OFFICIAL STATEMENT
DATED APRIL 6, 2017

NEW ISSUE – BOOK-ENTRY-ONLY
RATINGS: MOODY'S: "Baa2"
S&P: "BBB+"
See "RATINGS" herein

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

$19,445,000
RED RIVER EDUCATION FINANCE CORPORATION
HIGHER EDUCATION REVENUE REFUNDING BONDS
(SAINT EDWARD'S UNIVERSITY PROJECT)
SERIES 2017

ST. EDWARD'S UNIVERSITY

Interest Accrues From: Date of Delivery **Due:** June 1, as shown on the inside cover

The Red River Education Finance Corporation Higher Education Revenue Refunding Bonds (Saint Edward's University Project) Series 2017 (the "Bonds"), when issued, will be registered in the name of Cede & Co., as registered holder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial ownership interest in the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their beneficial interest in the Bonds purchased. The Bonds will be issued as fully registered bonds, in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and is payable semiannually each June 1 and December 1, beginning June 1, 2017, until maturity or prior redemption, by wire transfer to DTC for the account of DTC Participants who will credit the accounts of beneficial owners. Principal of and redemption premium, if any, on the Bonds will be payable at the designated corporate trust office of U.S. Bank National Association, as paying agent, located in Houston, Texas.

The Bonds are limited obligations of Red River Education Finance Corporation (the "Issuer"), payable solely from the revenues and other amounts pledged for the payment thereof under the Indenture of Trust (the "Indenture"), dated as of April 1, 2017, between the Issuer and U.S. Bank National Association, Houston, Texas, as trustee (the "Trustee"). The Issuer will lend the proceeds of the Bonds to Saint Edward's University, Inc. (the "University"), and the University will repay the loan received from the Issuer, pursuant to a Loan Agreement between the Issuer and the University (the "Loan Agreement") dated April 1, 2017. The University's obligation to make payments under the Loan Agreement to repay such loan is a general unsecured obligation of the University. The University agrees in the Loan Agreement to use any and all of its available resources, as necessary, to pay the promissory note issued in connection with the loan (the "Note") made under the Loan Agreement. Except for the pledge by the Issuer of certain loan payments, the Note and the pledge by the Issuer and the University of amounts held by the Trustee, neither the Issuer nor the University have granted a security interest or mortgage in any other assets to secure the Bonds.

The Bonds are being issued to refund a portion of the University's outstanding indebtedness described in "Schedule I – Schedule of Refunded Bonds" for debt service savings and to pay the costs of issuance associated with the Bonds.

The Bonds are subject to optional and mandatory redemption prior to maturity, as described herein.

NEITHER THE STATE OF TEXAS, THE CITY OF WINDTHORST, TEXAS, NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF WINDTHORST, TEXAS OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

The Bonds are offered when, as, and if issued and received by the underwriter named below (the "Underwriter"), subject to approval of legality by the Attorney General of Texas and by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Issuer by McCall, Parkhurst & Horton L.L.P., Austin, Texas, and for the University by its counsel, Graves, Dougherty, Hearon & Moody, P.C., Austin, Texas. Certain legal matters will be passed upon by Andrews Kurth Kenyon LLP, Austin, Texas, as Counsel to the Underwriter. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC, on or about April 20, 2017.

PIPER JAFFRAY & CO.

MATURITY SCHEDULE

CUSIP Prefix: 756870[1]

$19,445,000
Red River Education Finance Corporation
Higher Education Revenue Refunding Bonds
(Saint Edward's University Project)
Series 2017

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix[1]
2018	$ 2,385,000	5.000%	1.370%	BF7
2019	2,630,000	5.000%	1.520%	BG5
2020	2,875,000	5.000%	1.790%	BH3
2021	1,785,000	5.000%	1.990%	BJ9
2022	1,880,000	5.000%	2.240%	BK6
2023	1,970,000	5.000%	2.520%	BL4
2024	2,065,000	5.000%	2.720%	BM2
2025	405,000	5.000%	2.950%	BN0
2026	430,000	5.000%	3.170%	BP5
2027	450,000	5.000%	3.260%	BQ3
2028	465,000	5.000%	3.350%[2]	BR1
2029	495,000	3.500%	3.600%	BS9
2030	510,000	5.000%	3.550%[2]	BT7
2031	540,000	3.625%	3.800%	BU4
2032	560,000	3.625%	3.880%	BV2

(Interest Accrues From Date of Delivery)

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. The University, the Issuer, the Financial Advisor and the Underwriter take no responsibility for the accuracy of such numbers.

[2] Priced to result in the stated yield to June 1, 2027, the first optional redemption date, at par.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Financial Advisor, the University or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the University and the Issuer and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter to that effect. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the University since the date hereof.

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

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

Neither the University, the Issuer, the Financial Advisor or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System, as such information has been furnished by DTC.

The Bonds are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which these securities have been registered or exempted should not be regarded as a recommendation thereof.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

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OFFICIAL STATEMENT

$19,445,000

RED RIVER EDUCATION FINANCE CORPORATION
HIGHER EDUCATION REVENUE REFUNDING BONDS
(SAINT EDWARD'S UNIVERSITY PROJECT)
SERIES 2017

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the issuance by the Red River Education Finance Corporation (the "Issuer") of its Higher Education Revenue Refunding Bonds (Saint Edward's University Project) Series 2017 in the aggregate principal amount of $20,320,000* (the "Bonds"). The Bonds are authorized to be issued pursuant to the Higher Education Authority Act, Chapters 53 and 53A, Texas Education Code, as amended (the "Act"), specifically Sections 53.35(b) and 53A.35(b) thereof. The Bonds will be issued under and secured by an Indenture of Trust dated as of April 1, 2017 (the "Indenture"), between the Issuer and U.S. Bank National Association, Houston, Texas, as trustee (the "Trustee").

The proceeds of the sale of the Bonds will be loaned by the Issuer to Saint Edward's University, Inc., a Texas nonprofit corporation ("St. Edward's University" or the "University"), pursuant to a Loan Agreement, dated as of April 1, 2017 (the "Loan Agreement"), between the Issuer and the University. In connection with the loan, the University will issue a promissory note (the "Note"), payable to the Issuer and evidencing the obligation of the University to repay the loan made under the Loan Agreement in amounts sufficient to pay principal of, premium, if any, and interest on the Bonds.

The Issuer was created by the City of Windthorst, Texas (the "City") to assist in financing facilities for accredited institutions of higher education and secondary and primary schools (see "THE ISSUER"). The Bonds constitute limited obligations of the Issuer payable solely out of the revenues and other amounts derived by the Issuer from the Loan Agreement and the Note delivered thereunder and do not constitute obligations of the State of Texas (the "State"), the City or any other political subdivision or agency thereof.

Brief descriptions of the Issuer, the University, the Bonds, the Loan Agreement and the Indenture follow. Such descriptions do not purport to be comprehensive or definitive. All capitalized terms used herein and not otherwise defined, will have the meanings set forth for such terms in the Loan Agreement. All references herein to the Loan Agreement and the Indenture are qualified in their entirety by reference to such documents, and references herein to the form of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture, all of which are available for inspection at the corporate trust office of the Trustee. The address of the Trustee is 5555 San Felipe Street, Suite 1150, Houston, Texas 77056, Attention: Global Corporate Trust Services, and the Trustee's telephone number is (713) 235-9208.

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

Appendix A to this Official Statement has been prepared by and contains information concerning the University. The Issuer has not participated in the preparation of Appendix A or reviewed the accuracy of the information contained therein. The Issuer has consented to the use of this Official Statement but has not made any investigation of the facts contained herein other than with respect to the information set forth under the caption "THE ISSUER."

PLAN OF FINANCING

Purpose of the Bonds

Under the terms of the Loan Agreement, the Issuer will lend to the University the proceeds of the sale of the Bonds for refunding a portion of the University's outstanding indebtedness described in "Schedule I – Schedule of Refunding Bonds" (the "Refunded Bonds") and paying the costs of issuance of the Bonds.

Refunded Bonds

The principal and interest due on the Refunded Bonds are to be paid on the interest payment dates and the redemption date of such Refunded Bonds from funds to be deposited with U.S. Bank National Association (the "2007 Trustee"), under the terms of the Indenture of Trust between the Issuer and the 2007 Trustee, dated as of May 1, 2007 (the "2007 Indenture"). The Loan Agreement provides that a portion of the proceeds of sale of the Bonds received from the Underwriter and other available funds of the University, if any are necessary, will be deposited with the 2007 Trustee in an amount that, together with investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the 2007 Trustee in an escrow sub-account (the "Escrow Sub-Account") within the Debt Service Fund created under the 2007 Indenture and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) 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 of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and/or (c) 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 of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the terms of the 2007 Indenture, the Escrow Sub-Account is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. The University has covenanted in the Loan Agreement to make timely deposits with the 2007 Trustee, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Sub-Account are insufficient to make such payment.

Causey Demgen & Moore P.C., a nationally recognized accounting firm (the "Verification Agent"), will verify at the time of delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Sub-Account, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on the redemption date. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS").

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The following table sets forth the estimated sources and uses of funds for the plan of financing described above:

Sources of Funds	
Principal Amount	$ 19,445,000.00
Net Reoffering Premium	1,886,147.15
Interest and Sinking Fund Contribution	405,761.75
Total	$ 21,736,908.90
Uses of Funds	
Deposit to Escrow Sub-Account related to the Refunded Bonds	$ 21,438,166.76
Cost of Issuance, including Underwriter's Discount	298,742.14
Total	$ 21,736,908.90

THE ISSUER

The Issuer is a public non-profit corporation created by the City and existing as an instrumentality of the City pursuant to the Act. Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any accredited institution of higher education, secondary school or primary school in the State of Texas for the purpose of aiding such school in financing or refinancing "educational facilities" and "housing facilities" (as such terms are defined in the Act) and facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith (see "PLAN OF FINANCING - Purpose"). All of the Issuer's property and affairs are controlled and all of its power is exercised by a board of directors (the *"Board"*) consisting of seven members, each of whom has been appointed by the City Council of the City. Board members serve two-year terms, and each Board member may serve an unlimited number of two-year terms.

Although Board members serve until their successors have been appointed as described above, any one or more Board members may be removed from office at any time, with or without cause, by the City Council of the City. All vacancies on the Board, whether they occur as a result of resignation or removal, are filled by the City Council as described above. Further, while there is no requirement that the Board members reside within the limits of the City, no officer or employee of the City may serve as a Board member. The officers of the Issuer consist of a President, a Vice President and a Secretary, each selected by the Board from among its members, whose terms of office may not exceed two years and whose duties are described in the Issuer's bylaws. All officers are subject to removal from office, with or without cause, at any time by a vote of a majority of the entire Board. Vacancies of officers' positions are also filled by a vote of a majority of the Board. Neither Board members nor officers receive compensation for serving as such, but they are entitled to reimbursement for expenses incurred in performing such service.

The Issuer has no assets, property, staff or employees and has no experience in administering a financing program. Other than legal counsel, the Issuer has not engaged any consultant or other professional. **The Issuer has no taxing power**. The Issuer is receiving a fee of $10,000 in connection with the issuance of the Bonds, which amount shall be paid to the City and may be used by the City for any lawful purpose.

THE UNIVERSITY

The University is a private, coeducational institution located primarily in Austin, Texas with a combined undergraduate and graduate enrollment for the Fall 2016 semester of approximately 4,601 students. Founded in 1885, the University is governed by its Board of Trustees. For a description of the University, including its academic programs and finances, see Appendix A - "CERTAIN INFORMATION CONCERNING SAINT EDWARD'S UNIVERSITY, INC." attached to this Official Statement.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are limited obligations of the Issuer, payable solely from the following moneys, revenues and other amounts held for the payment thereof under the Indenture:

(i) the Loan Payments (the "Loan Payments") received from the University pursuant to the Loan Agreement,

(ii) the Note, and

(iii) all monies and securities from time to time held by the Trustee under the terms of the Indenture (except moneys held in the rebate fund related to the Bonds).

The University's obligation to make payments under the Loan Agreement is a general unsecured obligation of the University. The obligations of the University to pay Loan Payments, to make other payments pursuant to the Loan Agreement and to perform and observe the other agreements and covenants on its part contained in the Loan Agreement are absolute and unconditional. The Bonds are unsecured and neither the Issuer nor any owner of a Bond has any interest in or lien on any facilities or property of the Issuer or the University. There is no limitation on the University regarding entering into other loan agreements with the Issuer or other issuers or lenders in connection with the issuance of bonds or other indebtedness which constitute a general unsecured obligation of the University or from pledging its other assets and revenues to payment of debts other than observing the requirements for the issuance of Additional Bonds (as defined below), if any, to be issued on a parity with the Bonds. The University will not issue or incur any indebtedness which is secured by a pledge or lien on the Loan Payments superior to that which secures the Bonds.

No Reserve Fund

No reserve fund has been established for the benefit of the Bonds.

Additional Indebtedness

Additional series of bonds ("Additional Bonds") may be issued under the Indenture at the request of the University upon delivery to the Trustee of (i) the Resolution, the supplement to the Indenture and other proceedings setting forth the terms and provisions of the Additional Bonds and (ii) an opinion of counsel addressed to the Trustee stating that the supplemental indenture and amendments to the Loan Agreement comply with the provisions of the Indenture and the Loan Agreement. Additional Bonds will be equally and ratably secured with the Bonds.

There is no limitation on the University regarding entering into other loan agreements with the Issuer or other issuers or lenders in connection with the issuance of bonds or other indebtedness which constitute a general unsecured obligation of the University. The Loan Agreement imposes limitations on the University's ability to grant liens and security interests on its property. See "THE INDENTURE - Additional Bonds" and "THE LOAN AGREEMENT - Limitation on Liens."

Outstanding Indebtedness

After the issuance of the Bonds and the refunding of the Refunded Bonds, there will be outstanding, in addition to the Bonds, $91,327,500 in aggregate principal amount that includes $72,620,000 of the Red River Education Finance Corporation Higher Education Revenue Bonds (Saint Edward's University Project) Series 2016, $2,585,000 of the San Leanna Education Facilities Corporation Higher Education Revenue Bonds (Saint Edward's University Project) Series 2007 (excluding the Refunded Bonds), a loan outstanding in the amount of $5,697,500 pursuant to that certain loan agreement among San Leanna Education Facilities Corporation (the "Prior Issuer"), the University and Frost National Bank ("Frost Bank") dated as of August 1, 2006; a loan outstanding in the amount of $2,609,500 pursuant to that certain loan agreement among the Prior Issuer, the University and Frost Bank dated as of January 11, 2005; and a loan outstanding in the amount of $7,815,500 pursuant to that certain loan agreement among the Prior Issuer, the University and Frost Bank dated as of June 3, 2004 (collectively, the "Frost Bank Loan Agreements," and, together with the Series 2007 Bonds, the "Outstanding Indebtedness"), which constitutes a general unsecured obligation of the University similar to the general unsecured obligation of the University under the Loan Agreement and the Bonds.

THE BONDS

Description of the Bonds

The Bonds mature on June 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the date of delivery and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on December 1, 2016 and each June 1 and December 1 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Redemption Provisions

Optional Redemption. The University reserves the right, at its option, to cause the redemption of Bonds having stated maturities on and after June 1, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2027, or any date thereafter, at the par value thereof plus accrued and unpaid interest to the date of redemption. If less than all of the Bonds are to be redeemed, the University may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued and unpaid interest thereon are held by the Paying Agent on the redemption date.

Special Mandatory Redemption. The Bonds are subject to special mandatory redemption prior to maturity not later than 180 days after the occurrence of a Determination of Taxability (as hereinafter defined) at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date. As used herein, a "Determination of Taxability" means a Final Determination by the Internal Revenue Service or by a court of competent jurisdiction in the United States that, as a result of failure by the University to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement, the interest payable on any Bond is includable in the gross income of the registered owner of such Bond, other than a registered owner or beneficial owner who is a substantial user or related person of the Project within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). As used herein a "Final Determination" means, with respect to a private letter ruling or a technical advice memorandum of the Internal Revenue Service, written notice thereof in a proceeding in which the University had an opportunity to participate and otherwise means written notice of a determination from which no appeal is timely filed in any court of competent jurisdiction in the United States in a proceeding to which the University was a part or in which the University had the opportunity to participate. Any such special mandatory redemption shall be in whole unless it is finally determined, as evidenced by an opinion of nationally recognized bond counsel delivered to the Trustee, that the interest on an amount less than all of the Bonds (which amount shall be set forth in such opinion) is so includable in the gross income of the registered owners, in which case only such amount need be redeemed.

Selection of Bonds for Redemption; Notice of Redemption

If less than all of the Bonds are to be redeemed, the University may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed; provided, however, Bonds owned by the University shall be redeemed only after the redemption of all other Bonds. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued and unpaid interest thereon are held by the Paying Agent on the redemption date. Notice of any redemption identifying the Bonds to be redeemed will be given by the Paying Agent by first-class mail, postage prepaid, to the registered owner of any Bonds to be redeemed not less than 30 days prior to the redemption date and also shall be given to each registered securities depository and to any national information service that disseminates redemption notices. Neither failure to give notice by mail nor defect in any notice so mailed in respect of any Bond will affect the validity of any proceedings for redemption of any other Bonds. No further interest will accrue on the principal of any Bonds called for redemption after the redemption date if payment of the redemption price thereof has been duly provided for, and the registered owners of such Bonds will have no rights with respect to such Bonds nor will they be entitled to the benefits of the Indenture except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption.

