	18,813.23				18,813.23	18,813.23
5,393.27	5,393.27				5,393.27	5,393.27
65,649.62	65,649.62				65,649.62	65,649.62
5,564.08	5,564.08					
		721	5,564.08			5,564.08

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2008

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Agy/ Univ #	Pass-Through From Agencies Or Univ. Amount	Pass-Through From Non-State Entities Amount
U.S Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To.				
University of Texas at El Paso				
U.S. Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To.				
University of Houston				
U.S Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To				
Texas Tech University				
U.S. Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To				
University of Texas at San Antonio				
U.S. Geological Survey--Research and Data Acquisition	15.808			
Pass-Through To				
Texas State University - San Marcos				
Total U.S. Department of the Interior			0.00	0.00
National Science Foundation				
Biological Sciences	47.074			
Social, Behavioral, and Economic Sciences	47 075			
Education and Human Resources	47.076			
Total National Science Foundation			0.00	0.00
Enviromental Protection Agency				
Congressionally Mandated Projects	66.202			
Total Environmental Protection Agency			0.00	0.00
U.S. Department of Education				
Fund for the Improvement of Postsecondary Education	84.116			
Fund for the Improvement of Postsecondary Education	84.116			
Pass-Through To.				
Lamar State College-Orange				
Bilingual Education-Professional Development	84.195			
School Leadership	84.363			
Total U.S. Department of Education			0.00	0.00
CHILD CARE CLUSTER				
U.S. Department of Health and Human Services				
Child Care and Development Block Grant	93.575			40,471.30
Total U.S. Department of Health & Human Services			0.00	40,471.30
SPECIAL EDUCATION CLUSTER				
U.S. Department of Education				
Pass-Through From:				
Special Education--Grants to States	84.027			
Pass-Through From:				
Texas A&M University - Texarkana		764	23,892.00	
Special Education--Grants to States	84.027			
Pass-Through From:				
Texas School for the Blind & Visually Impaired		771	316,643.09	
Total U.S. Department of Education			340,535.09	0.00
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007			
Federal Family Education Loans	84.032			
Federal Work-Study Program	84.033			
Federal Perkins Loan Program--Federal Capital Contributions	84.038			
Federal Pell Grant Program	84.063			
Academic Competitiveness Grants	84.375			
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376			
Total U.S. Department of Education			0.00	0.00
Total Expenditures of Federal Awards			$ 3,321,741.43	$ 45,316.05

Direct Program Amount	Total PT From & Direct Program	Pass-Through To: Agy #/ Univ. #	Pass-Through To: State Agy. Or Univ. Amount	Pass-Through To: Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
2,978.95	2,978.95					
		724	2,978.95			2,978.95
2,415.55	2,415.55					
		730	2,415.55			2,415.55
2,635.33	2,635.33					
		733	2,635.33			2,635.33
2,099.56	2,099.56					
		743	2,099.56			2,099.56
3,000.00	3,000.00					
		754	3,000.00			3,000.00
110,212.32	110,212.32		18,693.47	0.00	91,518.85	110,212.32
2,583.06	2,583.06				2,583.06	2,583.06
24,865.33	24,865.33				24,865.33	24,865.33
71,740.66	71,740.66				71,740.66	71,740.66
99,189.05	99,189.05		0.00	0.00	99,189.05	99,189.05
16,887.84	16,887.84				16,887.84	16,887.84
16,887.84	16,887.84		0.00	0.00	16,887.84	16,887.84
176,950.67	176,950.67				176,950.67	176,950.67
1,000.00	1,000.00					1,000.00
		787	1,000.00			
264,419.47	264,419.47				264,419.47	264,419.47
75,910.92	75,910.92				75,910.92	75,910.92
518,281.06	518,281.06		1,000.00	0.00	517,281.06	518,281.06
	40,471.30				40,471.30	40,471.30
0.00	40,471.30		0.00	0.00	40,471.30	40,471.30
	23,892.00				23,892.00	23,892.00
	316,643.09				316,643.09	316,643.09
0.00	340,535.09		0.00	0.00	340,535.09	340,535.09
369,122.00	369,122.00				369,122.00	369,122.00
52,525,580.83	52,525,580.83				52,525,580.83	52,525,580.83
593,241.52	593,241.52				593,241.52	593,241.52
1,154,246.00	1,154,246.00				1,154,246.00	1,154,246.00
11,223,594.13	11,223,594.13				11,223,594.13	11,223,594.13
600,343.00	600,343.00				600,343.00	600,343.00
106,697.00	106,697.00				106,697.00	106,697.00
66,572,824.48	66,572,824.48		0.00	0.00	66,572,824.48	66,572,824.48
$ 71,065,845.80	$ 74,432,903.28		$ 1,056,689.99	$ 0.00	$ 73,376,213.29	$ 74,432,903.28