Paying Agent

The initial paying agent is U.S. Bank National Association, Houston, Texas (in such capacity, the "Paying Agent"). In the Indenture, the Issuer, with the consent of the University, retains the right to replace the Paying Agent; provided however, the Issuer shall maintain and provide a Paying Agent at all times until the Bonds are duly paid. Any successor Paying Agent shall be a bank, trust company, financial institution, or other agency, as selected by the Issuer, with the consent of the University, duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent for the Bonds. Upon any change in the Paying Agent for the Bonds, the Issuer agrees to promptly cause a written notice thereof to be sent to each registered owner of such Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar. The designated corporate trust office of U.S. Bank National Association for transfers of and payments on the Bonds is its Houston, Texas office.

In the event the Book-Entry-Only System should be discontinued, principal of the Bonds is payable to the registered holder appearing on the registration books of the Paying Agent (the "Registered Owner") at the designated corporate trust office of the Paying Agent upon surrender of the Bonds for payment. Interest on the Bonds is payable in immediately available funds to the Registered Owners appearing on the registration books of the Paying Agent on the close of business on the Record Date (identified below).

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent only upon presentation and surrender to the Paying Agent and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. The Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent. New Bonds will be delivered by the Paying Agent, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent shall not be required (1) to make any transfer or exchange during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of the Bonds, or (2) to transfer or exchange any Bonds selected for redemption.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth of the month preceding such interest payment date (whether or not a business day).

Amendment of Indenture and Loan Agreement

Under certain circumstances as set forth in the Indenture and the Loan Agreement, each of the Indenture and the Loan Agreement may be amended without the consent of the registered owners of the Bonds. See "THE LOAN AGREEMENT" and "THE INDENTURE".

Defeasance

The Indenture provides that any Bond will be deemed paid and no longer outstanding when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof, shall have been provided by the Issuer irrevocably depositing in trust with the Paying Agent (1) money sufficient to make such payment or (2) Defeasance Obligations (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of such paying agent. As used above, "Defeasance Obligations" means any investment that is authorized for the purpose of effecting a defeasance of bonds or other obligations pursuant to Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited 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 University believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Issuer and the University cannot and do 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) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate per maturity will be issued in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States 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 United States and non-United States 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 a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University, or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing Instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Paying Agent/Registrar, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, interest and redemption payments to

Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University, or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the University, or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

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 Indenture 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 University, the Financial Advisor or the Underwriter.

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 University, 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 Indenture and summarized under "THE BONDS - Transfer, Exchange And Registration" above.

FACTORS AFFECTING INSTITUTIONS OF HIGHER EDUCATION AND THE UNIVERSITY

General

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

Enrollment

The University believes that the strength of its academic programs, faculty and facilities and its location will cause the demand for its educational programs to increase in the future; however, no assurance can be given that it will do so. A significant decrease in the University's enrollment would adversely affect the University's results of operations.

Tuition

A significant portion of the University's operating revenue is provided through tuition and related fees. Although the University, in the past, has been able to raise tuition and related fees without adversely affecting enrollment, there can be no assurance that it will continue to be able to do so in the future, and that the increase will be in amounts sufficient to offset expenses. Future tuition increases and any adverse change in enrollment could adversely affect the University's financial position and results of operations.

Maintenance of Status as a Tax-Exempt Entity

Loss by the University of the benefits of certain provisions of the federal income tax laws would affect adversely its financial position. The Internal Revenue Service (the "IRS") has determined that the University is an organization described in section 501(c)(3) of the Code and therefore is exempt from federal income taxation under section 501 (a) of the Code. Changes in the Code or Treasury Regulations or the judicial or administrative interpretation thereof or certain actions of the University could result in the revocation by the IRS of such determination and loss of the University's exempt status.

Any failure by the University to remain qualified as tax-exempt under section 501(c)(3) of the Code would affect the amount of funds of the University which would be available to the University. The University's or the Issuer's failure to continuously comply with certain covenants contained in the Indenture and the Loan Agreement after delivery of the Bonds would result in the loss of the exclusion from gross income of interest on the Bonds by the owners thereof for federal income tax purposes.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the amount required for the payment of the Outstanding Indebtedness, principal of the Bonds at their stated maturity and the payment of interest on the Bonds.

			The Bonds			
Fiscal Year Ending June 30	Debt Service Requirements on Outstanding Indebtedness[1]	Less Debt Service Requirements on Refunded Bonds[2]	Principal	Interest	Total	Total Debt Service Requirements[2]
2017	$ 6,696,511	$ 119,685	$ -	$ 108,160	$ 108,160	$ 6,684,986
2018	7,265,916	3,605,894	2,385,000	949,700	3,334,700	6,994,722
2019	8,173,688	3,748,144	2,630,000	830,450	3,460,450	7,885,994
2020	8,311,807	3,881,894	2,875,000	698,950	3,573,950	8,003,863
2021	7,572,972	2,501,894	1,785,000	555,200	2,340,200	7,411,279
2022	7,709,652	2,505,800	1,880,000	465,950	2,345,950	7,549,802
2023	7,765,772	2,499,581	1,970,000	371,950	2,341,950	7,608,141
2024	7,757,164	2,498,494	2,065,000	273,450	2,338,450	7,597,120
2025	7,313,457	667,025	405,000	170,200	575,200	7,221,632
2026	7,316,219	668,706	430,000	149,950	579,950	7,227,463
2027	7,224,112	669,106	450,000	128,450	578,450	7,133,455
2028	7,223,129	663,225	465,000	105,950	570,950	7,130,854
2029	7,239,422	668,288	495,000	82,700	577,700	7,148,835
2030	7,252,068	666,925	510,000	65,375	575,375	7,160,518
2031	7,257,486	669,375	540,000	39,875	579,875	7,167,986
2032	7,259,043	670,400	560,000	20,300	580,300	7,168,943
2033	6,575,283	-	-	-	-	6,575,283
2034	6,245,062	-	-	-	-	6,245,062
2035	5,914,726	-	-	-	-	5,914,726
2036	5,917,416	-	-	-	-	5,917,416
2037	4,300,250	-	-	-	-	4,300,250
2038	4,299,450	-	-	-	-	4,299,450
2039	4,299,250	-	-	-	-	4,299,250
2040	4,299,450	-	-	-	-	4,299,450
2041	4,299,850	-	-	-	-	4,299,850
2042	4,295,250	-	-	-	-	4,295,250
2043	4,297,000	-	-	-	-	4,297,000
2044	4,295,250	-	-	-	-	4,295,250
2045	4,299,750	-	-	-	-	4,299,750
2046	4,299,750	-	-	-	-	4,299,750
	$186,976,155	**$26,704,435**	**$19,445,000**	**$5,016,610**	**$24,461,610**	**$184,733,330**

(1) Includes the Refunded Bonds. Net of capitalized interest of $2,180,606.25 on the Red River Education Finance Corporation Higher Education Revenue Bonds (Saint Edward's University Project) Series 2016.

(2) Includes a contribution of $405,761.75 toward the June 1, 2017 interest payment.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This information is not to be considered a full statement of the terms of the Loan Agreement and, accordingly, is qualified by reference thereto and is subject to the full text thereof. A copy of the Loan Agreement may be obtained from the Trustee upon request.

Loan Payments

Under the Loan Agreement, the University agrees to make Loan Payments in immediately available funds directly to the Trustee or for the account of the Trustee with the Paying Agent for deposit in the Debt Service Fund (the “Debt Service Fund”) established under the Indenture on or before the business day on which any payment of principal of, premium, if any, or interest on the Bonds (“Debt Service”) shall become due (whether at maturity or upon redemption or acceleration or otherwise) in an amount which, together with other money held by the Paying Agent under the Indenture, will enable the Trustee to make such payment of Debt Service in full when due. The University’s obligation to make the Loan Payments and to make the other payments required of it under the Loan Agreement continues until the Indenture is discharged and is absolute and unconditional, regardless of any rights of set-off, diminution, abatement, recoupment or counterclaim that the University might otherwise have against the Issuer, the Trustee or any other person or persons.

Indemnification

Under the Loan Agreement, the University will indemnify the Issuer, the City and their respective governing bodies, and certain other parties against any and all losses, costs, damages, expenses and liabilities of whatsoever nature that directly or indirectly result from, arise out of or relate to the issuance of the Bonds or the design, construction, operation, use, occupancy, maintenance or ownership of the facilities financed with the Bonds or the Refunded Bonds (the “Prior Project”).

Limitation on Liens

Except as otherwise permitted under the Loan Agreement, the University shall not, but only so long as any of the Frost Bank Loan Agreements or any of the Series 2007 Bonds remain outstanding: (a) create, assume, or incur or suffer to be created, assumed, or incurred or to exist any mortgage, lien, charge or encumbrance of any kind upon, or pledge of, any of its properties of any character, including real, personal, tangible and intangible properties and revenues; (b) acquire or agree to acquire any property of any character under any conditional sale agreement or other title retention agreement (including any lease in the nature of a title retention agreement); (c) by transfer to any subsidiary, subject to the prior payment of any debt any of its property of any character; (d) give its consent to the subordination of any right or claim of the University to any right or claim of any other Person; (e) sign or file a financing statement under the Texas Business and Commerce Code which names the University as debtor or sign any security agreement authorizing any secured party thereunder to file such financing statement; (f) suffer to exist any debt of the University or any claims or demands against the University, which, if unpaid, might, by law or upon bankruptcy or insolvency or otherwise, be given any priority whatsoever over its general creditors.

Notwithstanding the foregoing, the following mortgages, liens and encumbrances shall be permitted regardless of whether any of the Frost Bank Loan Agreements or any of the Series 2007 Bonds remain outstanding: (1) Permitted Encumbrances (as defined below); (2) purchase money liens, pledges or security interests (which term for purposes of this clause shall include conditional sale agreements, equipment and other financing leases, or other title retention agreements and leases in the nature of title retention agreements) upon or in personal property or mortgages, liens, pledges or security interests existing in real or personal property at the time of acquisition thereof, or, in the case of any Person which thereafter becomes the University, mortgages, liens, pledges or security interests upon or in its real or personal property existing at the time such Person becomes the University, or replacements, extensions or renewals of any such mortgages, liens, pledges or security interests in connection with the replacement, extension or renewal (without increase in principal amount) of the debt secured thereby, provided that no such mortgage, lien, pledge or security interest extends or shall extend to or cover any property of such Person other than the property then being acquired and fixed improvements then or thereafter erected thereon; (3) purchase or construction money mortgages, liens, pledges or security interests (which term for purposes of this clause shall include conditional sales agreements or other title retention agreements and leases in the nature of title retention agreements) upon or in real property, or replacements, extensions or renewals of any such mortgages, liens, pledges or security interests in connection with the replacement, extension or renewal (without increase in principal amount) of the debt secured thereby, provided that no such mortgage, lien, pledge or security interest extends or shall extend to or cover any property of such Person other than the property being acquired or constructed and fixed improvements then or thereafter erected thereon or the property on which the fixed improvement is being constructed; (4) the lien of any instrument given as additional security for the obligation of any Person to make payments in respect of any outstanding debt; and (5) any mortgage, lien, charge, pledge or other encumbrance of any kind upon any property of any character of such Person, or any conditional sale agreement or other similar title retention agreement with respect to any such property, if such Person shall make effective provision, and such Person covenants that in any such case it will make or cause to be made effective provision, whereby the obligation of such Person to make payments in respect of the notes under the Loan Agreement outstanding shall be directly secured by such mortgage, lien, charge, pledge, encumbrance or agreement equally and ratably upon the same property or assets, or upon other property or assets with a fair market value at least equal to the book value of property or assets to be mortgaged, with any and all other obligations and indebtedness thereby secured; (6) security interests in pledges of donations, gifts or other charitable contributions to such Person to secure debt; or (7) security interests in, or pledges of, revenues or accounts receivable securing debt provided that the ratio of the face amount of such gross revenues or accounts receivable subject thereto to the principal amount of the debt secured thereby does not exceed 1.25; provided, however, that if the University determines to grant any such security interest in, and/or pledge of such revenues or accounts receivable, the University must also grant a parity security interest and/or pledge, equally and ratably, for the benefit of the Outstanding Indebtedness, the Bonds, any Additional Bonds and any other indebtedness of the University (as determined by the University).

"Permitted Encumbrances" means (1) liens arising by reason of good faith deposits by or with the University in connection with tenders, leases of real estate, bids, or contracts (other than contracts for the payment of money), deposits by any such person to secure public or statutory obligations or to secure, or in lieu of, surety, or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; (2) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license in the ordinary course of business, or to enable the University to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, old age pensions, or other social security, or to share in the privileges or benefits required for institutions participating in such arrangements; (3) any judgment lien against any person so long as the finality of such judgment is being contested in good faith and execution thereon is stayed; (4) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit, or provision of law affecting any property (A) to terminate such right, power, franchise, grant, license, or permit; provided that the exercise of such right would not materially impair the use of such property for its intended purpose or materially and adversely affect the value thereof, or (B) to purchase, condemn, appropriate, recapture, or designate a purchaser of such property, or (C) to control, regulate, or zone such property or to use such property in any manner, which rights do not materially impair the use of such property for its intended purposes or materially and adversely affect the value thereof; (5) liens for taxes or assessments or other governmental charges or levies not delinquent; (6) pledges or deposits to secure obligations under workers' compensation laws or similar legislation, including liens of judgments thereunder which are not currently dischargeable; (7) (a) materialmen's, mechanics', carriers', workmen's, repairmen's, or other like liens arising in the ordinary course of business if such liens are unperfected, the enforcement or foreclosure thereof is stayed or otherwise prohibited by law, or the University has deposited cash with a third party or obtained a payment bond in an amount sufficient to discharge the debt secured by such lien within 60 days of the filing of any such lien, and (b) deposits to obtain the release of such liens; (8) leases made, or existing on property acquired, in the ordinary course of business; (9) statutory landlords' liens under leases; (10) liens on money deposited by students attending the University's facilities as security for or as prepayment for the cost of educating, housing or other services; (11) liens or encumbrances on property (or on the income therefrom) received by the University as a gift, grant, or bequest, if such lien or encumbrance constitutes or results from restrictions (other than the requirement that the grantee thereof make payment in respect of debt incurred by the grantor with respect to such property) placed on such gift, grant, or request (or on the income therefrom) by the grantor thereof; (12) liens on money and receivables securing rights of third party payors to recoupment of amounts paid to the University; (13) any other liens or encumbrance created or incurred in the ordinary course of business which does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or capital leases and which, individually or in the aggregate, does not materially impair the value or the utility of the property subject to such lien or encumbrance; (14) liens on proceeds of debt (or on income from the investment of such proceeds) which secure payment of such debt; (15) liens on money or obligations deposited with a trustee or escrow agent to cause debt to be no longer outstanding; (16) liens on money or obligations deposited with a trustee to fund a depreciation reserve fund or other reserve fund with respect to debt in accordance with the instrument under which such debt may be secured; (17) liens existing with respect to property at the time of its acquisition through purchase, merger, consolidation, or otherwise; provided that the aggregate principal amounts secured by such liens shall not exceed at the time of acquisition of such property the lesser of the cost or fair market value of such property as determined in good faith by the University; however, if such liens are to be made in excess of $1,000,000, then such determination of fair market value shall be made by an appraiser; (18) any lease, mortgage, lien or other encumbrance securing existing debt filed of record as of August 1, 1998 with the Secretary of State of the State or in the real property or lien records of Travis County, Texas; and (19) purchase money liens (or liens existing on acquired property at the time of its acquisition)created or assumed after August 1, 1998 provided that the aggregate principal amount of outstanding debt secured thereby at any time does not exceed $250,000.

Tax Covenants of the University

The University covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in Section 103 of the Code, the interest on which is not includable in the gross income of the holder, except to the extent that the Bonds are held by a “substantial user” of the Project or the Prior Project or a “related person” thereto, within the meaning of Section 147(a) of the Code for purposes of federal income taxation.

The University also covenants that it will restrict the use of the proceeds of the Bonds and take other actions so that the Bonds will not constitute “arbitrage bonds” under Section 148 of the Code. The University also agrees to remit to the Trustee any funds, to the extent not already held by the Trustee, to be rebated to the United States pursuant to Section 148 of the Code.

The University also covenants that it will continue to conduct its operations in a manner that will result in it continuing to qualify as an organization described in Section 501(c)(3) of the Code.

Approval of Indenture

The Indenture is subject to the written approval by a University Representative, and the provisions of the Indenture shall not be binding or effective upon the University unless and until such approval is given.

Events of Default and Remedies

Each of the following is an “Event of Default” under the Loan Agreement:

(a) Failure by the University to pay the Loan Payments under the Loan Agreement within one Business Day after such Loan Payments were due; or

(b) Any representation or warranty made or deemed made by the University under the Loan Agreement, the Note or the Indenture shall be false, misleading or erroneous in any material respect when made or deemed made, or failure by the University to observe and perform any covenant, condition, or agreement on its part to be observed or performed under the Loan Agreement or the Indenture, other than as referred to in subsection (a) of this Section, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the University by the Issuer or the Trustee, unless both the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice can be corrected but cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action has been instituted by the University within the applicable period and is being diligently pursued; or

(c) The occurrence of certain events of bankruptcy, insolvency or reorganization involving the University.

Whenever any Event of Default under the Loan Agreement shall have occurred and be continuing, the Trustee may, provided it has received requisite indemnities and other protections specified under the Indenture, take any action at law or in equity to collect amounts then due or to become due, or to enforce any obligation or covenant of the University under the Loan Agreement, including, without limitation, declaring all principal and interest on the Bonds and any other amounts due under the Loan Agreement or the Indenture to be immediately due and payable. Any amounts so collected are required to be paid into the Debt Service Fund and applied in accordance with the Indenture.