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-A-Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2008

Note 1 - Nonmonetary Assistance - N/A

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

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

Federal Revenue Operating	$17,431,395.02
Federal Pass-Through Revenue	3,321,741.43
Federal Pass-Through Non-Operating	0.00
Subtotal	20,753,136.45
Reconciling Items:	
Non-monetary:	0.00
New Loans Processed:	
GSL/SLS/PLUS Loans	52,525,580.83
Federal Perkins Loans	1,154,246.00
Total Pass-Through and Expenditures per Federal Schedule	$74,432,963.28

Note 3 - Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed & Admin Costs Recovered	End Balances of Previous Year's Loans
Department of Education 84.038 Federal Perkins Loans	$1,154,246.00	$89,059.00	$1,243,305.00	$5,534,457.90
Department of Education 84.032 GSL/SLS/Plus Loans	52,525,580.83		52,525,580.83	
Total Department of Education	$53,679,826.83	$89,059.00	$53,768,885.83	$5,534,457.90

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

Note 5 - Unemployment Insurance - N/A

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

Note 7 - Federal Deferred Revenue

Federal Deferred Revenue 9-1-07	$129,515.83
Increase (Decrease)	31,291.28
Federal Deferred Revenue 8-31-08	$160,807.11

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 1-B - Schedule of State Grant Pass-Through From/To State Agencies
For The Fiscal Year Ended August 31, 2008

Pass Through From:

Operating:	
Texas Commission on Environmental Quality (Agy #582)	
Deep-Rooted Sedge	$6,663.41
Texas Water Development Board (Agy #580)	
Large Woody Debris	3,245.03
Texas Parks & Wildlife (Agy #802)	
Contaminant Levels	10,414.86
Texas Higher Ed. Coord. Board (Agy #781)	
At Risk Nursing Students	61,589.78
Deep E TX P16 Council	7,889.15
P-16 Special Advisor	5,351.17
Professional Nursing	6,639.00
TEXAS Grant Program	3,846,480.00
College Work Study Program	84,592.00
Engineering Scholarships	5,000.00
5th Year Accounting Scholarships	5,000.00
Total Operating Pass-Through From Other Agencies	$4,042,864.40

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STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2008

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
Business-Type Activities						
Revenue Bonds - Self Supporting						
Rev Fin Sys Bds Ser '00	$ 7,000,000.00	5.125	5.375	2003	2009	n/a
Rev Fin Sys Bds Ser '02 (A)	1,320,000.00	3.590	3.590	2003	2010	n/a
Rev Fin Sys Bds Ser '04	26,030,000.00	2.000	4.375	2005	2024	10/15/2013
Rev Fin Sys Bds Ser '04 (A)	5,460,000.00	4.000	4.625	2005	2024	10/15/2013
Rev Fin Sys Bds Ser '05	17,215,000.00	4.000	5.250	2006	2026	10/15/2015
Rev Fin Sys Bds Ser '05 (A)	55,365,000.00	3.500	5.000	2006	2026	10/15/2015
	$ 112,390,000.00					
Tuition Revenue Bonds - Self-Supporting						
Rev Fin Sys Bds Ser '98	$ 6,000,000.00	3.650	5.250	1999	2018	10/15/2008
Rev Fin Sys Bds Ser '02	14,070,000.00	4.000	5.000	2002	2021	10/15/2012
Rev Fin Sys Bds Ser '08	20,175,000.00	3.500	5.000	2008	2027	10/15/2017
	$ 40,245,000.00					
General Obligation Bonds - Not Self-Supporting						
N/A	$ 0.00					
	$ 0.00					

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2B-Changes In Bonded Indebtedness
For the Fiscal Year Ended August 31, 2008