The University’s obligations under the Loan Agreement (other than its obligation to pay or cause to be paid the installment payments and the other amounts required under the Loan Agreement) may be suspended if by reason of force majeure, as defined in the Loan Agreement, the University is unable to carry out such obligations.

If the Trustee shall annul an acceleration declaration due to an Event of Default under the Indenture, in accordance with the terms and provisions of the Indenture, such annulment shall also rescind any declaration of acceleration of installment payments.

Amendment

The Loan Agreement may not be amended except in accordance with the procedures set forth in the Indenture. See "THE INDENTURE -- Supplemental Indenture; Amendment of Loan Agreement."

Continuing Disclosure Undertaking

Under the Loan Agreement, the University has covenanted to provide certain updated financial information and operating data annually, and timely notice of specified material events as described in "CONTINUING DISCLOSURE OF INFORMATION" below.

THE INDENTURE

The following is a summary of certain provisions of the Indenture. This information is not to be considered a full statement of terms of the Indenture and, accordingly, is qualified by reference thereto and is subject to the full text thereof. A copy of the Indenture may be obtained from the Trustee upon request.

General

The Indenture constitutes an assignment by the Issuer to the Trustee, in trust to secure payment of the Bonds, of all of the Issuer's right, title and interest in and to the Loan Agreement (except the Issuer's rights to payment of expenses and indemnification) and to the installment payments made thereunder.

Investment of Funds

Any moneys held in any Fund under the Indenture and any moneys held for the payment of Bonds shall be invested and reinvested by the Trustee at the direction of the University in any of the authorized investments permitted for the investment of public funds under the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code.

The University covenants in the Loan Agreement that it will use the proceeds of the Bonds, restrict the investment of such proceeds and other funds held by the Trustee and take such other action so that the Bonds will not constitute "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations issued thereunder.

Additional Bonds

Additional Bonds may be issued under the Indenture at the request of the University upon delivery to the Trustee of certain instruments specified in the Indenture. Additional Bonds may be delivered for the purposes provided in the Loan Agreement and/or for the purpose of refunding any outstanding Bonds. Additional Bonds will be equally and ratably secured with the Bonds and any other Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Indebtedness."

There is no limitation on the University regarding entering into other loan agreements with the Issuer or other issuers or lenders in connection with the issuance of bonds or other indebtedness which constitute a general unsecured obligation of the University. The Loan Agreement imposes limitations on the University's ability to grant liens and security interests on its property. See "THE LOAN AGREEMENT - Limitation on Liens."

Events of Default and Remedies

Each of the following is an "Event of Default" under the Indenture:

(a) Payment of any installment of interest, principal, redemption price or purchase price, on the Bonds is not made within one Business Day of the date it becomes due and payable; or

(b) The occurrence of certain events of bankruptcy, insolvency or reorganization involving the University; or

(c) Failure by the University to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Indenture or the Loan Agreement, other than as referred to in (a) above, for a period of 180 days after written notice, specifying such failure, requesting that it be remedied, and stating that such notice is a "Notice of Default," is given to the University by the Issuer or the Trustee or by the owners of 25% or more of the principal amount of the outstanding Bonds; provided, however, that if the default is such that it cannot be remedied within such period, it shall not constitute an Event of Default if the default, in the judgment of the Trustee in reliance upon advice of counsel, is correctable without material adverse effect on the Bonds and if corrective action is instituted by the University within such period and is being diligently pursued until the default is remedied; or

(d) Failure by the Issuer to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Indenture, other than as referred to in (a) above, for a period of 180 days after written notice, specifying such failure and requesting that it be remedied, and stating that such notice is a "Notice of Default," is given by the Trustee or by the owners of 25% or more of the principal amount of the outstanding Bonds; provided, however, that if the default is such that it cannot be remedied within such period, it shall not constitute an Event of Default if the default, in the judgment of the Trustee in reliance upon the advice of counsel, is correctable without material adverse effect on the Bonds and if corrective action is instituted by the Issuer within such period and is being diligently pursued until the default is remedied.

The Events of Default set forth in (c) and (d) above are subject to certain events of force majeure, as described in the Indenture.

If any Event of Default has occurred and is continuing, the Trustee may and, at the written direction of registered owners of 25% or more in principal amount of Bonds then outstanding or with respect to a default described in clause (b) above, the Trustee shall, by notice in writing to the Issuer or the University, declare the principal of all Bonds then outstanding to be immediately due and payable and upon such declaration, the said principal, together with interest accrued and unpaid thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding; provided, however, that no such declaration shall be made if the University cures such Event of Default prior to the date of the declaration. If after the principal then due on the Bonds has been so declared to be due and payable and the redemption price and purchase price then due and all arrears of interest on the Bonds are paid or caused to be paid by the Issuer and the Issuer also performs or causes to be performed all other things in respect to which it may have been in default under the Indenture and pays or causes to be paid the reasonable charges of the Trustee and the registered owners of the Bonds, including reasonable attorney's fees and other costs and expenses specified in the Indenture, or any such default is waived by the registered owners of a majority in principal amount of the Bonds then outstanding, the Trustee may or, upon the direction in writing of the registered owners of a majority in principal amount of the Bonds then outstanding, shall annul the declaration and its consequences and such annulment shall be binding on the Trustee and the registered owners of the Bonds. No annulment shall extend to or affect any subsequent default or impair only right or remedy consequent thereon.

If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the registered owners of 25% or more in principal amount of the Bonds then outstanding and receipt of satisfactory indemnity shall, take action at law or in equity to enforce the rights of the registered owners of the Bonds and to carry out the terms of the Indenture and/or pursue other legal or equitable remedies that may be available as a result of the occurrence of such Event of Default. If any proceedings are discontinued or determined adversely to the Trustee, then, the Issuer, the Trustee, the University and the registered owners of the Bonds shall be restored to their former positions.

Registered owners of a majority in principal amount of the Bonds then outstanding have the right to direct the method and place of conducting remedial proceedings under the Indenture. No registered owner has the right to pursue any remedy under the Indenture unless the registered owners of at least 25% in principal amount of the Bonds then outstanding have given the Trustee written notice of an Event of Default, and have requested the Trustee to exercise its powers, the Trustee has been furnished satisfactory indemnity and the Trustee has failed to comply with the request within a reasonable time.

In the event the Trustee recovers any moneys following an Event of Default, such moneys shall be applied (i) to the payment of all interest then due on the Bonds then outstanding, or if the amount available for such payment is insufficient for such purpose, to the payment of interest ratably in accordance with the amount due in respect for each Bond (other than

Bonds owned of record by the University) and (ii) to the payment of unpaid principal of any of the Bonds which shall have become due or are required to be purchased (other than Bonds matured or called for redemption for the payment of which moneys and/or government obligations are held pursuant to the Indenture) with interest on such Bonds from the respective dates upon which they become due, and if the amount available for such payment is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect for each Bond (other than Bonds owned of record by the University).

The registered owners of not less than a majority in principal amount of Bonds then outstanding may waive any Event of Default and its consequences except a default in the payment of principal, redemption premium, if any, or interest on, or the purchase price of, any Bond or in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the registered owner of each Bond.

Supplemental Indenture; Amendment of Loan Agreement

Subject to the conditions and restrictions in the Indenture, the Indenture may be amended or supplemented by the Issuer, with the consent of the University and the Trustee, from time to time, without the consent of the registered owners of the Bonds, for one or more of the following purposes: (i) to add additional covenants and agreements of the Issuer to be observed for the protection of the Bond owners or to surrender or limit any right, power or authority conferred upon the Issuer by the Indenture; or (ii) to cure any ambiguity or defect or omissions in the Indenture; or (iii) to grant or confer upon the Trustee for the benefit of the Bond owners any additional rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Bond owners or the Trustee; or (iv) to subject to the Indenture Additional Security securing all bonds issued thereunder; or (v) to modify, amend, or supplement the Indenture, or any indenture supplemental thereto, in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States, and, if the Issuer and the Trustee so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions, and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or (vi) in connection with the issuance of Additional Bonds; or (vii) to further restrict investments to be made by the Trustee; or (viii) to modify, alter, amend or supplement the Indenture in any other respect if an opinion is provided to the Trustee by the Issuer's Bond Counsel that any such change is not materially adverse to the rights of the Bond owners.

Except for amendments and supplements permitted by the preceding paragraph, neither the Issuer nor the Trustee shall amend or supplement to the Indenture without the prior written approval or consent of the owners of not less than 51% in aggregate principal amount of the Bonds then outstanding. Notwithstanding the foregoing, no supplement or amendment to the Indenture may be made without the consent of the registered owner of each outstanding Bond adversely affected thereby that: (i) extends the maturity date of any Bond, or reduces the rate or extends the time of payment of interest thereon, or reduces the principal amount thereof, or reduces any premium payable upon the redemption or tender thereof, or extends or reduces the amount of any mandatory sinking fund requirements, (ii) deprives the registered owners of the Bonds of the lien on the revenues pledged under the Indenture, (iii) alters the University's obligation to pay, when due, Loan Payments, (iv) reduces the aggregate principal amount of Bonds, the registered owners of which are required to approve any such supplement or amendment to the Indenture, or (v) provides a privilege or priority of any Bond over any other Bond.

The Issuer and the Trustee may, without the consent of or notice to any of the Bond owners, consent to any amendment, change, or modification of the Loan Agreement for one or more of the following purposes: (i) in connection with the issuance of Additional Bonds, or for the purpose of complying with the provisions of the Loan Agreement, (ii) to cure any ambiguity, formal defect, or omission, (iii) to add additional rights acquired in accordance with the provisions of the Loan Agreement, (iv) to more precisely identify a Project, or substitute or add thereto any property or (v) any modification which is not prejudicial to the Trustee and would not in an adverse way affect the rights of the owners of any Bonds.

Except for amendments, changes or modifications permitted by the preceding paragraph, neither the Issuer nor the Trustee shall consent to any amendment, change, or modification of the Loan Agreement, or waive any obligation or duty of the University under the Loan Agreement, without the prior written approval or consent of the owners of not less than 51% in aggregate principal amount of the Bonds then outstanding. Notwithstanding the foregoing, no such waiver, amendment, change, or modification shall, without the consent of the owners of the Bonds then outstanding, (i) permit termination or cancellation of the Loan Agreement, (ii) permit any reduction of the amounts payable under the Loan Agreement, or change the dates when such payments are due or permit any changes to the provisions therein relating to payment or prepayment or (iii) reduce the aggregate principal amount of Bonds required for consent to amendment of the Loan Agreement.

Defeasance

When interest on, and principal or redemption price (as the case may be) of all Bonds issued under the Indenture and all other sums payable by the Issuer under the Indenture have been paid, or provision has been made for payment of the same by the deposit of Defeasance Obligations, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Issuer, Trustee acting as Paying Agent, shall turn over to the University or to such person as may be entitled to receive the same all balances remaining in any funds thereunder.

Provision for the payment of any Bond shall be deemed to have been made when there shall have been deposited with the Trustee cash or Defeasance Obligations, the principal of and interest on which, when due, will provide sufficient moneys to pay fully that Bond at the maturity date or the date fixed for redemption thereof. See "THE BONDS - Defeasance."

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel 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 Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the opinion of Graves, Dougherty, Hearon and Moody, P.C., Austin, Texas, relating to the qualification of the University as an organization described in section 501(c)(3) of the Code, (b) information furnished by the University, and particularly written representations of officers and agents of the University with respect to certain material facts that are solely within their knowledge relating to the use of proceeds of the bonds, (c) the Issuer's federal tax certificate, (d) the verification report prepared by Causey Demgen & Moore P.C., and (e) covenants of the Issuer and the University with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer or the University to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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 Issuer with the covenants and the requirements described in the preceding paragraph, 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. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such 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 Issuer with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders 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 Underwriter has represented that the initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof (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 constitutes 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 (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All 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, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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.

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.

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS 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 Investment Act, the Bonds may have to be assigned a rating of “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. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

Neither the University nor the Issuer has made any investigation of other laws, rules, regulations or investment criteria which mighty 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 University nor the Issuer has made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

In the Loan Agreement, the University has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The University is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the University will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The University will provide certain updated financial information and operating data to the MSRB 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 caption "ANNUAL DEBT SERVICE REQUIREMENTS," in Appendix A under Tables 1 through 7 and 9 through 11, and in Appendix B. The University will update and provide this information within six months after the end of each fiscal year ending in or after 2017.

The University may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the University commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the University will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the University may employ from time to time in accordance with generally accepted accounting principles for non-profit institutions of higher education, as such principles may be changed from time to time.

The University's current fiscal year end is June 30. Accordingly, the University must provide updated information by the last day of December of 2017 and in each year thereafter, unless the University changes its fiscal year. If the University changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The University will also provide to the MSRB timely notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the University; (13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change of name of a trustee, if material. Neither the Bonds nor the Indenture make any provision for debt service reserves or liquidity enhancement. In addition, the University will provide timely notice of any failure by the University to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the University in a proceeding under the United States

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University.

Availability of Information from MSRB

The University has agreed to provide the foregoing information only to the MSRB. The MSRB intends to make the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

This continuing disclosure agreement may be amended by the University and the Issuer 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 University, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of at least a majority in aggregate principal amount of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the University (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The University may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

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

NO LITIGATION

There is no litigation now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the existence of the powers of the Issuer.

LEGAL MATTERS

Legal matters related to the authorization, sale and issuance of the Bonds are subject to the approval of the Attorney General of the State of Texas and of the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the Issuer and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. A copy of the proposed form of the opinion of Bond Counsel is attached hereto as Appendix C. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions "PLAN OF FINANCING," "THE ISSUER," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" (except for the information under "Outstanding Indebtedness"), "THE BONDS," "THE LOAN AGREEMENT," "THE INDENTURE," "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except the information under "Compliance with Prior Undertakings") and the first paragraph under "LEGAL MATTERS," and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, and with respect to the Bonds, the Indenture and the Loan Agreement, such information conforms to the provisions of the Bonds, the Indenture and the Loan Agreement, respectively. In connection with the transactions described herein, Bond Counsel represents only the Issuer. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the Issuer by McCall, Parkhurst & Horton L.L.P., Austin, Texas, for the University by its counsel, Graves, Dougherty, Hearon & Moody, P.C., Austin, Texas, and for the Underwriter by Andrews Kurth Kenyon LLP, Austin, Texas, Counsel to the Underwriter.

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 expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., have assigned their ratings of "Baa2" and "BBB+", respectively, to the Bonds. Any explanation of the significance of such ratings may be obtained from the rating service furnishing the rating. There is no assurance that any rating given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies if, in the judgment of such agencies, circumstances so warrant. Any such downward change or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the University for each of the two years in the periods ended June 30, 2016 and June 30, 2015, included as Appendix B to this Official Statement, have been audited by BKD, LLP independent accountants, as stated in their report appearing herein. However, the University has not requested BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the June 30, 2016 financial statements.

FINANCIAL ADVISOR

Prager & Co., LLC is employed as Financial Advisor to the University 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. Prager & Co., LLC, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and 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 to the University 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 University 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.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the University relating to (a) computation of forecasted receipts of principal and interest on the Escrowed Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds and (b) computation of the yields of the Bonds and the restricted Escrowed Securities will be verified by the Verification Agent. Such computations will be based solely on assumptions and information supplied by the Underwriter on behalf of the University. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations will be based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes and with respect to defeasance of the Refunded Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by the Underwriter at an aggregate purchase price of $21,215,295.01, which excludes an underwriter's discount of $115,852.14 and includes a net aggregate reoffering premium on the Bonds of $1,886,147.15. The Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

MISCELLANEOUS

This Official Statement was duly approved, executed and delivered by the University and the Issuer.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices to this Official Statement are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

RED RIVER EDUCATION FINANCE CORPORATION

By: *Richard Schreiber, Jr.*
President, Board of Directors

SAINT EDWARD'S UNIVERSITY, INC.

By: *Kimberly Kvaal*
Vice President for Finance & Administration

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Series	Original Dated Date	Original Issue Amount	Maturities to be Refunded	Amount Refunded	Date and Price of Redemption
San Leanna Education Facilities Corporation Higher Education Revenue Bonds (Saint Edward's University Project), Series 2007	6/1/2007	$2,555,000	6/01/2018	$2,555,000	6/1/2017 @ par
	6/1/2007	2,825,000	6/01/2019	2,825,000	6/1/2017 @ par
	6/1/2007	3,100,000	6/01/2020	3,100,000	6/1/2017 @ par
	6/1/2007	3,410,000	6/01/2021	1,875,000	6/1/2017 @ par
	6/1/2007	3,735,000	6/01/2022	1,975,000	6/1/2017 @ par
	6/1/2007	3,965,000	6/01/2023	2,070,000	6/1/2017 @ par
	6/1/2007	4,160,000	6/01/2024	2,175,000	6/1/2017 @ par
	6/1/2007	2,545,000	6/01/2025	455,000	6/1/2017 @ par
	6/1/2007	2,675,000	6/01/2026	480,000	6/1/2017 @ par
	6/1/2007	2,815,000	6/01/2027	505,000	6/1/2017 @ par
	6/1/2007	16,275,000	6/01/2032*	2,910,000	6/1/2017 @ par
		$48,060,000		$20,925,000	

*Term Bond maturing June 1, 2032.