Description of Issue	Bonds Outstanding 9/1/07	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/08
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	$ 3,000,000.00	$ -	$ 1,000,000.00	$ -	$ 2,000,000.00
Rev Fin Sys Bds Ser '02 (A)	725,000.00	-	170,000.00	-	555,000.00
Rev Fin Sys Bds Ser '04	24,160,000.00	-	965,000.00	-	23,195,000.00
Rev Fin Sys Bds Ser '04 (A)	5,090,000.00	-	195,000.00	-	4,895,000.00
Rev Fin Sys Bds Ser '05	16,630,000.00	-	610,000.00	-	16,020,000.00
Rev Fin Sys Bds Ser '05 (A)	54,675,000.00	-	765,000.00	-	53,910,000.00
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	4,235,000.00	-	270,000.00	-	3,965,000.00
Rev Fin Sys Bds Ser '02	11,640,000.00	-	550,000.00	-	11,090,000.00
Rev Fin Sys Bds Ser '08	-	20,175,000.00	2,570,000.00	-	17,605,000.00
General Obligation Bonds - Not Self-Supporting					
N/A	-	-	-	-	-
	$ 120,155,000.00	$ 20,175,000.00	$ 7,095,000.00	$ -	$ 133,235,000.00

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2B-Changes In Bonded Indebtedness
For the Fiscal Year Ended August 31, 2008

Description of Issue	(For Proprietary Funds only: Reconciliation) Unamortized Premium	Unamortized Discount	Issuance Costs	Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/08	Amounts Due Within One Year
Business-Type Activities						
Revenue Bonds - Self Supporting						
Rev Fin Sys Bds Ser '00	$ -	$ -	$ -	$ -	$ 2,000,000.00	$ 1,000,000.00
Rev Fin Sys Bds Ser '02 (A)	-	-	-	-	555,000.00	180,000.00
Rev Fin Sys Bds Ser '04	-	-	-	-	23,195,000.00	990,000.00
Rev Fin Sys Bds Ser '04 (A)	-	-	-	-	4,895,000.00	205,000.00
Rev Fin Sys Bds Ser '05	-	-	-	-	16,020,000.00	630,000.00
Rev Fin Sys Bds Ser '05 (A)	-	-	-	-	53,910,000.00	995,000.00
Tuition Revenue Bonds - Self-Supporting						
Rev Fin Sys Bds Ser '98	-	-	-	-	3,965,000.00	280,000.00
Rev Fin Sys Bds Ser '02	-	-	-	-	11,090,000.00	575,000.00
Rev Fin Sys Bds Ser '08	-	-	-	-	17,605,000.00	620,000.00
General Obligation Bonds - Not Self-Support						
N/A	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ 133,235,000.00	$ 5,475,000.00

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2008

Description of Issue	FY	Principal	Interest
Business-Type Activities			
Revenue Bonds - Self Supporting			
Rev Fin Sys Bds Ser '00	2009	$ 1,000,000.00	$ 80,000.00
Rev Fin Sys Bds Ser '00	2010	1,000,000.00	26,875.00
		2,000,000.00	106,875.00
Rev Fin Sys Bds Ser '02 (A)	2009	180,000.00	16,693.50
Rev Fin Sys Bds Ser '02 (A)	2010	185,000.00	10,141.75
Rev Fin Sys Bds Ser '02 (A)	2011	190,000.00	3,410.50
		555,000.00	30,245.75
Rev Fin Sys Bds Ser '04	2009	990,000.00	905,956.26
Rev Fin Sys Bds Ser '04	2010	1,015,000.00	878,387.51
Rev Fin Sys Bds Ser '04	2011	1,050,000.00	843,431.26
Rev Fin Sys Bds Ser '04	2012	1,095,000.00	800,531.26
Rev Fin Sys Bds Ser '04	2013	1,140,000.00	755,831.26
Rev Fin Sys Bds Ser '04	2014-2018	6,430,000.00	3,042,556.30
Rev Fin Sys Bds Ser '04	2019-2023	7,845,000.00	1,615,300.05
Rev Fin Sys Bds Ser '04	2024-2025	3,630,000.00	159,453.14
		23,195,000.00	9,001,447.04
Rev Fin Sys Bds Ser '04 (A)	2009	205,000.00	202,878.76
Rev Fin Sys Bds Ser '04 (A)	2010	210,000.00	194,578.76
Rev Fin Sys Bds Ser '04 (A)	2011	220,000.00	185,978.76
Rev Fin Sys Bds Ser '04 (A)	2012	230,000.00	176,978.76
Rev Fin Sys Bds Ser '04 (A)	2013	240,000.00	167,578.76
Rev Fin Sys Bds Ser '04 (A)	2014-2018	1,350,000.00	682,748.80
Rev Fin Sys Bds Ser '04 (A)	2019-2023	1,665,000.00	370,291.30
Rev Fin Sys Bds Ser '04 (A)	2024-2025	775,000.00	36,190.64
		4,895,000.00	2,017,224.54
Rev Fin Sys Bds Ser '05	2009	630,000.00	710,300.00
Rev Fin Sys Bds Ser '05	2010	655,000.00	676,568.75
Rev Fin Sys Bds Ser '05	2011	675,000.00	641,656.25
Rev Fin Sys Bds Ser '05	2012	700,000.00	605,562.50
Rev Fin Sys Bds Ser '05	2013	725,000.00	568,156.25
Rev Fin Sys Bds Ser '05	2014-2018	4,075,000.00	2,247,843.75
Rev Fin Sys Bds Ser '05	2019-2023	4,960,000.00	1,299,418.75
Rev Fin Sys Bds Ser '05	2024-2026	3,600,000.00	234,600.00
		16,020,000.00	6,984,106.25