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APPENDIX A

CERTAIN INFORMATION CONCERNING SAINT EDWARD'S UNIVERSITY, INC.

The information contained in this Appendix A to the Official Statement relates to and has been obtained from Saint Edward's University, Inc. ("St. Edward's University" or the "University"). The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the University since the date hereof, or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.

SAINT EDWARD'S UNIVERSITY, INC.
GENERAL

General Description

St. Edward's is a dynamic Catholic, liberal arts university where teaching, learning, leadership and service come together to contribute to a better world. For more than a decade, it has been named one of "America's Best Colleges" by U.S. News & World Report. Located in the thriving city of Austin, Texas, with partner universities in 16 countries, our impact extends across the globe.

The Congregation of Holy Cross founded St. Edward's 130 years ago, inspiring students to think critically and creatively, act ethically, embrace diversity and strive for social justice. These values, combined with challenging academic programs in the arts, sciences and humanities, are the hallmark of its outstanding liberal arts education.

St. Edward's opens doors to boundless opportunities for learning and self-discovery. In small classes led by dedicated professors, students question, debate, collaborate and explore. They gain practical experience through research, internships and serving their communities. On campus, across the U.S. and through studies abroad, students cultivate a bigger, more informed worldview. They win prestigious fellowships and grants and enter top-tier graduate programs. And with each opportunity, they forge their path to a rewarding career and fulfilling life.

The University's undergraduate programs achieve a balance among the humanities, the sciences and the professions. These programs seek to make graduates competent in a chosen discipline, help them understand and appreciate the contributions of other disciplines and prepare them to further their life goals. Graduate programs enhance students' knowledge and skills in order to prepare them to take advantage of more challenging employment opportunities.

The University promotes excellence in teaching and learning in an environment that encompasses innovative pedagogy in the curriculum and co-curriculum as well as engagement with the broader community. A caring faculty and staff, recognizing that learning is a lifelong process, teach the skills needed to be independent and productive. They encourage individuals to confront the critical issues of society and to seek justice and peace. Students are helped to understand themselves, clarify their personal values and recognize their responsibility to the world community.

St. Edward's University is accredited by the Southern Association of Colleges and Schools. St. Edward's University is also fully accredited by the Council on Social Work Education. The University holds membership in the Association of American Colleges and Universities, the American Council on Education, the Association of Texas Colleges and Universities, the American Assembly of Collegiate Schools of Business, the National Association of College Admission Counselors, the Association of Catholic Colleges and Universities, the National Association of Independent Colleges and Universities, the National Association of College and University Business Officers and the Independent Colleges and Universities of Texas, the Association of Catholic Colleges and Universities, the Association of Governing Boards, the Council for Adult and Experimental Learning, the Hispanic Association of Colleges and Universities, and the Texas Association of Colleges of Teacher Education.

Governance

The University is directed by a Board of Trustees (the "Board") which has overall responsibility for governance of the institution. Pursuant to the University's bylaws, the Board may include as many as 36 voting trustees. Officers of the Board are the Chairperson, Vice Chairperson, Treasurer and Secretary.

Officers and members of the Board of Trustees and their occupations or business affiliations are listed below.

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Board of Trustees

Dr. George Martin, President of St. Edward's University, sits on the Board as a nonvoting ex-officio member.

Administration

The President of the University has primary responsibility for management and operation of the University. The Vice Presidents and all other administrative officers are responsible to the President and through the President to the Board of Trustees. Administrative officers are as follows:

Dr. George Martin, President. Prior to becoming President of the University on July 1, 1999, Dr. Martin was Academic Vice President of St. Peter's College in Jersey City, New Jersey since 1991. Prior to that position, Dr. Martin served as Academic Dean at St. Peter's College from 1985 until 1996, and was a member of the faculty of St. Peter's College from 1969 through 1985. Dr. Martin received a B.A. from St. John's University and a M.A. and Ph. D. from Fordham University.

Dr. Donna M. Jurick, SND, Executive Vice President and Interim Vice President for Academic Affairs. Dr. Jurick was named Provost on July 1, 2006 and, prior to assuming the position of Executive Vice President on June 1, 1998, Dr. Jurick has served the University as Executive Vice President since 1988. Before joining St. Edward's University, she was President of Trinity College in Washington, D.C. from 1982 through June 1987 and Assistant Professor of Speech Communication at the University of Denver from 1978 through May 1982. During 1981-82 she also served as Acting Director of Graduate Studies for the Speech Communication Department at the University of Denver. Dr. Jurick received a B.A. at Edgecliff College, a M.A. at Northwestern University and a Ph. D. at Ohio State University in Communication Theory.

Kimberly Kvaal, Vice President for Finance & Administration. Ms. Kvaal has served as Vice President since 2014. From 2005 through 2014, she was Associate Vice President for the University of San Francisco and from 1996 through 2005, she served as Controller for Regis University. Ms. Kvaal received a B.A. from the University of Colorado and also is a Certified Public Accountant.

Paige Booth, Vice President for Marketing & Enrollment Management. For the past 16 years, Ms. Booth has directed the marketing strategy of the University and in 2008 assumed leadership of the enrollment operations as well. Before coming to St. Edward's in 2000, Ms. Booth worked for 15 years in advertising and marketing communications roles in the corporate sector, with experience in the high-tech and banking industries and within advertising agencies. She holds a B.B.A. in Marketing from Texas A&M University.

Joe DeMedeiros, Vice President for Advancement. Mr. DeMedeiros was appointed in 2015, and previously served the university as associate vice president for development from 2010 to 2015. He has 24 years of experience in higher education administration, including 21 in a variety of educational leadership fundraising roles. He has been responsible for implementing capital campaigns totaling more than $435M at Wesleyan University and St. Edward's University. Mr. DeMedeiros earned a B.A. and M.A.L.S. in Social Sciences from Wesleyan University in Connecticut.

Dr. Lisa Kirkpatrick, Vice President for Student Affairs. Dr. Kirkpatrick has been with the University for 22 years and assumed the senior student affairs position in 2015. Previously, she served in the Associate Vice President for Student Affairs role since 2008 and Dean of Students since 1998, and continues to serve as Title IX Coordinator for St. Edward's University. Dr. Kirkpatrick earned a B.S. in Journalism and M.Ed. in College Student Personnel from Ohio University, and a Ph. D. in Education from Texas State University.

David Waldron, Vice President for Information Technology. Mr. Waldron has served as Vice President for Information Technology since 2009. From 2004 to 2009, he served as Chief Information Technology Officer at College of Wooster. From 1997 to 2004 he was a programmer and computer systems manager at Oberlin College. Mr. Waldron received a B.A. from the Cleveland State in Economics, a B.S. from Baldwin-Wallace College in Computer Science and earned a M.B.A. in Project Management from Ashland University.

Erin W. Delffs, Associate Vice President for Finance. Mr. Delffs came to St. Edward's in November 2015 from The Ohio State University, where he served as Chief Administrative Officer for the College of Pharmacy since 2006. Prior experience includes leadership roles at The Ohio State University Comprehensive Cancer Center and the University of Toledo. Mr. Delffs received a B.S. in Management from Case Western Reserve University and an M.B.A. from the University of Toledo.

Academic Programs

The programs at the University are organized into six academic schools: Humanities, Education, The Bill Munday School of Business, Behavioral and Social Science, Natural Sciences and New College.

The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award the B.A., B.S., B.L.S., B.B.A., M.A., M.S., M.L.A., M.B.A., MACT., MACSD., MAC., MAOD., MSLC., and MSEM degrees. The following is a list of the major and minor programs within each of the six academic schools:

School of Behavioral and Social Sciences. Behavioral Neuroscience, Criminal Justice, Criminology, Environmental Science and Policy, Forensic Science, Global Studies, History, Political Science, Psychology, Social Work and Sociology.

The Bill Munday School of Business. Accounting, Accounting Information Technology, Business Administration, Digital Media Management, Economics, Entrepreneurship, Finance, International Business, Management and Marketing.

School of Humanities. Acting, Art, Catholic Studies, Communication, English Literature, English Writing and Rhetoric, French, Graphic Design, Interactive Game Studies, Liberal Studies, Philosophy, Photocommunications, Religious and Theological Studies, Spanish and Theatre Arts. There are also minors in Art History, German, Jewish Studies, Journalism, Music, Musical Theater, Professional Ethics, and Women's Studies.

School of Education. Kinesiology, Teacher Education.

School of Natural Sciences. Bioinformatics, Biochemistry, Biology, Chemistry, Computer Information Science, Computer Science, Forensic Chemistry, Mathematics, Medical Laboratory Science

New College. New College was revolutionary when it was created in 1974. Universities generally did not cater to working adults who wanted to complete their bachelor's degrees in a flexible format. Over the years, the competitive landscape and enrollment patterns have changed, prompting St. Edward's to end our approach to serving these students through a separate school and administrative structure. However, adult undergraduate students are still an important audience and the university has developed a plan to serve these students through the schools that correspond to specific degrees.

Current and Planned Campus Facilities

St. Edward's University campus consists of 58 facilities, including a 50,000 square foot Main Building originally constructed in 1888 (completely renovated in 1986), five residential communities with 1,383 beds, a 50,000 square foot student center including one of the University's dining halls, a 1,270 seat Recreation/Convocation Center with an attached indoor, junior Olympic size swimming pool, the Mary Moody Northern Theater with a seating capacity of 200, the Munday Library, opened in 1980 (completely renovated in 2013), which houses 150 computers, 16 private study rooms and more than 150,000 volumes and over 3,000 current periodical titles (including electronic subscriptions). Over 61,000 square feet is dedicated to classrooms including the state of the art John Brooks Williams Sciences Center North and South. Two new buildings are currently under construction; a 185,000 sq. foot 124-unit apartment building that will house an additional 446 students and an 1,800 sq. foot operations building that will house facilities, campus safety, purchasing, and the mail room. Both buildings are scheduled for completion in 2017.

Faculty

The University has a contracted faculty of 212 members augmented by 275 part-time per course lecturers for a full-time equivalent of 309 faculty members. About 90% of the contracted faculty members hold terminal degrees in their respective disciplines and approximately 36% of the faculty is tenured. The full-time equivalent student to full-time equivalent faculty ratio is 14:1.

Student Enrollment

In the past 20 years, the University has experienced enrollment growth, going from 3,082 full-time and part-time students (2,430 full-time equivalents or "FTE") in the Fall of 1996 to 4,601 full and part-time students (4,237 FTE) in the Fall of 2016. (See "Freshman Admissions and Total Enrollment Information" table on the following page.)

In the fall of 2016, 78% of the undergraduate students were Texas residents, 13% were residents of states other than Texas and 9% were from outside the United States. Forty-seven states and 54 foreign countries were represented. The enrollment of male and female students is approximately 38% and 62% respectively.

Among several factors taken into consideration for admission of students are the American College Testing ("ACT") and Scholastic Aptitude Test ("SAT") scores and high school class ranking. For the fall 2016 freshman class, the mean ACT score of all enrolled students averaged 24.8 out of a maximum of 36. This compares to the national mean of 20.8 and a mean score among entering freshmen in the State of Texas of 20.6. In terms of class rank, more than 60.0% of the enrolled freshman class graduated in the top quarter of his or her senior high school class.

For the Fall 2016 freshman class, the mean SAT composite score of enrolled students averaged 1,111 out of 1,600. This compares to the national average of 1002 and the State of Texas average of 944.

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TABLE 1 **FRESHMEN ADMISSIONS STATISTICS(1) AND TOTAL ENROLLMENT INFORMATION**

	Fall 2012	Fall 2013(2)	Fall 2014	Fall 2015	Fall 2016
Applications Undergraduate	4,209	6,003	6,550	7,338	9,155
Acceptances Undergraduate	2,645	2,901	3,466	3,899	4,468
% Accepted Undergraduate	62.84%	48.33%	52.92%	53.13%	48.80%
Matriculation Undergraduate	777	791	811	873	864
% Matriculated Undergraduate	29.38%	27.27%	23.40%	22.39%	19.34%
FTE Enrollment					
Traditional Undergraduate	3,479	3,484	3,506	3,577	3,652
Graduate and Other	979	841	714	631	586
Total	4,458	4,325	4,220	4,208	4,238

(1) Admissions Statistics exclude transfer students.
(2) Beginning with Fall 2013 admission cycle, the University joined ApplyTexas, which accounts for the large increase in the number of applications since then.

TABLE 2 **ENROLLMENT HISTORY – HEAD COUNT**

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
Freshman	970	1,022	1,028	1,093	1,048
Transfer	263	254	289	270	300
Sophomore	636	664	687	671	710
Junior	747	673	731	726	765
Senior	909	913	833	921	907
Graduate and Other	1,570	1,335	1,118	939	871
Total	5,095	4,861	4,686	4,620	4,601

Declines in Graduate and other enrollment have occurred due to market conditions and static program offerings. The University is updating program offerings to stabilize revenue and reducing expenses to correspond to enrollment.

FINANCIAL CONDITION

University Resources

At June 30, 2016, the University's total assets exceeded $378 million with property, buildings and equipment valued at historical cost. The University had cash of $45,977,732 and investments of $142,779,737(inclusive of unspent construction and capitalized interest funds from the 2016 bond issue of $37,283,519) along with $112,506,000 of outstanding bonds and notes payable consisting of six bond issues related to various facilities of the University. Total net assets were $232 million with unrestricted net assets over $148 million.

The University's operations ended the 2016 fiscal year with an operating surplus consistent with the Board of Trustees and administration's long-standing policy. The tradition of prudent fiscal management and a balanced budget including a budgeted surplus are expected to continue.

Summary of Fiscal Years

The University's audited financial statements and notes related thereto for the fiscal year ended June 30, 2016 are presented in APPENDIX B of the Official Statement and should be reviewed in conjunction with the following data. The University provides certain summary financial information below, including a Statement of Financial Position as of June 30, 2016, 2015, 2014, 2013 and 2012. In addition, a Statement of Activities (totals only) for the fiscal years ended June 30, 2016, 2015, 2014, 2013 and 2012 is also provided.

TABLE 3

SAINT EDWARD'S UNIVERSITY, INC.
BALANCE SHEETS

	2012	2013	2014	2015[1]	2016
ASSETS					
Cash	$ 30,973,243	$ 28,492,621	$ 39,586,652	$ 39,815,773	$ 45,977,732
Student and other accounts receivable, net of allowance for doubtful accounts	4,475,243	4,577,872	3,715,896	5,923,819	3,455,235
Contributions receivable, net	2,919,415	3,164,902	3,158,084	2,273,187	2,726,031
Short-term investments, at fair value	29,347,396	16,896,970	3,457,675	3,530,730	40,891,521
Prepayments and other	1,998,013	1,528,278	2,051,476	3,098,243	1,839,126
Loans receivable, net of allowance for doubtful accounts	1,738,003	1,976,816	2,192,087	2,082,082	2,208,543
Long-term Investments, at fair value	54,687,628	80,440,057	93,190,018	94,599,546	101,888,216
Education plant, net of accumulated depreciation	163,611,316	184,579,296	184,417,312	180,996,890	179,465,596
Total assets	$289,750,257	$ 321,656,812	$331,769,200	$ 332,320,270	$ 378,452,000
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	$ 5,973,506	$ 8,185,187	$ 4,001,729	$ 4,614,506	$ 3,107,717
Accrued liabilities	3,834,721	4,012,534	4,609,739	4,709,416	4,787,039
Deferred revenue	6,882,062	6,602,752	6,560,602	6,347,675	6,152,336
Other liabilities	1,512,892	2,041,372	2,183,215	2,085,234	1,206,773
Annuities payable	506,016	528,947	474,890	448,707	6,714,173
Interest rate swaps, at fair value	5,260,380	3,574,430	3,512,965	3,651,077	4,716,088
U.S. Government grants refundable	1,888,759	1,927,799	1,994,945	2,071,087	2,103,973
Notes and bonds payable	90,918,774	88,744,835	86,343,396	83,356,355	117,412,987
Total liabilities	$116,777,110	$ 115,617,856	$109,681,481	$ 107,284,057	$ 146,201,086
Net assets:					
Unrestricted	$110,303,028	$ 133,994,782	$143,033,485	$ 143,753,537	$ 148,085,086
Temporarily restricted	29,045,800	17,023,167	21,342,104	19,319,716	17,097,676
Permanently restricted	33,624,319	55,021,007	57,712,130	61,962,960	67,068,152
Total net assets	$172,973,147	$ 206,038,956	$222,087,719	$ 225,036,213	$ 232,250,914
Total liabilities and net assets	$289,750,257	$ 321,656,812	$331,769,200	$ 332,320,270	$ 378,452,000

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[1] Certain Prepayments and Other Assets have been reclassified into Notes and Bonds Payable to provide a comparison to the fiscal year ended June 30, 2016 Balance Sheet.

TABLE 4 **SAINT EDWARD'S UNIVERSITY, INC.**

STATEMENTS OF ACTIVITIES (TOTALS ONLY)

FISCAL YEAR ENDED JUNE 30, 2012 – 2016

	For The Year Ended June 30, 2012	For The Year Ended June 30, 2013 (1)	For The Year Ended June 30, 2014	For The Year Ended June 30, 2015	For The Year Ended June 30, 2016
OPERATING					
Revenues, gains and other support:					
Student tuition and fees	$ 127,447,347	$ 132,909,842	$ 138,858,947	$ 148,019,341	$ 158,340,377
Less student aid	(37,804,160)	(40,455,975)	(46,215,816)	(53,907,880)	(61,161,695)
Net student tuition and fees	89,643,187	92,453,867	92,643,131	94,111,461	97,178,682
Government grants	2,275,828	1,926,058	1,487,893	1,146,352	1,883,375
Private gifts and grants	2,621,647	2,083,334	1,889,127	2,387,924	1,833,102
Investment return on endowment distributed	1,920,972	1,709,245	2,149,573	3,056,558	3,703,070
Auxiliary enterprises	12,908,636	13,122,125	14,210,938	14,748,489	15,669,734
Other	372,686	822,947	535,833	957,474	1,176,459
Total revenues and gains	$ 109,742,956	$ 112,117,576	$ 112,916,495	$ 116,408,258	$ 121,444,422
Total revenues, gains and other support	$ 109,742,956	$ 112,117,576	$ 112,916,495	$ 116,408,258	$ 121,444,422
Expenses:					
Instruction	43,144,927	40,491,408	40,416,449	41,950,941	39,846,083
Academic support	16,457,397	22,485,978	23,194,789	21,971,609	22,999,025
Student services	13,828,642	14,505,731	16,267,680	17,123,264	17,826,742
General institutional	16,541,838	17,338,847	17,828,546	18,204,571	19,102,777
Auxiliary enterprises	13,894,144	14,350,483	14,415,043	14,784,876	14,507,470
Total expenses	$ 103,866,948	$ 109,172,447	$ 112,122,507	$ 114,035,261	$ 114,282,097
Increase in net assets from operating activities	$ 5,876,008	$ 2,945,129	$ 793,988	$ 2,372,997	$ 7,162,325
NON-OPERATING INCOME (EXPENSE)					
Private gifts and grants	16,632,962	22,390,435	3,457,591	4,628,384	6,244,385
Income on long-term investments	1,651,293	1,769,237	1,659,655	1,938,322	2,446,897
Investment return on endowment distributed	(1,920,972)	(1,709,245)	(2,149,573)	(3,056,558)	(3,703,070)
Net realized and unrealized gain/(loss) on investments	(1,643,447)	4,979,642	11,064,136	(2,907,802)	(4,201,869)
Increase in net assets from Catholic Cemetery Association of Austin	310,783	924,383	1,112,238	58,898	344,501
Other	65,278	206,329	228,471	203,684	14,367
Post retirement health care benefit costs	(146,125)	(126,051)	(179,208)	(151,319)	(27,824)
Change in fair value of rate swap agreement	(2,263,253)	1,685,950	61,465	(138,112)	(1,065,011)
Total non-operating revenues,(expenses), gains and other support	$ 12,686,519	$ 30,120,680	$ 15,254,775	575,497	$ 52,376
Increase in net assets from non-operating activities	12,686,519	30,120,680	15,254,775	575,497	52,376
Increase in net assets	18,562,527	33,065,809	16,048,763	2,948,494	7,214,701
Net assets at beginning of year	154,410,620	172,973,147	206,038,956	222,087,719	225,036,213
Net assets at end of period	$ 172,973,147	$ 206,038,956	$ 222,087,719	$ 225,036,213	$ 232,250,914

(1) Certain instruction expenditures have been reclassified as Academic Support to provide comparison to fiscal year ended June 30, 2014 expenditures.

Vice President for Finance & Administration Discussion of Financial Position

For fiscal year ended June 30, 2016, the University's total net assets increased to $232,251,000, a net gain of $7,215,000 over the previous fiscal year. Total unrestricted revenues from operating excluding net assets released from restrictions increased $4,598,000 (4%) over the same period. Since the fiscal year ended June 30, 2012, operating revenues have increased by 11% reflecting modest tuition increases and increasing traditional enrollment at the University. The University enrolled 864 new traditional freshman in the Fall 2016 and estimates fiscal year ended June 30, 2017 net tuition revenue to meet or exceed targets resulting in an operating surplus.

University expenses are effectively managed, modestly increasing by 10% from June 30, 2012 to June 30, 2016 due primarily to increases in depreciation expense as a result of improvements to the campus. University funded financial aid has risen to $61,161,695 for the fiscal year ended June 30, 2016 from $37,804,160 for the fiscal year ended June 30, 2012. This increase correlates to the enrollment increase over the same period resulting in a net tuition increase of 8%.

The University operates under an annual budget system. Budgeting for operations is done on an annual basis beginning at the departmental planning level. The budget for each fiscal year is generally prepared by University staff (the Vice President for Finance & Administration) and adopted by the University's Board of Trustees on or before May of the preceding fiscal year. The annual budget is prepared on a non-GAAP basis and provides flexibility for unforeseen circumstances through a budgeted surplus, contingency and other discretionary spending of almost 10% of budgeted expense. The University is budgeting a surplus of $2.1 million for fiscal year ended June 30, 2017 on a non-GAAP basis. This includes $8.7 million in contingencies and discretionary spending for a total of $10.8 million in budget flexibility.

The current debt policy of the University provides for debt financing only those facilities that produce a positive cash flow revenue stream (such as student housing facilities), maintenance of investment grade credit ratings and a limitation on debt service to seven percent of the University's annual operating budget. Further, the liquidity policy requires the University to maintain cash reserves of 180 days on hand, which the University exceeds.

SOURCES OF REVENUE

The major sources of University revenue are tuition, room and board and other auxiliary activities, government grants and contracts, private gifts and grants, endowment income and investment income as described in the table below.

TABLE 5 SOURCES OF UNRESTRICTED REVENUE FOR FISCAL YEAR ENDED JUNE 30, 2016

Unrestricted Revenue	Amount	% of Total Revenues
Tuition and Fees	$158,340,377	
Student Aid	(61,161,695)	
Net Student Tuition and Fees	97,178,682	81.93%
Government Grants	1,883,375	1.59%
Private Gifts and Grants	355,239	0.30%
Investment Income	557,008	0.47%
Net Realized and Unrealized Gains on Investments[(1)]	(1,047,047)	-0.88%
Auxiliary Enterprise	15,669,734	13.21%
Increase in Net Assets From Catholic Cemetery Association of Austin, Inc.	344,126	0.29%
Other	920,219	0.77%
Other Transfers	(700,000)	-0.59%
Post Retirement Health Care Costs	(27,824)	-0.02%
Change in Fair Value of Interest Rate Swaps	(1,065,011)	-0.90%
Total Revenues, Income, Gains and Other Support	114,068,501	96.17%
Net Assets Released from Restriction	4,545,145	3.83%
Total	$118,613,646	100.00%

(1) Unrestricted revenue from net realized and unrealized gain(loss) on investments is the total of operating and non-operating net realized and unrealized gain(loss) on investments, investment return on endowment distributed and net realized and unrealized gain(loss) on endowment expended.

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Tuition

The primary source of revenue to the University is student tuition and fees which are established by the Board. The following table sets forth the annual tuition received for the past five academic years through 2015-2016.

TABLE 6 **TUITION REVENUE**

Academic Year	Gross Student Tuition and Fees
2011-12	$127,447,347
2012-13	132,909,842
2013-14	138,858,947
2014-15	148,019,341
2015-16	158,340,377

Room and Board

Student housing and dining facilities are self-supporting enterprises. Approximately 90% of the Fall 2016 freshman students at the University lived in University housing. Currently, the resident halls and University owned apartments are at approximately 101% occupancy for the Fall 2016 semester. The occupancy level in resident halls and University owned apartments has averaged 99%, 99%, 100%, 103%, and 101% for academic years 2012-13 through 2016-17, respectively. A new housing facility comprised of 124 apartment units will open in August 2017 and increase available beds by over 30%. The University anticipates the occupancy level in resident halls and University owned apartments to be 95% for the 2017-2018 academic year inclusive of the new apartments.

Student Charges

Income from student tuition and fees, exclusive of room and board charges, has accounted for roughly 80% of the University's unrestricted revenue in each of the last five years, and over 77.2% of the total tuition and fee revenue has come from the regular undergraduate program. The total undergraduate charges per typical resident student taking 12 to 18 hours, which were in effect during the past five years, are shown below, as well as graduate per credit hour charges:

TABLE 7 **STUDENT CHARGES**

	2012-13	2013-14	2014-15	2015-16	2016-17
Undergraduate Tuition & Fees[1]	$ 31,110	$ 33,720	$ 36,450	$ 38,720	$ 40,928
Room and Board[2]	9,421	9,828	10,251	10,604	11,131
Total	$ 40,531	$ 43,548	$ 49,324	$ 49,324	$ 52,059
Graduate Per Credit Hour	$ 1,058	$ 1,148	$ 1,246	$ 1,321	$ 1,394

(1) Average cost of tuition and fees based on 15 hours course load. Actual costs may be higher or lower.
(2) Average of rooms and meal plans available. Actual costs may be higher or lower.

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

TABLE 8 **TUITION AND FEES FOR COMPETING INSTITUTIONS FOR 2016-17 ACADEMIC YEAR**

Texas Christian University	Baylor University	St. Edward's University	Trinity University	Southwestern University
$42,580	$42,206	$40,928	$39,560	$39,060

Endowment and Similar Funds

A substantial part of the University's total assets consists of endowment and similar funds. Permanently restricted funds are subject to the restrictions of gift instruments requiring fund principal to be invested in perpetuity thereby leaving only the income and capital gains thereof for expenditures. Funds functioning as endowment (formerly known as Quasi endowment) are those where the Board of Trustees rather than the donor has established constraints.

The majority of the University's endowment funds investments is pooled, similar to mutual funds, and invested in long term instruments. Publicly traded mutual funds account for approximately 78% of the investments with the remaining 22% invested in hedge funds. The assets mix is approximately 57% equities, 18% fixed income, 11% real assets and 14% in hedge funds. Each asset mix sector is further diversified. Equity investments consist of mutual funds investing in United States equities, international developed markets, and international emerging markets. The fixed income investment consists primarily of United States bond mutual funds. Mutual fund investments in the real assets sector consist of Real Estate Investment Trusts (REITS), Master Limited Partnerships (MLP) and commodities. For the fiscal year ended 2016, the portfolio recorded a loss of 2.3%. For the last five years, the portfolio has produced a total return of 4.4%. Under the total return concept, the University currently employs a 5% spending policy based on the average market value of the preceding three years. Earnings in excess of the 5% allocation to operations remain with the endowment and contribute to its enhancement. The spending policy is reviewed regularly, along with other aspects of investment policy.

The Fiduciary Committee of the Board of Trustees has responsibility for setting investment policy, monitoring performance and selecting managers. The committee is assisted by an independent investment advising firm. This committee meets a minimum of four times during the year to review the endowment investments.

Below is a chart showing changes in market value for these funds as well as the market value for the unrestricted net assets designated for endowment. In fiscal year 2016, the University recorded gifts of $4,411,000, income and losses (net of expenses) of $1,755,000, and a net distribution of $3,703,000. In fiscal year 2015, the University recorded gifts of $4,254,000, income and gains (net of expenses) of $970,000, and a net distribution of $3,057,000.

TABLE 9 **ENDOWMENT AND SIMILAR FUND GROWTH**

Fiscal Year Ended June 30,	Market Value of Total Endowment	Market Value Unrestricted Net Assets Designated for Endowment
2012	$54,169,154	$15,844,341
2013	80,509,468	17,256,458
2014	94,630,126	20,155,443
2015	95,017,043	19,276,431
2016	94,900,643	18,250,337

The value of the endowment funds is based on the market or appraised value of the investments at the end of each reporting period. As of December 31, 2016, the market value of the investments within the total endowment was $95.5 million.

Gifts, Grants and Bequests

In the table below, gifts, grants and bequests received by the University for the fiscal years ended June 30, 2012 through June 30, 2016 are presented according to reporting standards defined by the Council for Advancement and Support of Education (CASE) and are not reconciled to the University's audited financial statements which are prepared in accordance with GAAP. The primary differences in reporting standards include stating full asset/benefit value for deferred gift instruments and life insurance policies, bequests that may not be recordable under FASB and cash payments towards pledges. For figures in accordance with FASB/GAAP, please refer to the Statement of Activities under the caption "FINANCIAL CONDITION, Summary of Fiscal Years" herein.

TABLE 10 **GIFTS, GRANTS AND BEQUESTS**

	2012	2013	2014	2015	2016
Gift Giving:					
Alumni	$ 514,665	$ 500,287	$ 2,151,104	$ 809,934	$ 607,528
Friends	14,089,097	21,528,183	2,245,871	3,089,134	12,207,846
Business & Corp.	475,856	586,740	761,230	1,064,391	361,102
Foundations	2,394,228	1,378,294	932,065	1,462,426	1,667,789
Government/Organizations	159,542	186,575	176,750	228,870	179,500
TOTAL GIVING	$17,633,388	$ 24,180,079	$ 6,267,020	$ 6,654,755	$15,023,765

Outstanding Indebtedness

As of June 30, 2016, the University's outstanding indebtedness consisted of the following:

Obligations	Maturity	Outstanding Par
Loan Agreement among San Leanna Education Facilities Corporation, the University, and The Frost National Bank, dated as of June 3, 2004	2034	$7,974,000
Loan Agreement among San Leanna Education Facilities Corporation, the University, and The Frost National Bank, dated as of January 11, 2005	2036	2,650,500
Loan Agreement among San Leanna Education Facilities Corporation, the University, and The Frost National Bank, dated as of August 1, 2006	2036	5,727,500
San Leanna Education Facilities Corporation Higher Education Revenue Bonds (Saint Edward's University Project) Series 2007	2036	23,510,000
The Red River Education Finance Corporation Higher Education Revenue Bonds (Saint Edward's University Project) Series 2016	2046	72,620,000
Various other outstanding obligations	2016	24,000
Total		$112,506,000

The Series 2004, 2005 and 2006 loans are hedged with interest rate swaps at 4.9775%, 4.6350% and 4.76% respectively. The underlying floating rate bonds are reset monthly at 65% of one-month LIBOR plus 1.10%. The swaps extend through final maturity. The negative mark-to-market on the swaps is $2,274,809, $755,552 and $1,685,727 respectively for a total negative mark-to-market of $4,716,088 as of June 30, 2016. The University intends to maintain the interest rate swaps through final maturity and thus no net realized gains or losses on the swaps are anticipated.

A portion of the Series 2007 Bonds will be refunded at their first optional redemption date of June 1, 2017 with proceeds of the Bonds. See "ANNUAL DEBT SERVICE REQUIREMENTS" and "SCHEDULE I" in the Official Statement.

Compensation and Retirement Plans

Approximately 81% of the University's operating expenses during the fiscal year 2015-2016 consisted of salaries and fringe benefits. This compensation was paid to approximately 445 full-time and part-time faculty and 520 full-time and part-time staff positions.

The University has contributory retirement plans covering virtually all personnel after two years of continuous service with the University. The University incurred expenses relating to such retirement plans of $3,022,576 and $3,000,357 for the years ended June 30, 2016 and 2015, respectively.

OTHER INFORMATION

Student Financial Aid

The University has a comprehensive plan to assist qualified students through a program of scholarships, grants-in aid, loans, and part-time employment. Administered on an individual basis, according to the particular circumstances of each applicant, this program is designed to assist all students who have a genuine need. In the fiscal year ending June 30, 2016, approximately 80% of the students received aid from the University and from State and Federal government sources. The University funded scholarship and grant expenditures in fiscal year June 30, 2016 totaled $61,161,695 from unrestricted, gift, and endowed funds.

The University is dependent on federal and state sources for a significant percentage of its total student financial aid. In the 2016 fiscal year, federal and state funds (including federally guaranteed student loans) accounted for 41.4% of the aid expenditures. The University believes that, given its endowment and annual gift resources, a reduction of federal or state funding of student financial aid could be absorbed by the University but with financial difficulty. If such a reduction were to occur, changes in the financial aid policies of the University would likely result.

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Insurance Coverage

The insured value of the University's buildings and contents is $230,243,144. The University's insurance program is provided for through Travelers Insurance Company, ACE European Group LTD, United Educators Insurance and other quality insurance companies. Set forth below is a schedule of insurance policies currently maintained by the University showing policy limits as of July 1, 2016.

TABLE 11

Insurance	Company	Policy Limits
Local Admitted Property - France	ACE European Group Limited	$120,000 BPP; $250,000 BI/EE
Local Admitted CGL – France	ACE European Group Limited	$1,000,000
International Package	ACE American Insurance Company	$1,000,000 Auto/WC/EL + AD&D/Med/K&E - Foreign
Commercial Property	Federal Insurance Company	$230,133,002 Blanket Real/BPP; $30,000,000 BI/EE; $3,500,000 EDP Equipment; $907,114 Scheduled Equipment
Fiduciary/Crime/ERISA	Travelers Casualty & Surety of America	$10,000,000 Fiduciary; $500,000 Employee Theft; $500,000 ERISA
Business Auto	Travelers Property Casualty Company of America	$1,000,000
Workers Comp	Travelers Indemnity Company of America	$1,000,000/$1,000,000/$1,000,000 Employers Liability - In Network
General Liability	United Educators Ins A RRRG	$1,000,000/$3,000,000 Limit - Worldwide
Excess Liability	United Educators Ins A RRRG	$40,000,000 Limit
Educators Legal Liability	United Educators Ins A RRRG	$25,000,000
D&O Broad Form A-Side	RLI Insurance Company / ARC South	$5,000,000
Pollution Liability	AIG Specialty Insurance Company	$3,000,000
Cyber Liability	Ascent (Lloyd's of London) / Miller	$3,000,000
Excess Liability	Allied World Assurance Company (U.S.), Inc.	$25,000,000 XS United Educators

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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St. Edward's University, Inc.