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2008

Description of Issue	FY	Principal	Interest
Rev Fin Sys Bds Ser '05 (A)	2009	995,000.00	2,458,081.26
Rev Fin Sys Bds Ser '05 (A)	2010	1,100,000.00	2,421,418.76
Rev Fin Sys Bds Ser '05 (A)	2011	2,195,000.00	2,362,384.38
Rev Fin Sys Bds Ser '05 (A)	2012	2,290,000.00	2,279,662.50
Rev Fin Sys Bds Ser '05 (A)	2013	2,395,000.00	2,188,825.00
Rev Fin Sys Bds Ser '05 (A)	2014-2018	14,025,000.00	9,026,250.00
Rev Fin Sys Bds Ser '05 (A)	2019-2023	18,010,000.00	5,115,112.50
Rev Fin Sys Bds Ser '05 (A)	2024-2026	12,900,000.00	887,175.00
		53,910,000.00	26,738,909.40
Tuition Revenue Bonds - Self-Supporting			
Rev Fin Sys Bds Ser '98	2009	280,000.00	185,147.50
Rev Fin Sys Bds Ser '98	2010	295,000.00	172,350.00
Rev Fin Sys Bds Ser '98	2011	310,000.00	158,582.50
Rev Fin Sys Bds Ser '98	2012	320,000.00	143,932.50
Rev Fin Sys Bds Ser '98	2013	340,000.00	128,252.50
Rev Fin Sys Bds Ser '98	2014-2018	1,965,000.00	368,296.25
Rev Fin Sys Bds Ser '98	2019	455,000.00	11,375.00
		3,965,000.00	1,167,936.25
Rev Fin Sys Bds Ser '02	2009	575,000.00	493,775.00
Rev Fin Sys Bds Ser '02	2010	605,000.00	469,418.75
Rev Fin Sys Bds Ser '02	2011	635,000.00	443,068.75
Rev Fin Sys Bds Ser '02	2012	665,000.00	414,612.50
Rev Fin Sys Bds Ser '02	2013	695,000.00	384,012.50
Rev Fin Sys Bds Ser '02	2014-2018	3,980,000.00	1,425,773.75
Rev Fin Sys Bds Ser '02	2019-2022	3,935,000.00	400,381.25
		11,090,000.00	4,031,042.50
Rev Fin Sys Bds Ser '08	2009	620,000.00	716,100.00
Rev Fin Sys Bds Ser '08	2010	645,000.00	690,800.00
Rev Fin Sys Bds Ser '08	2011	665,000.00	664,600.00
Rev Fin Sys Bds Ser '08	2012	685,000.00	637,600.00
Rev Fin Sys Bds Ser '08	2013	710,000.00	609,700.00
Rev Fin Sys Bds Ser '08	2014-2018	3,905,000.00	2,594,362.50
Rev Fin Sys Bds Ser '08	2019-2023	4,660,000.00	1,681,375.00
Rev Fin Sys Bds Ser '08	2024-2028	5,715,000.00	628,012.50
		17,605,000.00	8,222,550.00
Total Debt Service		$ 133,235,000.00	$ 58,300,336.73

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds
For the Fiscal Year Ended August 31, 2008

	Application of Funds		
Description of Issue	2008 Principal	2008 Interest	Comment
Not Applicable			

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2D - Analysis of Funds Available for Debt Service - Revenue Bonds
For the Fiscal Year Ended August 31, 2008