Independent Auditor's Reports and
Consolidated Financial Statements
June 30, 2016 and 2015

St. Edward's University, Inc.
June 30, 2016 and 2015

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Independent Auditor's Report

Board of Trustees
St. Edward's University, Inc.
Austin, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Edward's University, Inc. (University), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Edward's University, Inc., as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, endowment fund balance sheet information and endowment fund investments listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

San Antonio, Texas
October 13, 2016

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St. Edward's University, Inc.

Consolidated Statements of Financial Position

June 30, 2016 and 2015

	2016	2015
Assets		
Cash	$ 45,977,732	$ 39,815,773
Student and other accounts receivable, net of allowance for doubtful accounts of $2,613,838 and $2,492,200, in 2016 and 2015, respectively	3,455,235	5,923,819
Contributions receivable, net	2,726,031	2,273,187
Short-term investments, at fair value	3,608,002	3,530,730
Short-term investments - construction and capitalized interest funds	37,283,519	-
Prepayments and other	1,839,126	3,098,243
Loans receivable, net of allowance for doubtful accounts of $680,000 in 2016 and 2015	2,208,543	2,082,082
Investments, at fair value	101,888,216	94,599,546
Property, plant and equipment, net	179,465,596	180,996,890
Total assets	$ 378,452,000	$ 332,320,270
Liabilities and Net Assets		
Accounts payable	$ 3,107,717	$ 4,614,506
Accrued liabilities	4,787,039	4,709,416
Deferred revenue	6,152,336	6,347,675
Other liabilities	1,206,773	2,085,234
Annuities payable	6,714,173	448,707
Interest rate swap, at fair value	4,716,088	3,651,077
U.S. government grants refundable	2,103,973	2,071,087
Bonds payable, including unamortized bond premium of $5,915,211 and $576,957 and unamortized bond issuance costs of $1,008,223 and $358,102 in 2016 and 2015, respectively	117,412,987	83,356,355
Total liabilities	146,201,086	107,284,057
Unrestricted	148,085,086	143,753,537
Temporarily restricted	17,097,676	19,319,716
Permanently restricted	67,068,152	61,962,960
Total net assets	232,250,914	225,036,213
Total liabilities and net assets	$ 378,452,000	$ 332,320,270

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St. Edward's University, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Revenues, Income and Other Support				
Student tuition and fees	$158,340,377	$ -	$ -	$158,340,377
Less student aid	(61,161,695)	-	-	(61,161,695)
Net student tuition and fees	97,178,682	-	-	97,178,682
Government grants	1,883,375	-	-	1,883,375
Private gifts and grants	337,522	1,495,580	-	1,833,102
Investment return on endowment, distributed	857,505	2,845,565	-	3,703,070
Auxiliary enterprises	15,669,734	-	-	15,669,734
Other	820,852	355,607	-	1,176,459
Total operating revenues, income, and other support	116,747,670	4,696,752	-	121,444,422
Net assets released from restrictions, operations	4,083,323	(4,083,323)	-	-
Total revenues, income and other support	120,830,993	613,429	-	121,444,422
Expenses				
Instruction	39,846,083	-	-	39,846,083
Academic support	22,999,025	-	-	22,999,025
Student services	17,826,742	-	-	17,826,742
General institutional	19,102,777	-	-	19,102,777
Auxiliary enterprises	14,507,470	-	-	14,507,470
	114,282,097	-	-	114,282,097
Change in Net Assets from Operating Activities	6,548,896	613,429	-	7,162,325
Non-operating Income (Expense)				
Private gifts and grants	17,717	1,817,125	4,409,543	6,244,385
Income on investments	557,008	1,889,889	-	2,446,897
Investment return on endowment, distributed	(857,506)	(2,845,564)	-	(3,703,070)
Net realized and unrealized gain (loss) on investments	(1,047,047)	(3,154,822)	-	(4,201,869)
Increase in net assets from Catholic Cemetery Association of Austin, Inc.	344,126	375	-	344,501
Other	99,368	(80,650)	(4,351)	14,367
Other transfers	-	-	-	-
Donor imposed transfer	(700,000)	-	700,000	-
Post retirement - health care costs	(27,824)	-	-	(27,824)
Change in fair value of interest rate swap agreements	(1,065,011)	-	-	(1,065,011)
Total non-operating income (expense)	(2,679,169)	(2,373,647)	5,105,192	52,376
Net assets released from restrictions, non-operating	461,822	(461,822)	-	-
Change in Net Assets From Non-operating Activities	(2,217,347)	(2,835,469)	5,105,192	52,376
Change in Net Assets	4,331,549	(2,222,040)	5,105,192	7,214,701
Net Assets, Beginning of Year	143,753,537	19,319,716	61,962,960	225,036,213
Net Assets, End of Year	$148,085,086	$17,097,676	$67,068,152	$232,250,914

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$148,019,341	$ -	$ -	$148,019,341
(53,907,880)	-	-	(53,907,880)
94,111,461	-	-	94,111,461
1,146,352	-	-	1,146,352
685,821	1,702,103	-	2,387,924
807,796	2,248,762	-	3,056,558
14,748,489	-	-	14,748,489
650,206	307,268	-	957,474
112,150,125	4,258,133	-	116,408,258
4,052,425	(4,052,425)	-	-
116,202,550	205,708	-	116,408,258
41,950,941	-	-	41,950,941
21,971,609	-	-	21,971,609
17,123,264	-	-	17,123,264
18,204,571	-	-	18,204,571
14,784,876	-	-	14,784,876
114,035,261	-	-	114,035,261
2,167,289	205,708	-	2,372,997
15,651	361,903	4,250,830	4,628,384
397,131	1,541,191	-	1,938,322
(807,796)	(2,248,762)	-	(3,056,558)
(630,472)	(2,277,330)	-	(2,907,802)
58,898	-	-	58,898
203,684	-	-	203,684
(1,270,000)	1,270,000	-	-
-	-	-	-
(151,319)	-	-	(151,319)
(138,112)	-	-	(138,112)
(2,322,335)	(1,352,998)	4,250,830	575,497
875,098	(875,098)	-	-
(1,447,237)	(2,228,096)	4,250,830	575,497
720,052	(2,022,388)	4,250,830	2,948,494
143,033,485	21,342,104	57,712,130	222,087,719
$143,753,537	$19,319,716	$ 61,962,960	$225,036,213

St. Edward's University, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	$ 7,214,701	$ 2,948,494
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	9,418,801	9,167,858
Loss on disposal of property and equipment	110,973	352,869
Net realized and unrealized gain on investments	4,200,899	2,905,150
Proceeds from non-cash gifts	(85,779)	(152,757)
Provision for receivable losses	751,838	1,348,176
Contributions restricted for long-term investments	(4,621,058)	(4,552,060)
Contributions restricted for construction projects	(1,004,711)	(708,591)
Increase (decrease) in the fair value of interest rate swaps	1,065,011	138,112
Increase in post-retirement health care obligations	27,824	151,319
Decrease in bond premium amortization	(377,076)	(33,939)
Decrease in bond issuance cost	147,991	18,978
Actuarial increase/decrease on annuity obligations	145,214	40,443
Proceeds from change in net assets from Catholic Cemetery Association of Austin, Inc.	(344,501)	(58,898)
Changes in		
Receivables	1,608,855	(3,169,172)
Contributions receivable	(486,096)	751,347
Prepayments and other	1,259,117	(1,423,844)
Accounts payable and accrued liabilities	(943,217)	973,012
Deferred revenue	(195,340)	(212,926)
Other liabilities	(658,113)	113,910
U.S. government grant refundable	32,887	76,141
Net cash provided by operating activities	17,268,220	8,673,622
Investing Activities		
Purchase of plant assets	(8,512,254)	(6,512,182)
Purchase of long-term investments	(31,917,186)	(19,977,624)
Proceeds from the sale or maturities of long-term investments	20,129,403	15,243,373
Purchases of short-term investments	(44,680,684)	(6,938,330)
Proceeds from the sale or maturities of short-term investments	7,322,187	6,865,309
Proceeds from change in net assets from Catholic Cemetery Association of Austin, Inc.	740,882	487,819
Net cash provided by (used in) investing activities	(56,917,652)	(10,831,635)

St. Edward's University, Inc.
Consolidated Statements of Cash Flows (continued)
Years Ended June 30, 2016 and 2015

	2016	2015
Financing Activities		
Payments of bonds payable	$ (2,891,500)	$ (2,595,000)
Bonds issuance cost	(798,113)	-
Payments on capital lease payables	(220,347)	(211,891)
Proceeds from the issuance of bonds payable	78,335,330	-
Refunding of bonds payable	(40,360,000)	-
Proceeds from contributions subject to annuity agreements	6,271,878	-
Proceeds from contributions restricted for construction projects	1,004,711	708,591
Proceeds from contributions restricted for long-term investments	4,621,058	4,552,060
Payments on annuity agreements	(151,626)	(66,626)
Net cash provided by financing activities	45,811,391	2,387,134
Net Increase in Cash and Cash Equivalents	6,161,959	229,121
Cash and Cash Equivalents, Beginning of Year	39,815,773	39,586,652
Cash and Cash Equivalents, End of Year	$ 45,977,732	$ 39,815,773
Supplemental Cash Flows Information		
Interest paid	$ 4,123,767	$ 4,255,833
Noncash contributions	$ 85,779	$ 152,757
Purchases of property, plant and equipment in accounts payable	$ 187,063	$ 700,837

Note 1: Nature of Operations and Significant Accounting Policies

St. Edward's University, Inc. (University), founded in 1885 by the Congregation of Holy Cross, is a nonprofit Catholic institution located in Austin, Texas. The University offers classes that lead to bachelors and masters degrees and is accredited by Southern Association of Colleges and Schools Commission on Colleges. The University is primarily supported by tuition and fees from students.

Basis of Consolidation

These consolidated financial statements include the consolidated operations for the University and Catholic Cemetery Association of Austin, Inc. (Cemetery), in which the University has a controlling and economic interest. All balances and transactions between the consolidated entities have been eliminated.

Cash and Cash Equivalents

The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents held in transition for investments are included in investments. At June 30, 2016 and 2015, cash equivalents primarily consisted of certificates of deposit.

At June 30, 2016 and 2015, the University's cash accounts exceeded federally insured limits by approximately $18.9 million and $32.7 million, respectively.

Accounts and Loans Receivables

The University's accounts receivable are mainly due from students. Accounts receivable is stated at amounts due from students net of an allowance for doubtful accounts. Accounts not paid by the end of the semester are considered past due. The University determines its allowance based on past due accounts and an estimate of uncollectible active accounts based on prior collection history. The University reserves for accounts and loans receivable when they are considered to be uncollectible, or certain accounts may be fully written off at a later date if deemed by the University to be completely uncollectible.

The loans receivable reflects the University's participation in the Federal Perkins Loan Program. Loans are made to qualified students and may be re-loaned after collection. Loans receivable is stated for amounts due from students net of an allowance for doubtful accounts. Uncollected loan receivables are charged off when due diligence efforts by the University have been exhausted and receivables are assigned and accepted by the Department of Education.

Contributions Receivable

Contributions receivable are recognized at the estimated present value of the future cash flows, net of allowances for uncollectibility as deemed necessary. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with the risk and relative to the number of years in which the promise is expected to be received. Amortization of the discount is included in private gifts' revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Contributions receivable may be fully written off if deemed to be fully uncollectible by the University.

In fiscal year 2015, the University received a conditional pledge. The pledge is a three-for-one matching pledge not to exceed $75,000 for fundraising pertaining to a certain project. Gifts and pledge commitments meeting this goal are to be received no later than June 30, 2015. The University has met the matching requirement as of June 30, 2015.

In fiscal year 2015, the University received a conditional pledge totaling $500,000. The pledge is a challenge grant for a certain project fundraising goal. Gifts and pledge commitments meeting this goal are to be received no later than June 30, 2016. The University has met the matching requirement as of June 30, 2016.

Prepayments and Other

For the fiscal year ended June 30, 2015, a bequest receivable in the amount of $1,225,000 is included in prepayments and other in the consolidated statements of financial position.

Investments and Investment Return

Investments in marketable equity securities and debt securities are recorded at fair value based on quoted market prices. Alternative investments which mainly represent investments in hedge funds are recorded at net asset value (NAV) as a practical expedient. Investments in real estate are recorded at fair value based on management's analysis of the current real estate market. Gains and losses on investments are reported in the consolidated statements of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investment return includes dividend and interest income and realized and unrealized gains and losses on investments carried at fair value, net of fees. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Investment return on donor-restricted endowments is maintained in temporarily restricted net assets until appropriated for expenditure.

The University's endowment funds are maintained in an investment pool, which is unitized on a market value basis, with each participant subscribing to or disposing of units on the basis of the market value per unit at the end of the month. Income and gains/losses are distributed to each endowment based on the number of shares held.

Included in investments are funds for charitable gift annuities. Under these arrangements the University receives donated assets in exchange for a promise to pay a fixed amount for a specific donor to the donor or other designated by the donor.

Investment return related to non-operating activities consists of the following:

	2016	2015
Interest and dividend income	$ 2,625,142	$ 2,115,704
Realized (losses) gains	(2,080,765)	1,390,163
Unrealized losses	(2,121,104)	(4,297,965)
Investment fees	(178,245)	(177,382)
	$ (1,754,972)	$ (969,480)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or at fair market value at the date of gift, if donated. Individual items are capitalized and depreciated only when they have a cost of $5,000 or greater and an expected life which exceeds one year.

Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the assets or the life of the lease, whichever is less. The estimated useful lives used in computing depreciation and amortization provisions are as follows:

Buildings and improvements	15 – 45 years
Equipment	5 – 20 years
Library books and periodicals	15 – 25 years

Long-lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2016 and 2015.

Deferred Revenue

Revenue from fees for tuition is deferred and recognized over the periods to which the fees relate.

Certain summer tuition and fees are 50 percent deferred and tuition and fees for summer classes beginning in the subsequent fiscal year are 100 percent deferred. Deferred revenue consists of amounts received for educational, research or auxiliary goods and services that have not yet been earned.

Other Liabilities

Other liabilities as of June 30, 2016 and 2015, are as follows:

	2016	2015
Deferred compensation	$ 504,198	$ 1,182,107
Enrollment and room deposits	278,700	253,100
Capital lease payable	223,856	444,202
Other	200,019	205,825
	$ 1,206,773	$ 2,085,234

Interest Rate Swap

The fair value of the interest rate swap is based upon the fair value of the swap as of the end of the reporting period.

Annuities Payable

The University has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. For the fiscal years ended June 30, 2016 and 2015, the University recorded an annuity payable liability of $6,714,173 and $448,708, respectively. These amounts represent the present value of the future annuity obligations.

During the fiscal year ended June 30, 2016, the University received a $10,000,000 charitable gift annuity and recorded a $6,271,878 annuity payable. The annuity amount was determined using a discount rate of 1.8 percent and a rate of return of 5.1 percent. Contribution revenue recognized under this annuity amounted to $3,728,122.

Derivative Instruments

The University uses interest rate swap agreements to hedge against the risk of interest rate increases on its floating rate bonds payable. The University recognizes these derivative instruments on its consolidated statements of financial position at fair value. Derivatives that are not hedges are adjusted to fair value through operations. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are offset against the change in fair value of the hedged assets or liability through non-operating changes in unrestricted net assets, until the hedged item is recognized in operations.

Functional Expenses

The University allocates its facility expenses to its functional expense category based on square footage usage. An exception to the policy occurs when cost can be accurately measured and applied to a particular building. In that event, such costs are only applied to that particular building.

Expiration of Donor-imposed Restrictions

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and, at that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Fundraising

For the years ended June 30, 2016 and 2015, the University incurred direct fundraising expenses of approximately $173,000 and $205,000, respectively.

Temporarily and Permanently Restricted Net Assets

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB), ASC Topic 958, *Not-for-Profit Entities.* In accordance with ASC 958, the University is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Temporarily restricted net assets are those whose use by the University has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the University in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction. Contributions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

In connection with the sale of a gravesite or crypt, the Cemetery designates a portion of each sale to provide certain future care maintenance of the gravesite or crypt. Funds designated for future care are invested, but not legally restricted; therefore, they are not segregated from unrestricted net assets in the accompanying consolidated statements of financial position. Net assets designated by the board of the Cemetery for long-term investment were $7,010,205 and $7,001,912 at June 30, 2016 and 2015, respectively.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restriction resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are constructed or placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Auxiliary Enterprises

Auxiliary enterprises consist of the residence halls, dining service, bookstore and apartments.

Income Taxes

The University and Cemetery are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as organizations described in IRC Section 501(c)(3) and a similar provision of state law. However, the entities are subject to federal income tax on any unrelated business taxable income. With a few exceptions, the University is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

Operating Measure

All revenues and expenses are classified as operating revenues and expenses except those determined to be non-operating. Non-operating revenues and expenses are defined as (1) all permanently restricted revenues, (2) temporarily restricted revenues from contributions, gifts and grants for endowment purposes and those pertaining to physical plant fund assets to be constructed or acquired, (3) unrestricted revenues arising from contributions whose use is designated by the Board of Trustees, investment returns, including net interest and dividend income and realized and unrealized gains and losses but excluding net interest and dividend income and realized and unrealized gains on endowment fund pooled investments distributed (spending allowance) and excess of revenues over expenses related to physical plant fund investments. Physical plant fund investments include sinking funds required by bond indentures, construction funds and maintenance reserve funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, losses and other changes in net assets and expenses during the reporting period. Actual results could differ from those estimates.

Student Financial Assistance Programs

The University participates in various student financial aid programs. These programs are subject to periodic review by the United States Department of Education (USDE). Disbursements under each program are subject to disallowance and repayment by the University.

The University derives a substantial portion of its net revenues from financial aid received by its students under Title IV Programs administered by the USDE pursuant to the federal Higher Education Act of 1965 (HEA), as amended. In order to continue to participate in Title IV Programs, the University must comply with the standards set forth in the HEA and the regulations promulgated thereunder (Regulations). Among other things, these Regulations require the University to exercise due diligence in approving and disbursing funds and servicing loans and to exercise financial responsibility related to maintaining certain financial ratios and requirements.

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Disclosures about the Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market securities, publicly traded securities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities are composed of fixed income funds and hedge funds where NAV is used as a practical expedient to valuation. Level 2 liabilities include interest rate swaps based on the London InterBank offered Rate (LIBOR) swap rate. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include real estate and other assets.

The following table presents the fair value measurements of financial assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

		2016 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Short-term investments				
Money market funds	$ 40,891,521	$ 40,891,521	$ -	$ -
Total short-term investments	$ 40,891,521	$ 40,891,521	$ -	$ -
Long-term investments				
Cash	$ 51,658	$ 51,658	$ -	$ -
Money market funds	2,441,833	2,441,833	-	-
Government obligations	9,796,080	9,796,080	-	-
Mutual funds	74,955,364	74,955,364	-	-
Domestic and international stocks	1,924,855	1,924,855	-	-
Hedge funds	12,284,423	-	12,284,423	-
Real estate and other	434,003	-	-	434,003
Total long-term investments	$ 101,888,216	$ 89,169,790	$ 12,284,423	$ 434,003
Financial Liabilities				
Interest rate swaps payable	$ 4,716,088	$ -	4,716,088	$ -
Total long-term obligations	$ 4,716,088	$ -	$ 4,716,088	$ -

	2015			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)
Financial Assets				
Short-term investments				
Money market funds	$ 3,530,730	$ 3,530,730	$ -	$ -
Total short-term investments	$ 3,530,730	$ 3,530,730	$ -	$ -
Long-term investments				
Cash	$ 60,469	$ 60,469	$ -	$ -
Money market funds	2,236,295	2,236,295	-	-
Mutual funds	81,659,443	81,659,443	-	-
Domestic and international stocks	1,737,896	1,737,896	-	-
Hedge funds	8,464,499	-	8,464,499	-
Real estate and other	440,944	-	-	440,944
Total long-term investments	$ 94,599,546	$ 85,694,103	$ 8,464,499	$ 440,944
Financial Liabilities				
Interest rate swaps payable	$ 3,651,077	$ -	$ 3,651,077	$ -
Total long-term obligations	$ 3,651,077	$ -	$ 3,651,077	$ -

The following table presents a reconciliation of Level 3 financial instruments measured at fair value on a recurring basis for the years ended June 30, 2016 and 2015:

	2016	2015
Beginning balance	$ 440,944	$ 439,198
Total realized and unrealized (losses) gains	(6,941)	1,746
Ending balance	$ 434,003	$ 440,944

Total Level 3 gains or losses above are all unrealized gains or losses and are included in net realized and unrealized gain (loss) on investments in the consolidated statements of activities, and all relate to assets still held at year-end.

The University's policy is to recognize transfers in and out of the different levels as of the actual date of the event or change in circumstance that causes the transfer.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at amounts other than fair value:

1) Cash and Cash Equivalents

The carrying amount approximates fair value.

2) Investments

All investments are carried at fair value. The carrying amounts of cash and cash equivalents, mutual funds, and publicly traded stocks approximate fair value based on quoted market prices. The money market and fixed income funds are managed funds that have no secondary market but whose values are based upon observable market prices and the makeup can be replicated using those instruments with observable market prices.

Investments in Hedge Funds
Investments in hedge funds are carried at NAV as a practical expedient for determining fair value, as determined by the investee. The investments may have restrictions as to the amount and timing of capital withdrawals. The investment manager considers these restrictions when determining the fair value of the corresponding investment. The following represents the University's hedge funds as of June 30, 2016 and 2015, respectively.

Grosvenor Institutional Partners
The objective of Grosvenor Institutional Partners is to provide long-term capital appreciation. The fund is a globally diversified, multi-strategy, multi-manager fund of hedge funds that utilizes a wide range of investment strategies. The fund is allocated to approximately 40 managers. Additional investments may be made on a quarterly basis while redemptions are on a quarterly basis with 70 days prior notice. It is management's intention to hold this investment long-term. The difference between cost and fair value is reflected as unrealized appreciation or depreciation of the investment. Realized gains and losses are the difference between the proceeds of sales and the investments' costs as reported by the University.

Magnitude Capital, LLC/ Magnitude International Hedge Fund
The objective of Magnitude International is to provide long-term capital appreciation. The fund is a globally diversified, multi-strategy, multi-manager fund of hedge funds which targets attractive risk-adjusted returns with limited exposure to passive risk factors. Fund management employs a quantitative, arbitrage and relative value bias and evaluates "corners of the market" for small positions. The fund is allocated to approximately 39 managers. Additional investments may be made on a monthly basis while redemptions are on a quarterly basis with 65 days prior notice. It is management's intention to hold this investment long-term. The difference between cost and fair value is reflected as unrealized appreciation or depreciation of the investment. Realized gains and

losses are the difference between the proceeds of sales and the investments' costs as reported by the University.

3) *Annuity Payment Obligations, Long-term Bonds Payable and Interest Rate Swaps*

The University has entered into certain annuity agreements to provide periodic payments to donors. The annuity payment obligations reflect the University's liabilities under these agreements over the donor's life expectancy. Fair values of the annuity and trust obligations are based on an actuarial evaluation of the estimated annuity or other payment under such obligations.

The majority of the University's long-term bonds are publicly traded on a secondary market and the fair value is based upon observable market data. The interest rate swap requires the University to pay a fixed rate of 4.9775 percent, 4.635 percent and 4.76 percent for bonds issued in 2004, 2005 and 2006, respectively. The counterparty is required to pay a variable rate equal to 65 percent of LIBOR plus a spread of 1.10 percent with a cap of 15 percent. The LIBOR rate is observable at commonly quoted intervals during the full term of the rate swap. The fair value of interest rate swaps is calculated using this observable market data, including, but not limited to swap and yield curves, interest rates, LIBOR, credit spreads and recovery rates.

4) *Loans Receivable and Contributions Receivable*

The carrying amounts approximate their fair value.

The following table is a summary of fair value estimates for financial instruments at June 30, 2016 and 2015, excluding financial instruments recorded at fair value on a recurring basis as they are included within the ASC Topic 820 fair value hierarchy table included earlier in this note.

	2016			
	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3
Cash and cash equivalents	$ 45,977,732	$ 45,977,732	$ -	$ -
Loans receivable, net	$ 2,208,543	$ -	$ -	$ 2,208,543
Contributions receivable, net	$ 2,726,031	$ -	$ 2,726,031	$ -
Annuity payable	$ 6,714,173	$ -	$ 6,714,173	$ -
Long-term bonds payable (excluding unamortized bond cost)	$ 112,506,000	$ -	$ 118,984,872	$ -

	2015			
	Carrying Amount	Estimated Fair Value Level 1	Level 2	Level 3
Cash and cash equivalents	$ 39,815,773	$ 39,815,773	$ -	$ -
Loans receivable, net	$ 2,082,082	$ -	$ -	$ 2,082,082
Contributions receivable, net	$ 2,273,187	$ -	$ 2,273,187	$ -
Annuity payable	$ 448,707	$ -	$ 448,707	$ -
Long-term bonds payable (excluding unamortized bond cost)	$ 83,137,500	$ -	$ 96,574,479	$ -

Note 3: Student, Loans and Other Accounts Receivable

Federal loans receivable to students consist of amounts due under the Federal Perkins Loan Program (FPLP) and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the FPLP. Principal and interest payments on loans do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent.

Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student and could be assigned back to the federal government.

Contributions to the FPLP from the federal government, interest income and fees earned within the FPLP, less any cancellations of loan balances as provided for in the FPLP, are recorded as an advance due to the federal government.

At June 30, amounts included in student and other receivables are as follows:

	2016	2015
Student accounts receivable	$ 4,850,137	$ 7,266,127
Cemetery receivables	686,950	574,718
Other receivables	531,986	575,174
	6,069,073	8,416,019
Less allowance for doubtful accounts	2,613,838	2,492,200
	$ 3,455,235	$ 5,923,819

Note 4: Contributions Receivable

Contributions receivable at June 30, consists of the following:

	2016	2015
One year or less	$ 1,496,436	$ 1,398,629
Between two years and five years	1,649,817	1,194,287
	3,146,253	2,592,916
Less allowance for doubtful accounts	(215,767)	(194,933)
Less discount	(204,455)	(124,796)
Net contributions receivable	$ 2,726,031	$ 2,273,187

The amounts are recorded at the present value of estimated future cash flows, net of allowance for doubtful accounts, using a 4.5 percent discount rate.

Note 5: Property, Plant and Equipment, Net

Property, plant and equipment at June 30, 2016 and 2015, is summarized as follows:

	2016	2015
Land	$ 6,112,852	$ 6,112,852
Land improvements	13,069,800	12,817,432
Buildings and improvements	220,782,975	217,820,329
Equipment	27,203,311	25,334,838
Library books and periodicals	3,217,130	3,256,842
Construction in progress	4,717,280	2,971,735
	275,103,348	268,314,028
Less accumulated depreciation	95,637,752	87,317,138
Property, plant and equipment, net	$ 179,465,596	$ 180,996,890

Note 6: Bonds Payable

The University's bonds payable as of June 30, 2016 and 2015, consisted of the following:

	2016	2015
Dormitory, classroom buildings, and dining hall bonds, issued in six series, interest rates ranging from 3% to 3.625% and maturing from 2013 to 2016	$ 24,000	$ 49,000
Village of San Leanna, Texas, Higher Education Authority, Inc., University Revenue Bonds Series 2004, variable interest rate equal to 65% of monthly London InterBank Offered Rate (LIBOR) plus 1.10%, effectively fixed at 4.9775% with rate swap, semiannual payments due beginning December 2004 and maturing from 2005 to 2034	7,974,000	8,275,000
Village of San Leanna, Texas, Higher Education Authority, Inc., University Revenue Bonds Series 2005, variable interest rate equal to 65% of monthly LIBOR plus 1.10%, effectively fixed at 4.6350% with rate swap, semiannual payments due beginning December 2007 and maturing from 2008 to 2036	2,650,500	2,729,500
Village of San Leanna, Texas, Higher Education Authority, Inc., University Revenue Bonds Series 2006, variable interest rate equal to 65% of monthly LIBOR plus 1.10%, effectively fixed at 4.7600% with rate swap, semiannual payments due beginning June 2007 and maturing from 2007 to 2036	5,727,500	5,884,000
Village of San Leanna, Texas, Higher Education Authority, Inc., University Revenue Bonds Series 2007, interest rates ranging from 4.25% to 5.125% and maturing from 2008 to 2036	23,510,000	66,200,000
The Red River Education Finance Corporation Higher Education Revenue Bond Series 2016, interest rates ranging from 3% to 5% and maturing from 2021 to 2046	72,620,000	-
Total bonds payable	112,506,000	83,137,500
Unamortized premium	5,915,211	576,957
Unamortized closing costs	(1,008,224)	(358,102)
Bonds payable, net	$ 117,412,987	$ 83,356,355

The dormitory, classroom buildings, and dining hall bonds are payable to a bank, as trustee for the United States of America, Housing and Home Finance Administrator, and a corporation. The bonds were issued in six series and are collateralized by mortgages on the applicable buildings and a pledge of the revenue from the operation of the project facilities. The applicable bond indentures require maintenance of bond and interest sinking funds and renewal and replacement reserve accounts with the trustee. The indenture for one series of bonds also requires a deposit with the trustee of securities having a quoted fair value of at least $38,800. As of June 30, 2016, the University was in compliance with all indenture requirements.

On June 4, 2004, the Village of San Leanna (San Leanna) sold $10,000,000 of the University Revenue Bonds Series 2004 (the "2004 Bonds"). The proceeds were loaned by San Leanna to the University pursuant to a loan and security agreement and were used for (i) financing the costs of constructing, acquiring, and equipping a student housing dormitory facility with approximately 200 beds located on the campus of the University; (ii) constructing and acquiring certain utility efficiency upgrades to University facilities; (iii) paying certain operating expenses of such facilities during the first year of operation, if necessary; (iv) capitalizing not more than two years' interest during construction; and (v) paying a portion of the costs of issuance of the 2004 Bonds.

On January 11, 2005, San Leanna sold $2,917,000 of the University Revenue Bonds Series 2005 (the "2005 Bonds"). The proceeds were loaned by San Leanna to the University pursuant to a loan and security agreement and were used for (i) financing the costs of constructing, acquiring, and equipping a student housing dormitory facility with approximately 200 beds located on the campus of the University; (ii) constructing and acquiring certain utility efficiency upgrades to University facilities; (iii) paying certain operating expenses of such facilities during the first year of operation, if necessary; (iv) capitalizing not more than two years' interest during construction; and (v) paying a portion of the costs of issuance of the 2005 Bonds.

On August 1, 2006, San Leanna sold $6,963,000 of the University Bonds Series 2006 (the "2006 Bonds"). The proceeds were loaned by San Leanna to the University pursuant to a loan and security agreement and were used for (i) financing the costs of constructing, acquiring, and equipping a student housing dormitory facility with approximately 70 beds located on the campus of the University; (ii) constructing, acquiring, and equipping certain parking facilities and internal roadways on the campus of the University; (iii) paying certain operating expenses of such facilities during the first year of operation, if necessary; (iv) capitalizing not more than two years' interest during construction; and (v) paying a portion of the costs of issuance of the 2006 Bonds.

On June 21, 2007, San Leanna sold $74,430,000 of the University Revenue Bonds Series 2007 (the "2007 Bonds"). The proceeds were loaned by San Leanna to the University pursuant to a loan and security agreement and were used for (i) financing the costs of constructing, acquiring, and equipping a student housing and dining facility with approximately 300 beds located on the campus of the University; (ii) constructing, acquiring, and equipping certain parking facilities on the campus; (iii) advance refunding of Callable City of Austin, Texas, Higher Education Authority, Inc., University Revenue Bonds Series 1998 in the amount of $18,215,000; (iv) advance refunding of Callable City of Austin, Texas, Higher Education Authority, Inc., University Revenue Bonds Series 2001 in the amount of $9,250,000; (v) paying certain operating expenses of such facilitiesduring the first year of operation, if necessary; (vi) capitalizing not more than two years' interest during construction; and (vii) paying a portion of the costs of issuance of the 2007 Bonds.

Concurrent with the issuance of the 2004 and 2005 Bonds, and subsequent to the issuance of the 2006 Bonds on January 25, 2007, the University entered into interest rate swap agreements to manage the interest rate exposure. The fair value of the interest rate swap agreements was approximately $4,716,000 and $3,651,000, as of June 30, 2016 and 2015, respectively, and is reflected in other liabilities in the consolidated statements of financial position.

On June 28, 2016, the Red River Education Finance Corporation sold $72,620,000 of the University Revenue Bonds Series 2016 (the "2016 Bonds"). The proceeds were loaned by Red River Education Finance Corporation pursuant to a loan agreement and will be used for (i) financing the costs of constructing, furnishing and equipping a student housing dormitory facility located on the campus of the University; (ii) capitalizing not more than two years' interest during construction; (iii) refunding a portion of the University's outstanding Series 2007 Revenue Bonds; and (iv) paying a portion of the costs of issuance of the 2016 Bonds.

Included in bonds payable as of June 30, 2016 is $5,715,330 of unamortized bond premium related to the issuance of the Series 2016 Revenue Bonds. This premium is being amortized over the term of the Red River Education Finance Corporation Revenue Bonds Series 2016. Also included in bonds payable as of June 30, 2016 and 2015, is $199,881 and $576,957, respectively, of unamortized bond premium related to the refinancing of the City of Austin, Texas, Higher Education Authority, Inc., University Revenue Bond Series 1998 and the City of Austin, Texas, Higher Education Authority, Inc., University Revenue Bond Series 2001. This premium is being amortized over the term of the San Leanna University Revenue Bond Series 2007 issuance. The University amortized bond premiums of $377,076 and $33,939 in 2016 and 2015, respectively.

For the year ended June 30, 2016, the University reduced its bonds payable by $798,113 unamortized bond closing costs incurred on the issuance of the Revenue Bonds Series 2016. These closing costs are being amortized over the term of the Red River Education Finance Corporation Revenue Bonds Series 2016. Also included in bonds payable as of June 30, 2016 and 2015, is $210,111 and $358,102, respectively, of unamortized closing costs related to Revenue Bond Series 2004, 2005, 2006, and 2007. These costs are being amortized over the term of their respective Revenue Bond issuance. The University amortized closing costs of $147,991 and $18,978 in 2016 and 2015, respectively.

The aggregate amounts of maturities on bonds payable for the next five years are summarized as follows:

2017	$ 3,175,500
2018	3,149,500
2019	3,449,500
2020	3,758,500
2021	3,208,750
Thereafter	95,764,250
	$112,506,000

Note 7: Leases

Operating Leases

The University leases equipment and portions of a building under non-cancelable operating leases with escalation clauses for rent payments which expire in 2019. The expense incurred by the University under these leases totaled $742,631 and $704,248, for the years ended June 30, 2016 and 2015, respectively.