	Net Available for Debt Service		Debt Service		
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	2008 Principal	2008 Interest	Comment
Business-Type Activities					
Revenue Bonds - Self Supporting					
Rev Fin Sys Bds Ser '00	*	$ -	$ 1,000,000.00	$ 132,500.00	$ 112,812.50 **
Rev Fin Sys Bds Ser '02 (A)	*	-	170,000.00	22,976.00	20,687.38 **
Rev Fin Sys Bds Ser '04	*	-	965,000.00	930,425.01	922,282.83 **
Rev Fin Sys Bds Ser '04 (A)	*	-	195,000.00	210,878.76	207,953.76 **
Rev Fin Sys Bds Ser '05	*	-	610,000.00	739,037.50	744,887.50 **
Rev Fin Sys Bds Ser '05 (A)	*	-	765,000.00	2,488,881.26	2,478,840.64 **
Tuition Revenue Bonds - Self-Supporting					
Rev Fin Sys Bds Ser '98	*	-	270,000.00	197,112.50	192,758.75 **
Rev Fin Sys Bds Ser '02	*	-	550,000.00	516,275.00	508,025.00 **
Rev Fin Sys Bds Ser '08	*	-	2,570,000.00	94,675.83	367,863.33 **
			$ 7,095,000.00	$ 5,332,761.86	5,556,111.69
		Interest Capitalized			(367,863.33) ***
		Interest Expensed			$ 5,188,248.36

Note: Expenditures associated with operations which generated the pledged revenues are $ 68,191,746.68 for fiscal year 2008.

* The $105,264,452.56 represents the total available pledged revenue and other sources for parity issues for fiscal year 2008.

Analysis of Pledged and Other Sources:	Pledged Sources	
	Tuition	$ 18,181,030.90
	Designated Tuition	30,495,007.40
	Student Center Fees	2,108,796.00
	Lab Fees	319,778.50
	Other Fees	16,134,723.04
	Sales & Services	35,219,737.92
	Investment Income	2,765,339.36
	Gifts	35,931.76
	Other Income	4,107.68
		$105,264,452.56

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

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2008

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Building Revenue Bonds, Series 1965-B	1991	$1,215,000.00
Housing System Revenue Bonds, Series 1962-D	1991	962,000.00
Housing System Revenue Bonds, Series 1963-A	1991	424,000.00
Housing System Revenue Bonds, Series 1964	1991	420,000.00
		$3,021,000.00

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 2F - Current Year Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2008

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

Not Applicable

STEPHEN F. AUSTIN STATE UNIVERSITY
Agency No. 755
Schedule 3 - Reconciliation of Cash in State Treasury
August 31, 2008

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Special Mineral Fund 0241	$ 3,200.00	$ 0.00	$ 3,200.00
Local Revenue Fund 0261	478,082.27	0.00	478,082.27
Total Cash in State Treasury (Stmt of Net Assets)	$ 481,282.27	$ 0.00	$ 481,282.27

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

[*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.*]

$22,994,575
TEXAS PUBLIC FINANCE AUTHORITY
STEPHEN F. AUSTIN STATE UNIVERSITY
REVENUE FINANCING SYSTEM REVENUE BONDS,
SERIES 2009

AS BOND COUNSEL FOR THE TEXAS PUBLIC FINANCE AUTHORITY (the "Authority") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and within the Resolution (hereinafter defined). The Board of Directors of the Authority and the Board of Regents (the "Board") of Stephen F. Austin State University (the "University"), respectively, authorized the issuance of the Bonds by approving the resolution (the "Resolution") and the pricing committee of the Authority further approved the specific terms of the Bonds by approving a pricing certificate. Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Authority and the Board relating to the authorization, issuance, sale and delivery of the Bonds, including the Resolution, certificates and opinions of officials of the Authority and the Board, and other pertinent instruments relating to the issuance of the Bonds, including one of the executed Bonds (Bond Numbered R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law; that, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding special obligations secured by and payable from, a lien on and pledge of the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing any Prior Encumbered Obligations.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

THE AUTHORITY AND THE BOARD have reserved the right, subject to the restrictions stated in the resolution authorizing the Bonds, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume continuing compliance by the Authority and the Board with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Authority or the Board to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority and the Board have covenanted not to take any action, or omit to take any action within their respective control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Authority, and, in that capacity, we have been engaged by the Authority for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Authority, the Board or the University, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Authority and the Board. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX D

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("Assured Guaranty"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:____________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
(1) Counsel

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FSC
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