The following is a schedule of future minimum lease payments at June 30, 2016:

2017	$	173,617
2018		38,082
2019		6,745
	$	218,444

Capital Leases

The University has entered into various equipment leases with payments ending in 2018. The University's payments under these leases totaled $233,312 and $211,891 for the years ended June 30, 2016 and 2015, respectively.

The following is a schedule of future minimum lease payments at June 30, 2016:

2017	$	160,359
2018		69,546
		229,905
Less amount representing interest		6,049
Present value of future minimum lease payments	$	223,856

Note 8: Interest Rate Swaps

The University holds the following interest rate swap contracts associated with its outstanding bonds payable:

	June 30, 2016			
	Bonds Series 2004	Bonds Series 2005	Bonds Series 2006	Total
Net notional amount	$ 7,974,000	$ 2,650,500	$ 5,727,500	$ 16,352,000
Fair value	$ 2,274,809	$ 755,552	$ 1,685,727	$ 4,716,088
Unrealized loss	$ (460,263)	$ (193,560)	$ (411,188)	$ (1,065,011)
Expiration	12/1/2033	6/1/2036	6/1/2036	

	June 30, 2015			
	Bonds Series 2004	Bonds Series 2005	Bonds Series 2006	Total
Net notional amount	$ 8,275,000	$ 2,729,500	$ 5,884,000	$ 16,888,500
Fair value	$ 1,814,546	$ 561,992	$ 1,274,539	$ 3,651,077
Unrealized gain (loss)	$ (35,937)	$ (34,549)	$ (67,626)	$ (138,112)
Expiration	12/1/2033	6/1/2036	6/1/2036	

Unrealized gains and losses on the interest rate swaps are shown separately in the non-operating section of the consolidated statements of activities as change in fair value of interest rate swap agreements. As it is management's intention to maintain the interest rate swaps solely for the purpose of managing its variable rate debt, no net realized gains or losses on the swaps are anticipated. Under the swap agreements, the University pays or receives the net interest amount semi-annually with the semi-annual settlements included in interest expense.

Note 9: Retirement Plan and Post-Retirement Medical Benefits

The University has a defined contribution plan, which is available to virtually all employees after one year of continuous service with the University. Effective June 1, 2015, the University amended its plan to allow an eligible employee to supplement or offset in its entirety the one-year service requirement provided the predecessor employer is an institution of higher education. Employees can contribute up to 5 percent of their salary to a tax-deferred program approved by the University. The 5 percent contribution from employees is matched by a 7 percent University contribution to whichever program the employee selects. This plan amendment also permitted Roth contributions as soon as administratively practicable, on or after June 1, 2015. Effective October 1, 2015, the University permitted Roth contributions into the plan. The University incurred expenses of 3,022,576 and $3,000,357 in 2016 and 2015, respectively, in relation to the defined contribution plan.

The University provides certain health care benefits for eligible retired employees through an unfunded defined benefit plan. Eligible employees are defined as: 1) Grandfathered Regular Retiree I—Employee who is at least 55 on October 31, 1993, and whose adjusted employment date is on or before October 31, 1993, and who has 15 or more years of regular service on the last day of active employment, 2) Grandfathered Regular Retiree II—Employee who is less than 55 on October 31, 1993, and whose adjusted employment date is on or before October 31, 1993, and who has 15 or more years of regular service and who is age 55 or older on the last day of active employment, 3) Non-Grandfathered Retiree—Employee whose adjusted employment date is on or after November 1, 1993, and whose combined age and service equals or exceeds 80 years on the last day of active employment with a minimum requirement of 55 years of age and 15 years of service on the last day of active employment.

The reconciliation of the beginning and ending balances of the accumulated postretirement benefit obligation (APBO) for the years ended June 30, 2016 and 2015, is as follows:

	2016	2015
Beginning of year per actuarial report	$ 916,298	$ 844,278
Interest cost	30,780	27,157
Benefit payments	(89,042)	(83,398)
Actuarial loss	74,153	118,570
CMS Medicare Part D subsidies received	11,933	9,691
End of year	$ 944,122	$ 916,298

The following postretirement benefit payments, which reflect expected future service, as appropriate, are expected to be paid, net of the estimated Medicare prescription drug subsidies expected to be received:

Fiscal Years Ending	Medical Benefits	Prescription Drug Subsidy	Net Medical Benefits
2017	$ 156,941	$ 41,895	$ 115,046
2018	$ 162,753	$ 50,363	$ 112,390
2019	$ 177,136	$ 60,091	$ 117,045
2020	$ 186,665	$ 68,035	$ 118,630
2021	$ 130,847	$ 44,115	$ 86,732
2022-2026	$ 355,414	$ 89,709	$ 265,705

Note 10: Nature and Amount of Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Instructional, financial aid, accumulated endowment earnings and academic and institutional support	$ 13,966,560	$ 17,650,671
Acquisitions of buildings and equipment	3,105,741	1,644,045
Catholic Cemetery Association of Austin, Inc.	25,375	25,000
	$ 17,097,676	$ 19,319,716

Note 11: Nature and Amount of Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following purposes at June 30:

	2016	2015
Permanently restricted endowment	$ 67,068,152	$ 61,962,960

Note 12: Endowment

The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of a gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are expended by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at June 30, 2016 and 2015, was as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (121,087)	$ 9,582,154	$ 67,068,152	$ 76,529,219
Board-designated endowment funds	18,371,424	-	-	18,371,424
Total endowment funds	$ 18,250,337	$ 9,582,154	$ 67,068,152	$ 94,900,643

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (57,502)	$ 13,777,652	$ 61,962,960	$ 75,683,110
Board-designated endowment funds	19,333,933	-	-	19,333,933
Total endowment funds	$ 19,276,431	$ 13,777,652	$ 61,962,960	$ 95,017,043

Changes in endowment net assets for the years ended June 30, 2016 and 2015, were:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 19,276,431	$ 13,777,652	$ 61,962,960	$ 95,017,043
Investment return				
Interest and dividends	598,775	2,026,367	-	2,625,142
Net realized and unrealized losses	(1,047,047)	(3,154,822)	-	(4,201,869)
Investment return on endowment - distributed	(857,506)	(2,845,564)	-	(3,703,070)
Investment fees	(41,767)	(136,479)	-	(178,246)
Total investment return	(1,347,545)	(4,110,498)	-	(5,458,043)
Contributions	1,664	-	4,409,543	4,411,207
Change in the value of annuity agreements	(60,213)	(85,000)	-	(145,213)
Other	-	-	(4,351)	(4,351)
Transfer in	380,000	-	700,000	1,080,000
Endowment net assets, end of year	$ 18,250,337	$ 9,582,154	$ 67,068,152	$ 94,900,643

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 20,155,443	$ 16,762,553	$ 57,712,130	$ 94,630,126
Investment return				
Interest and dividends	435,986	1,679,013	-	2,114,999
Net realized and unrealized gains	(630,472)	(2,276,758)	-	(2,907,230)
Investment return on endowment - distributed	(807,796)	(2,248,762)	-	(3,056,558)
Investment fees	(38,988)	(138,394)	-	(177,382)
Total investment return	(1,041,270)	(2,984,901)	-	(4,026,171)
Contributions	2,701	-	4,250,830	4,253,531
Change in the value of annuity agreements	(40,443)	-	-	(40,443)
Transfer in	200,000	-	-	200,000
Endowment net assets, end of year	$ 19,276,431	$ 13,777,652	$ 61,962,960	$ 95,017,043

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2016 and 2015, consisted of:

	2016	2015
Permanently restricted net assets		
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 67,068,152	$ 61,962,960
Temporarily restricted net assets		
Portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	$ 9,582,154	$ 13,777,652

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. Deficiencies of this nature are recognized as a reduction of unrestricted net assets and aggregated approximately $121,000 and $58,000 June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations.

The University's investment and spending strategies for endowment assets attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for a donor specified period, as well as those of board-designated endowment funds. The objective of the endowment fund is to seek an average total annual real return of 5 percent or Consumer Price Index (CPI) plus 5 percent measured over an annualized, rolling five and ten year time period. Actual returns in any given year may vary from this amount.

To satisfy its long-term objectives, the University relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield. The University relies on a strategy of asset diversification to achieve its long-term return objectives within prudent risk constraints through the use of professional investment managers. Each investment manager's performance is reviewed quarterly by the Fiduciary Committee of the board. Performance is evaluated relative to stated policy objectives, appropriate benchmarks, and a universe of investment returns appropriate to the investment manager or fund evaluated.

The University has adopted spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets for future generations. The spending rule sets forth the endowment income to be distributed currently for spending with the provision that any amounts remaining after the distribution be reinvested. The Board of Trustees has authorized a policy permitting the use of the total return at a rate (spending rate) of 5 percent based on a three-year moving average market value. Additionally, if the investment pool does not earn 5 percent in a given year, accumulated excess earnings, if any, may be used as long as the funds spent are in accordance with the endowment restrictions. No spending occurs if the current market value of the individual donor restricted endowment funds is below the original dollar value of the gift or the original dollar value of subsequent gifts.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Commitments and Contingencies

Certain claims and complaints in the ordinary course of business are pending against the University. In the opinion of management, all matters are adequately covered by insurance, or if not covered, are without merit or are of such a kind, or involve such amounts, as would not have a material effect on the financial position of the University if disposed of unfavorably.

The University has entered into various contracts for the construction of a new academic building and building improvements. The outstanding balance remaining on these contracts was approximately $4,295,000 and $937,000 as of June 30, 2016 and 2015.

Note 14: Related Parties

The University has received contributions from various related parties, which include faculty and staff and members of the Board of Trustees. The Cemetery, as a consolidated subsidiary of the University periodically makes distributions to the University, which are eliminated in consolidation and are not reflected in the consolidated statements of financial position or statements of activities.

Note 15: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

SUPPLEMENTAL SCHEDULES

St. Edward's University, Inc.
Endowment Fund Balance Sheet Information
June 30, 2016 and 2015

	2016	2015
Assets		
Due from current fund	$ 1,599,845	$ 1,050,356
Contributions receivable, net	581,137	792,653
Bequest receivable	-	1,225,000
Investments, at fair value	99,433,834	92,397,741
Total assets	$ 101,614,816	$ 95,465,750
Liabilities and Net Assets		
Annuities and other payables	$ 6,714,173	$ 448,707
Total liabilities	6,714,173	448,707
Designated for endowment	18,250,337	19,276,431
Temporarily restricted	9,582,154	13,777,652
Permanently restricted	67,068,152	61,962,960
Total net assets	94,900,643	95,017,043
Total liabilities and net assets	$ 101,614,816	$ 95,465,750

St. Edward's University, Inc.
Endowment Fund Investments
Year Ended June 30, 2016

	2016	2015
Pooled investments		
Cash and cash equivalents	$ 45,942	$ 45,867
Government obligations	1,462,423	6,330,129
Corporate debt	7,836,173	6,591,513
Domestic stock	27,501,901	22,645,844
International stock	23,238,506	23,934,180
Real estate investment trust	2,739,162	5,264,588
Master limited partnerships	4,877,453	6,444,977
Hedge funds	12,284,423	8,464,499
Commodities	1,957,111	4,198,397
Interfund receivable	6,599,577	7,435,395
	88,542,671	91,355,389
Real estate	135,789	135,788
Annuity trusts	10,462,946	607,195
Other	292,428	299,369
Total investments	$ 99,433,834	$ 92,397,741

APPENDIX C

PROPOSED FORM OF BOND COUNSEL'S OPINION

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McCALL
PARKHURST & HORTON

[*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.*]

$19,445,000
RED RIVER EDUCATION FINANCE CORPORATION
HIGHER EDUCATION REVENUE REFUNDING BONDS
(SAINT EDWARD'S UNIVERSITY PROJECT)
SERIES 2017

WE HAVE ACTED AS BOND COUNSEL for the Red River Education Finance Corporation (the "Issuer") for the sole purpose of rendering an opinion with respect to the legality and validity of the Issuer's Higher Education Revenue Bonds (Saint Edward's University Project) Series 2017 (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 Issuer or Saint Edward's University, Inc., a nonprofit corporation (the "Borrower"), 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. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described herein.

WE HAVE EXAMINED the validity of the Bonds, bearing interest from their date of initial delivery, until maturity or redemption, at the interest rates set forth in the Indenture of Trust dated as of April 1, 2017 (the "Indenture") between the Issuer and U.S. Bank, National Association, as trustee (the "Trustee"). Interest on the Bonds is payable and the Bonds mature on the dates set forth in the Indenture and the Bonds are subject to optional and mandatory redemption prior to maturity in accordance with the terms and conditions stated on the face of the Bonds. The Bonds are issuable only as fully registered bonds in the denominations described in the Indenture.

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 Issuer and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds; various certificates and resolutions executed by officers and representatives of the Issuer and the Borrower; the opinion of Graves, Dougherty, Hearon & Moody, P.C., counsel for the Borrower, upon which we rely to the extent described below; and other instruments authorizing and relating to the issuance of the Bonds.

600 Congress Ave., Suite 1800
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood, Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

700 N. St. Mary's Street, Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the Issuer is a nonprofit education finance corporation duly organized, validly existing, and in good standing and functioning under and pursuant to Section 53.35(b) and Section 53A.35(b) of the Texas Education Code, as amended, and all other applicable laws of the State of Texas; that the resolution authorizing the Bonds (the "Bond Resolution") has been duly and lawfully adopted by, and constitutes a valid and binding obligation of, the Issuer; and that the Bonds have been duly authorized, issued and delivered in accordance with Texas law and constitute legal, valid, binding and enforceable obligations of the Issuer in accordance with their terms. The principal of, redemption premium, if any, and interest on the Bonds are payable from, and secured by a lien on and pledge of, the Trust Estate (as defined in the Indenture), which includes the payments designated as "Loan Payments" to be made or paid, or caused to be made or paid, to the Trustee pursuant to the Indenture and the Loan Agreement between the Issuer and the Borrower, dated as of April 1, 2017 (the "Agreement"), a promissory note (the "Note") given by the Borrower to the Issuer to be collaterally assigned by the Issuer to the Trustee for the benefit of the owners of the Bonds, and amounts in certain funds established with the Trustee under the Indenture. The Borrower has agreed and is unconditionally obligated to the Issuer to make the payments due under the Loan Agreement to the Trustee under the Indenture for deposit into the Debt Service Fund established by the Indenture in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on the Bonds, when due, as required by the Indenture. We do not, however, express any opinion nor make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

THE BONDS ARE FURTHER SECURED BY the Indenture whereunder the Trustee is custodian of the Debt Service Fund and the Rebate Fund (created in the Indenture), and the Trustee is obligated to enforce the rights of the Issuer and the owners of the Bonds and to perform other duties, in the manner and under the conditions stated in the Indenture; and it is our further opinion that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer, and that it is a valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its terms and conditions.

IT IS FURTHER OUR OPINION that the Agreement has been duly and lawfully authorized, executed, and delivered by the Issuer, and the Agreement is the valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its terms and conditions; and we are relying on the aforesaid opinion of Counsel of the Borrower to the effect that the Agreement has been duly and lawfully authorized, executed, and delivered by the Borrower.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, and the Bonds are payable solely from the sources described in the Indenture, the Agreement and the Note, and are not payable from any other funds or resources of the Issuer; and the Bonds and the interest thereon do not constitute, and shall never be considered as, obligations of the State of Texas, or of the City of Windthorst, Texas or any other agency or political subdivision of the State of Texas.

THE ISSUER has reserved the right, subject to the restrictions stated in the Indenture, to issue additional parity revenue bonds ("Additional Bonds") which, when issued and delivered, together with the redemption premium, if any, and interest thereon, shall be payable from and secured by a lien on and pledge of Loan Payments and the Trust Estate pursuant to the Agreement and the Indenture; in the same manner and to the same extent as, and be on a parity with, all then outstanding Bonds and Additional Bonds.

THE INDENTURE PERMITS, with certain exceptions as therein provided, the amendment thereof at any time by the Issuer with the consent of the registered owners of not less than 51% in aggregate principal amount of all Bonds and Additional Bonds at the time outstanding.

THE OPINIONS HEREINBEFORE EXPRESSED are qualified to the extent that the obligations of the Borrower, the Trustee, and the Issuer, and the enforceability thereof, with respect to the Bonds, the Agreement, the Note, the Bond Resolution and the Indenture are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and to general principles of equity which may limit the availability of equitable remedies.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners 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" (other than "qualified 501(c)(3) 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 our opinion as to the exclusion of interest on the Bonds from the gross income of the owners as described above, we have relied upon, and assumed compliance by the Borrower and the Issuer with, the representations, covenants and agreements of the Issuer and the Borrower in the Loan Agreement, and information furnished by and on behalf of the Issuer and the Borrower and particularly certificates and representations of officers and representatives of the Issuer and the Borrower with respect to certain material facts which are solely within their knowledge relating to the proposed use of the proceeds of the Bonds that affect such exclusion. Further, we have relied upon, and assumed to be correct, an opinion of Counsel to the Borrower to the effect that the Borrower is an organization described in section 501(c)(3) of the Code. We call your attention to the fact that failure by the Issuer or the Borrower to comply with such representations, covenants and agreements may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds. In addition, we have relied upon the report of Causey Demgen & Moore P.C., with respect to certain arithmetical and mathematical computations relating to the Bonds and the obligations refunded with the proceeds of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations such as the Bonds will be 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.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer 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. 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. 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 Issuer or the Borrower, 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 Borrower as to the availability and sufficiency of funds to make the Loan Payments. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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 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 Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its 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.

Respectfully,

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